Prospectus

Initial public offering of ordinary shares
in Metro Performance Glass Limited

7 July 2014 (as amended on 15 July 2014)

FORSYTH BARR MACQUARIE UBS

METRO
PERFORMANCE GLASS

Important notice

This Prospectus has been prepared in accordance with the Securities Act and the Securities Regulations (as modified by the Securities Act (Metro Performance Glass Limited) Exemption Notice 2014), relating to the offer of new ordinary shares (**Offer Shares**) in Metro Performance Glass Limited (**Metroglass**) by Metroglass (the **Offer**). It is prepared as at and dated 7 July 2014 (as amended by an instrument to amend dated 15 July 2014).

The purpose of this Prospectus is to provide certain key information that is likely to assist you to decide whether or not to acquire the Offer Shares.

This Prospectus is an important document and should be read carefully before deciding whether or not to invest in Metroglass. You should be aware that other important information about Metroglass, the Offer Shares and the Offer is set out in other documents, including the Constitution and the Investment Statement.

No one is authorised to give any information or make any representation in connection with this Offer which is not contained in this Prospectus, the Investment Statement or in other communications from Metroglass. You should not rely upon any information or representation which is not contained within this Prospectus or the Investment Statement or which has not been specifically authorised by Metroglass.

This Prospectus, including the industry overview, presents market data, industry forecasts and projections. Metroglass has obtained significant portions of this information from market research prepared by Partners in Performance; Building Research Association of New Zealand (**BRANZ**); Infometrics; and Statistics New Zealand. There is no assurance that any of the forecasts contained in the reports, surveys and research of these parties will be achieved. Metroglass has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 8 *What are my risks*?

If you are in any doubt as to any aspect of the Offer, you should consult your financial or legal adviser or an NZX Firm or Broker.

You should seek your own taxation advice on the implications for you of an investment in the Offer Shares.

No guarantee
No person guarantees the Offer Shares offered under this Prospectus. No person warrants or guarantees the performance of the Offer Shares or any return on any investments made pursuant to this Prospectus.

Registration
A copy of this Prospectus, duly signed by or on behalf of the Directors of Metroglass and the Promoter for the purposes of the Securities Act, and having endorsed thereon or attached thereto copies of the documents and other materials required by section 41 of the Securities Act, has been delivered to the Registrar of Financial Service Providers for registration in accordance with section 42 of the Securities Act.

The documents required by section 41 of the Securities Act to be endorsed on or attached to the copy of this Prospectus delivered to the Registrar of Financial Service Providers are:

- the report of the Auditor in respect of certain financial information included in this Prospectus, as set out in this Prospectus;
- the signed consent of the Auditor to the audit report appearing in this Prospectus;
- the signed consent of the Investigating Accountant to the investigating accountant's report appearing in this Prospectus;
- copies of the material contracts referred to under the heading "Material contracts" in Section 12 *Statutory Information of this Prospectus* on pages 140–141; and
- any authorities to an agent to sign this Prospectus under section 41(1)(b) of the Securities Act.

Consideration period
Pursuant to section 43C of the Securities Act, the Financial Markets Authority will be notified once this Prospectus is registered with the Registrar of Financial Service Providers. The Financial Markets Authority will

have the opportunity to consider whether this Prospectus: (a) complies with the Securities Act and the Securities Regulations; (b) contains any material misdescription or error or any material matter that is not clearly legible; or (c) is false or misleading as to a material particular or omits any material particular. Nothing in this section or in any other provision of the Securities Act limits the Financial Markets Authority's power to consider or reconsider these matters in respect of this Prospectus at any time.

To avoid any doubt, the Financial Markets Authority has not approved, and will not at any time approve, the Offer or this Prospectus and does not guarantee the Offer Shares.

The Financial Markets Authority may, if it considers that it is desirable in the public interest, exercise its powers to: (a) make an order prohibiting the allotment of the Offer Shares under this Prospectus for a period not exceeding 18 months; and/or (b) cancel the registration of this Prospectus. If the Financial Markets Authority makes an order prohibiting the allotment of the Offer Shares under this Prospectus, no allotment may be made of any Offer Shares subscribed for (whether before or after the order is made) during the period in which the order is in force and all subscriptions received for the Offer Shares that have not been allotted before the order is made must be immediately repaid to subscribers. If the Financial Markets Authority cancels the registration of this Prospectus, no allotment may be made of any Offer Shares subscribed for (whether before or after the order is made) and all subscriptions received for Offer Shares that have not been allotted before the cancellation must be immediately repaid to subscribers.

The nature and extent of the consideration (if any) that the Financial Markets Authority gives to this Prospectus is at the Financial Markets Authority's discretion. Pursuant to section 43D of the Securities Act, no allotment of the Offer Shares may be made and no Applications or subscriptions for the Offer Shares may be accepted during the Financial Markets Authority's consideration period. The consideration period commences on the date this Prospectus is registered and ends at the close of five working days after the date of registration. The Financial Markets Authority may shorten the consideration period, or extend it by no more than five additional working days.

Selling restrictions

The Retail Offer is being made to members of the public in New Zealand and Australia and the Institutional Offer is being made to selected Institutional Investors in New Zealand, Australia and certain other jurisdictions (excluding the United States and any persons who are, or are acting for the account or benefit of, US Persons).

This Prospectus is intended for use only in connection with the proposed Offer and does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been, or will be, taken to register this Prospectus in any jurisdiction other than New Zealand and Australia or otherwise permit a public offering of the Shares outside of New Zealand.

You may not offer, sell (including resell), deliver or invite any other person to so offer, sell (including resell) or deliver any Offer Shares or distribute any documents (including this Prospectus) in relation to the Offer Shares to any person outside New Zealand or Australia, except in accordance with all of the legal requirements of the relevant jurisdiction.

Unless otherwise agreed with Metroglass, by applying for the Offer Shares under the Offer you will, by virtue of such Application, be deemed to represent that you are not in a jurisdiction which does not permit the making to you of an offer or invitation of the kind described in this Prospectus and are not acting for the account or benefit of a person within such a jurisdiction.

None of Metroglass, Metroglass Holdings, the Promoter, nor any of their respective directors, officers, employees, consultants, agents or advisers accepts any liability or responsibility to determine whether a person is able to participate in the Offer.

Risk and suitability of an investment in Metroglass

This Prospectus does not take into account each investor's investment objectives, financial situation and particular needs. You should read this Prospectus in full before deciding whether to invest. In particular, you should consider the risk factors that could affect the performance of the Shares, particularly with regard to your personal circumstances. If you are in any doubt as to any aspect of the Offer you should consult your financial or legal adviser or an NZX Firm or Broker.

Authorised Financial Advisers must operate by the Code of Professional Conduct for Authorised Financial Advisers. The Code sets minimum standards of competence, knowledge and skills, of ethical behaviour, and of client care. An Authorised Financial Adviser is able to provide you with personalised advice on an investment decision relating to the Offer Shares.

Prior to giving you any recommendations, an Authorised Financial Adviser is required to analyse the Shares to a level that provides a reasonable basis for any such recommendations (including relying on the analysis of another person, upon whose analysis it is reasonable to rely in all the circumstances).

Forward-looking statements

This Prospectus contains certain statements that relate to the future, including, in particular, the information set out in Section 9.4 *Prospective Financial Information* of this Prospectus. Forward-looking statements should be read together with the other information in this Prospectus, and the Investment Statement, including the risk factors in Section 8 *What are my risks?* of this Prospectus and the assumptions and the sensitivity analysis set out in Section 9.4 *Prospective Financial Information* of this Prospectus.

Such forward-looking statements are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other factors, many of which are beyond the control of Metroglass and which may cause the actual results, performance or achievements of the Offer Shares to differ materially from those expressed or implied by such statements.

Definitions

Capitalised terms used in this Prospectus have the specific meaning given to them in the Glossary (including certain industry specific terms with which you may not be familiar). If you do not understand the technical terms used in this Prospectus, please refer to the *Key terms used in this Prospectus*, on pages 9–10 of this Prospectus and to Section 13 *Glossary* on pages 145 to 150 of this Prospectus at the back of this document.

Unless otherwise indicated, $ refers to New Zealand Dollars, A$ refers to Australian Dollars and all references to times and dates are to times and dates in New Zealand.

This Prospectus refers to various legislation in force in New Zealand as at the date of this Prospectus. You can view free of charge copies of any such legislation online at www.legislation.govt.nz.

Servicing New Zealand


METRO
PERFORMANCE GLASS

Contents

Metroglass snapshot

Metroglass is the largest value added glass processor in New Zealand[1]. It processes over two million square metres of glass products per year.

Metroglass produces a range of customised glass products that are predominantly used in residential and non-residential construction applications such as windows, doors, internal partitions, balustrades, facades, showers, mirrors, furniture and splashbacks.

Metroglass has national coverage through 17 decentralised sites, including five major processing sites, a fleet of over 260 service vehicles and more than 700 employees across New Zealand.

Further information about the Metroglass business can be found in Section 6 *Business description*.

[1] Based on industry interviews, publicly available import data and financial information as analysed by Partners in Performance and reported on in the Partners in Performance Report.

Key terms used in this Prospectus

KEY TERMS USED IN THIS PROSPECTUS

An explanation of key terms and common abbreviations used in this Prospectus are set out below. Please also see the *Glossary* in Section 13 of this Prospectus (pages 145 to 150).

Common industry terms used:

- **DGUs** means **Double Glazed Units**. A DGU involves matching two panes of glass, inserting a spacer bar and a drying agent and sealing the glass together
- **DIFOT** means **Delivery In Full On Time** and is a measure of customer service levels. Metroglass measures DIFOT by the proportion of vehicles that leave the factory within 24 hours of the required day of delivery with the full customer order of glass
- **Custom laminates** is a type of safety glass that holds together when shattered. In the event of breaking, it is held in place by an interlayer, typically of EthylVinylAcetate (**EVA**), between its two or more layers of glass. The interlayer keeps the layers of glass bonded in, even when broken, and its high strength prevents the glass from breaking up into large sharp pieces
- **Float glass** is large glass sheets made by floating molten glass on a bed of molten metal, which is the raw commodity purchased by Metroglass and other participants in New Zealand's value added glass processing market
- **Glazing** means the installation of a window or glass
- **Just-in-time basis** is a reference to the short lead times from submitting an order to the delivery of the glass
- **Low-e glass** is **Low emissivity glass**, which is a glass product with certain thermal qualities that is used in energy efficient windows
- The **New Zealand construction industry** or **industry** (or other equivalent term) is a reference to the New Zealand residential and non-residential construction industry (excluding infrastructure)
- **Value added glass processing** is a reference to processing imported float glass to add value, including cutting, edgework, toughening, laminating and printing
- **WPIP** means **Work Put In Place** which is an industry metric that measures the estimated value of building activity completed in buildings that require a building consent

FINANCIAL TERMS USED

- **1H** is a reference to the first half of Metroglass' financial year (i.e., the six month period ending on 30 September). For example, "1H16F" means the six month period ending on 30 September 2015
- **8M15F** is a reference to the last eight months of Metroglass' financial year ending 31 March 2015, being the portion of that financial year between the expected Listing Date and the balance date
- **CAGR** means the compound annual growth rate, which is the rate at which something (for example, revenue) grows over a period of years, taking into account the effect of annual compounding. Unless otherwise stated, CAGR calculations are based on nominal values (i.e., inclusive of cost and price movements)
- **DPS** means dividend per share
- **EBITA** means earnings before net finance expense, tax and amortisation of intangibles
- **EBITDA** means earnings before net finance expense, tax, depreciation of tangible assets and amortisation of intangibles
- **EPS** means earnings per share
- The inclusion of **F** after a reference to a financial period is an indication that it is a forecast period. For example, "FY15F" means the financial year ending on 31 March 2015, which is a forecast period
- **FY** refers to "financial year". Metroglass' balance date is 31 March, so for example, "FY13" or "FY2013" means the financial year ended on 31 March 2013
- **LTM** means last 12 months
- Information that is presented on a **nominal** basis has not been adjusted for any inflation in the relevant years
- **NPATA** means net profit after tax before the amortisation of acquisition related intangibles and its associated tax effect
- A reference to **operating leverage** is a reference to being able to grow profits faster than revenue
- **PF** refers to financial information being presented on a Pro Forma basis. For example, "FY14PF" means the financial year ended on 31 March 2014" prepared on a Pro Forma basis. An explanation of Metroglass' use of Pro Forma financial information is set out in Section 2 *Offer at a glance* under the heading "Metroglass' financial information"
- **PFI** means the prospective financial information included in Section 9.4 *Prospective Financial Information* of this Prospectus
- The **Prospective Period** means the period from 1 April 2014 to 30 September 2015

Offer at a glance

This is an initial public offering of Shares in Metro Performance Glass Limited.

PURPOSE OF THE OFFER AND USE OF PROCEEDS

The primary purpose of the Offer is to enable Metroglass to purchase all of the shares in Metroglass Holdings from the Selling Shareholders and Senior Management, providing an opportunity for those parties to realise a portion of their investment in Metroglass Holdings.

In addition, the Offer will have ancillary benefits for Metroglass, including providing it access to capital markets, increasing its profile, reducing debt levels and providing an opportunity for it to broaden its investor base.

The consideration to be given by Metroglass for the shares in Metroglass Holdings will be a combination of cash and Shares. The proceeds of the Offer will be $244.2 million and will be used to pay that cash consideration ($230.5 million), pay costs associated with the Offer ($10.9 million) and reduce the Metroglass Group's debt levels ($2.8 million).

On completion of the Offer, the Selling Shareholders and Senior Managers will own 22.4% of the total Shares on issue between them.

Please see Section 10 *Details of the Offer* for further details regarding the purpose of the Offer, sources and uses of funds and the proposed shareholding structure of Metroglass before and after the Offer.

OFFER STRUCTURE

The Offer comprises the Retail Offer and the Institutional Offer. The Retail Offer in turn comprises the Broker Firm Offer and the Employee Offer. Please see Section 10 *Details of the Offer* for further details of the Offer structure.

Your decision whether or not to invest in Shares should be based on your consideration of this Prospectus and the Investment Statement taken as a whole and not just this section, which provides an overview of the Offer.

As with any investment, there are risks associated with an investment in the Shares. Therefore, in particular, you should consider the risk factors that could affect Metroglass' performance described in Section 8 *What are my risks?*

KEY DATES

Monday 7 July 2014
PROSPECTUS REGISTERED

Tuesday 15 July 2014
BROKER FIRM OFFER OPENING DATE

Monday 28 July 2014, 12.00 noon
BROKER FIRM OFFER CLOSING DATE

Tuesday 29 July 2014
ALLOTMENT DATE

Tuesday 29 July 2014
EXPECTED DISPATCH OF HOLDING STATEMENTS

Wednesday 30 July 2014
EXPECTED COMMENCEMENT OF TRADING ON THE NZX MAIN BOARD AND ASX

July 2015
EXPECTED PAYMENT OF FIRST DIVIDEND

This timetable is indicative only and the dates may change. Metroglass, in conjunction with the Joint Lead Managers, reserves the right to vary or extend these dates. Metroglass may also withdraw the Offer at any time before the Allotment Date or accept late Applications (either generally or in individual cases).

KEY OFFER STATISTICS

The following table highlights key Offer statistics and should be read in conjunction with Section 10 *Details of the Offer*.

Offer Price	**$1.70**
Number of Shares being offered under the Offer	**143.7 million**
Gross proceeds from the Offer	**$244.2 million**
Number of Shares held by the Selling Shareholders[2] upon completion of the Offer	**34.3 million (being 18.5% of the number of Shares on issue upon completion of the Offer)**
Number of Shares held by Senior Management upon completion of the Offer	**7.1 million (3.8%, 75% of their current investment)**
Number of Shares on issue on completion of the Offer	**185.0 million**
Indicative market capitalisation [3]	**$314.6 million**
Net debt on completion of the Offer [4]	**$50 million**
Indicative enterprise value (**EV**) [5]	**$364.6 million**

SELECTED FINANCIAL INFORMATION

Metroglass' financial information

Unless otherwise noted, all of the financial information presented in this Prospectus is shown on a Pro Forma (**PF**) basis. Metroglass believes this Pro Forma information more closely reflects the Metroglass Group's post-Offer organisation and provides a better basis for investors to assess both historical and prospective financial information. Metroglass has made Pro Forma adjustments for Auckland plant and lease costs, forecast one-off listing costs and forecast publicly listed company costs. For a full explanation of the term Pro Forma, the adjustments Metroglass has made to its financial information and why these adjustments have been made, please see Section 9 *Financial Information* under the heading "Explanations of Pro Forma adjustments"

The following table shows selected summary financial information for Metroglass. Wherever PFI appears in this Prospectus you should read that financial information together with the assumptions in Section 9.4 *Prospective Financial Information* and also the risk factors set out in Section 8 *What are my risks?*. There is no guarantee that the results set out in the PFI will be achieved.

[2] Details of Selling Shareholders' respective holdings after completion of the Offer are set out in Section 10.1 *The Offer*. The Selling Shareholders are largely unrelated organisations who are not expected to act in concert in respect of their holdings of Shares following completion of the Offer.
[3] The market capitalisation of Metroglass, based on the Offer Price multiplied by the number of Shares on issue on completion of the Offer.
[4] Net debt on completion of the Offer is equal to total debt upon completion of the Offer of $55.0 million less cash and cash equivalents of $5.0 million.
[5] Enterprise value (**EV**) is equal to the sum of the indicative market capitalisation and the net debt position on completion of the Offer.

$ million (unless otherwise noted)	Historical			Prospective	
	FY2012PF	FY2013PF	FY2014PF	FY2015PF[6]	Sep-15F LTM
	12 months ended 31 March 2012	12 months ended 31 March 2013	12 months ended 31 March 2014	12 months ending 31 March 2015	12 months ending 30 September 2015
Revenue	126.9	135.6	155.4	171.9	182.3
EBITDA	15.0	22.3	31.5	37.5	42.5
EBITA	9.0	17.8	27.1	33.2	36.8
NPATA				21.7	24.3
NPATA per Share (cps)				11.7	13.1
EPS (cps, based on net profit (statutory))				7.7	11.4
DPS (cps)[7]				3.6	7.7
Net Profit (Statutory)	8.8	8.3	12.0	14.3	21.2

You can find an explanation of trends in financial information and of Pro Forma EBITDA and Pro Forma NPATA, and why Metroglass uses these non-GAAP measures of financial performance, in Section 9 *Financial Information*. A reconciliation of statutory Net Profit to Pro Forma EBITDA, Pro Forma EBITA and Pro Forma NPATA is also included in Section 9.3 *Reconciliation of Non-GAAP Financial Information*.

Pro Forma financial information for the twelve month period to 30 September 2015 has been included to show the last twelve months of the Prospective Period, to allow comparison with the other twelve month periods. It represents a combination of the last six months of FY2015F and the first six months of FY2016F.

KEY INVESTMENT METRICS

These metrics are provided to help you assess the value of Metroglass. The calculations are explained in the table set out at the end of Section 13 *Glossary*.

	Forecast	
Investment metric	FY2015 PF	12 months to Sep-15 F
Enterprise Value / EBITDA	9.7x	8.6x
Enterprise Value / EBITA	11.0x	9.9x
Market Capitalisation / NPATA	14.5x	12.9x
Cash Dividend Yield [8]	2.1%	4.5%
Gross Dividend Yield [9]	3.0%	6.3%

[6] As Metroglass was incorporated on 30 May 2014, its statutory financial statements ending 31 March 2015 will be in respect of an eight month period. A Pro Forma twelve month period is shown here for comparative purposes. However, as a result, the statutory financial statements for the year ending 31 March 2015 will not correspond to the forecast financial information shown here.
[7] Dividends are payable at the discretion of the Board and are subject to legal tests being met. Metroglass' dividend policy is set out in Section 10.7 *About the Shares*.
[8] Forecast dividend for FY2015 to be paid in May 2015 in respect of the eight month period from allotment to 31 March 2015. Dividends are payable at the discretion of the Board and are subject to legal tests being met. Metroglass' dividend policy is set out in Section 10.7 *About the Shares*. The FY2015 PF Cash Dividend Yield is not annualised.
[9] Gross dividend yield calculated based on the forecast dividend in each of FY2015 PF (3.6 cents/share) and Y/E Sep-15 F (7.7 cents/share) grossed up for full imputation credits at the New Zealand corporate tax rate of 28%. The FY2015 PF Gross Dividend Yield is not annualised.

Letter from the Chairman

Sir John Goulter
Chairman

Dear Investor,

On behalf of the Board, it is my pleasure to invite you to become a Shareholder in Metro Performance Glass Limited.

Metroglass is the New Zealand market leader in the value added glass processing market with more than 50% market share[10] and is twice the size of its nearest competitor by market share. Metroglass' market leadership is supported by a number of competitive advantages that have been developed over the past 27 years, including its high customer service standards, manufacturing capability and scale, distribution footprint, product offering and glazing capability.

Since the current shareholders gained control in January 2012, Metroglass has been focused on preparing for the expected uplift in construction activity. It has built out its management capability, invested in increased production capacity and automation and improved the operating cost structure while maintaining its high customer service levels. In particular, around $20 million has been invested over the past three years to successfully increase automation at the Christchurch facility, develop custom lamination capability and upgrade the transport fleet of Metroglass. Management is also working towards the consolidation of Metroglass' five existing Auckland sites into a new purpose built facility, targeted for completion in March 2015, which is forecast to bring further operational savings in the medium-term[11].

The New Zealand value added glass processing market is forecast to grow, driven in particular by the expansion of the residential construction market and the improving commercial construction market. Whilst the New Zealand construction market is cyclical by nature, residential construction activity is forecast to exceed historical averages over the medium term, buoyed by economic growth, net migration flows, the stimulus of the Christchurch rebuild and the reversal of the below average level of building activity over the past six years since the global financial crisis.

In addition to market growth, Metroglass is focused on growing its revenue through initiatives related to retrofitting existing houses with double glazed units and increasing the prevalence of higher performance glass in the market (Low-e glass and custom laminates).

Metroglass has converted its competitive position into strong financial performance. From FY12 to FY14, Metroglass' Pro Forma revenue and Pro Forma EBITDA[12] increased at a compound annual growth rate of 11% and 45% respectively. Furthermore, the Board believes that Metroglass is well placed to deliver earnings growth over the Prospective Period.

This Prospectus contains detailed information about the Offer, the New Zealand construction industry in which Metroglass operates, and Metroglass' operating and financial performance. Metroglass is subject to a range of risks, including exposure to a downturn in the New Zealand construction market and execution of its new plant and equipment projects. If these or any other material risks eventuate, it may have an adverse impact on Metroglass' earnings. I encourage you to read this Prospectus carefully and in particular Section 8 *What are my risks?* before making your investment decision.

The Board and management are excited about the future for Metroglass. On behalf of the Board, I look forward to welcoming you as a Shareholder.

Yours sincerely,

Sir John Goulter, | KNZM, JP
Chairman.

[10] Based on industry interviews, publicly available import data and financial information as analysed by Partners in Performance and reported on in the Partners in Performance Report.
[11] After the Prospective Period.
[12] See Section 9.2 *Overview of Metroglass' financial information* for an explanation of Pro Forma revenue and Pro Forma EBITDA.

Investment highlights

01 Market position

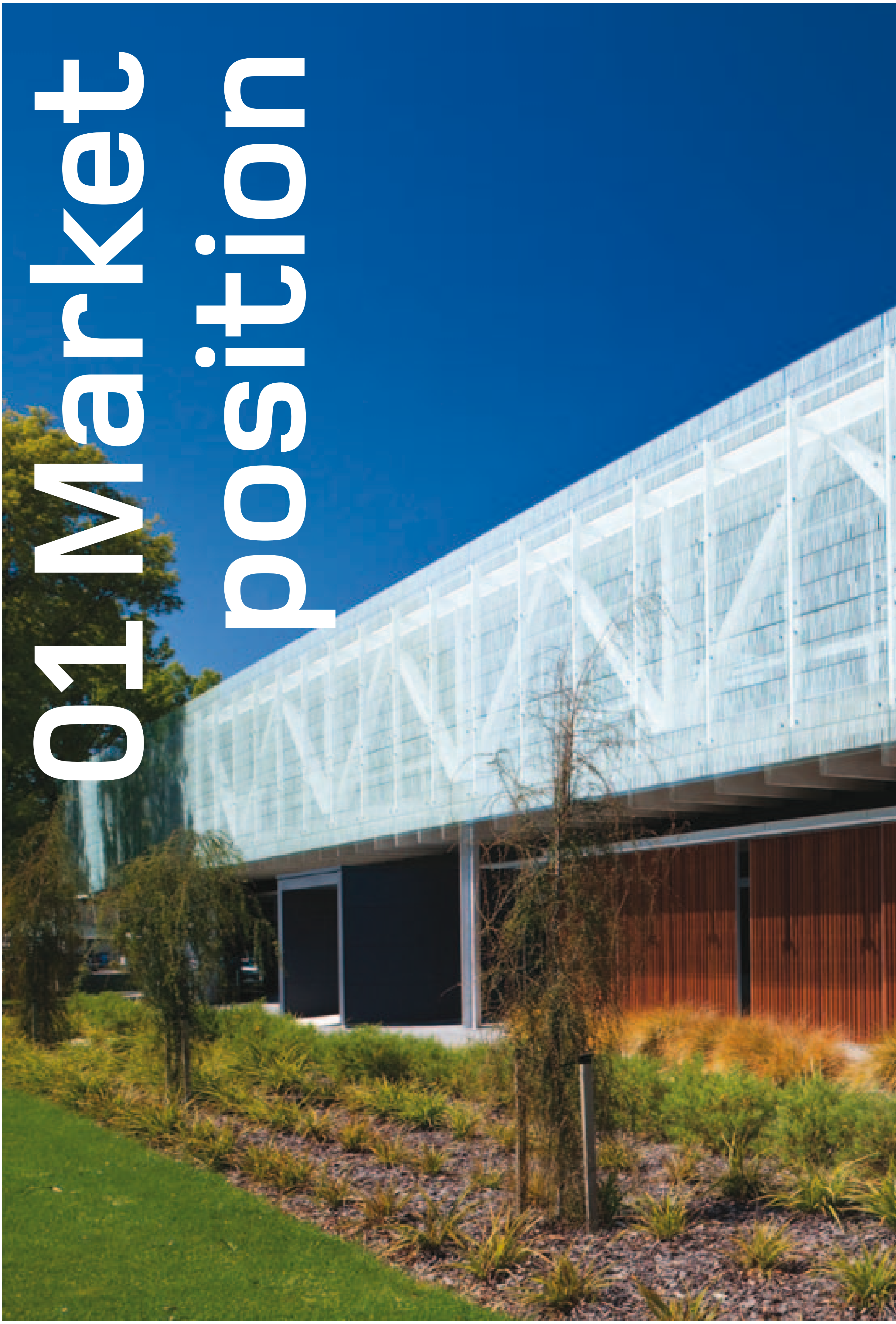
02 Growth

03 Investment

04 Performance

05 Experience

01 Market position



Leading market position with more than 50% market share[13]

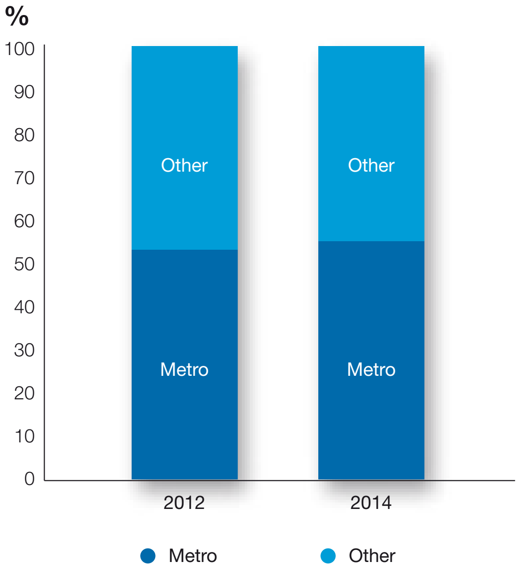
Metroglass has a market share of more than 50% of the value added glass market in New Zealand[13]. This is approximately double the size of its next largest competitor.

Metroglass has established this leading market position through investing in:

- a national distribution network which focuses on customer service and Delivery In Full On Time (**DIFOT**);
- a strong logistics capability with more than 260 service vehicles;
- over 150 glazing (installation) staff to assist with customer service (more than 700 employees in total);
- automation and processing capability to allow Metroglass to efficiently deliver customised products within short lead times; and
- a comprehensive range of value added glass products.

FIGURE 1:

Value added glass market: estimated market share[13]



Note 1: As at 31 March in the relevant years.

For further information about Metroglass' position in the New Zealand value added glass market, refer to Section 5.6 *Market size and share* and Section 6 *Business Description*.

[13] Based on industry interviews, publicly available import data and financial information as analysed by Partners in Performance and reported on in the Partners in Performance Report prepared for Metroglass dated 6 June 2014.

FIGURE 2:

Metroglass' distribution network

Metro Performance Glass

Head Office
Unit E, 15 Kerwyn Ave East
Tamaki
Auckland

Central Auckland
17-19 Patiki Road Avondale
Auckland
(09) 815 1199

South Auckland
24-36 Lady Ruby Drive
East Tamaki
Auckland
(09) 274 1030

Bay of Plenty
88 Portside Drive Mt
Maunganui
Bay of Plenty
(07) 575 5503

Wellington
18 Jamaica Drive
Grenada North
Wellington
(04) 232 9920

Christchurch
700 Halswell Junction Road
Hornby
Christchurch
(03) 348 4184

MFG (Metro Frameless Glass)

Penrose
Unit O, 35 Maurice Rd
Penrose
Auckland
(09) 622 2643

Retrofit

North Harbour
6B Parkhead Place
Rosedale 0632
Auckland
(09) 415 0470

Metro Direct & Retrofit

Whangarei
28 Porowini Ave
Whangarei
(09) 438 9399

Hamilton
32 The Boulevard
Te Rapa Park
Hamilton
(07) 850 6371

Napier
9 Niven Street
Onekawa
Napier
(06) 843 3777

Palmerston North
193 John F Kennedy Drive
Palmerston North
(06) 354 2071

Taranaki
159 Gill Street
New Plymouth
(06) 758 8366

Nelson
146 Tahunanui Drive
Nelson 7011
(03) 546 5365

Cromwell
Ree Crescent
Cromwell
Central Otago
(03) 445 4530

Dunedin
140 Portsmouth Drive
Dunedin
(03) 477 9485

Christchurch Glass & Retrofit

Christchurch
35 Hammersmith Drive
Wigram
Christchurch
03) 343 5103

AUCKLAND

Currently two production sites with combined

– 11,689m^2 of manufacturing/warehouse
– 1,754m^2 of office space

and three distribution sites (including Head Office and Bulk Store)

To be consolidated in FY15

BAY OF PLENTY

– 3,826m^2 of manufacturing
– 634m^2 of office space

WELLINGTON

– 4,805m^2 of manufacturing/warehouse
– 764m^2 of office space

CHRISTCHURCH

– 8,374m^2 of manufacturing
– 955m^2 of office space

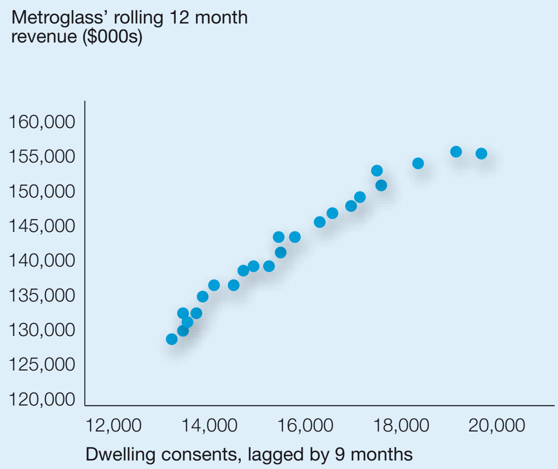
Note 1: The Christchurch facility is located in South / West Christchurch which was not as significantly affected by the recent earthquakes as other areas.


Head Office and bulk glass store
Central Auckland
South Auckland
Penrose
North Harbour
Whangarei
Bay of Plenty
Hamilton
Taranaki
Hawke's Bay
Palmerston North
Nelson
Wellington
Christchurch
Cromwell
Dunedin
KEY
Upper North Island (UNI)
Lower North Island (LNI)
South Island (SI)
Metro Distribution Sites
Metro Processing Sites

02 Growth

FIGURE 3:

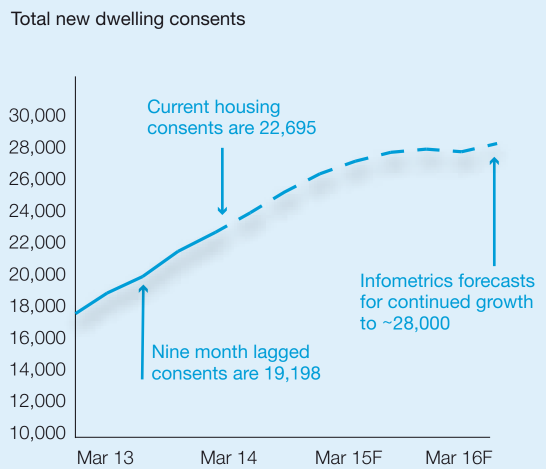
Metroglass rolling 12 month sales (monthly for last two years) vs. rolling 12 month dwelling consents (lagged by 9 months[15])



Source: Company information, Statistics New Zealand (April 2012 – April 2014).

FIGURE 4:

Historic and forecast dwelling consents activity



Source: Infometrics, rolling 12 month consents (March 2013 – March 2016, Forecast released July 2014).

Construction market expected to grow

Metroglass' revenue is primarily derived from general construction activity. The New Zealand construction market is expected to enter a multi-year growth period which is supported in both the short and medium term[14]:

Short term: In the nine months to April 2014, the number of new dwelling consents has increased by around 18%, taking the rolling 12 month total dwelling consents to 22,695. Given that it typically takes six to 12 months from the issue of a dwelling consent to the installation of glass in a new house, this increase indicates material growth in glass demand from residential houses in the short term;

Medium term: Market growth is also indicated by strengthening New Zealand economic conditions, the Christchurch earthquake rebuild, favourable population and housing demand trends, currently supportive government policies (such as the Auckland Housing Accord) and trends towards using more glass in residential and commercial buildings.

"Nationwide construction spending is expected to rise as a share of GDP, to a level similar to that in the mid-2000s, and remain strong for several years."

The Reserve Bank of New Zealand (RBNZ): Monetary Policy Statement March 2014

For further information about the anticipated trends in the New Zealand construction market, refer to Section 5 *Industry Overview*.

[14] Expectation based on RBNZ and Infometrics statements and data, as further described in Section 5.4 *Forecasts for the New Zealand Construction Market*.

[15] Housing consents being "lagged by nine months" means that each individual housing consent is assumed to have been issued nine months after it was actually issued. Because Metroglass' experience is that it typically takes six to 12 months from a consent being issued and the installation of glass, Metroglass uses lagged consent data when calculating the correlation between consents and its expected revenue.

03 Investment

Construction of Metroglass' new site in Highbrook Business Park, Auckland.

Investment in growth opportunities

Metroglass is investing in marketing and product opportunities to allow it to grow the value added glass processing market over time. These investments include developing a targeted marketing approach to drive retrofitting existing houses with double glazed windows and selling higher value processed glass such as Low-e glass and custom laminates. These initiatives are designed to rebalance Metroglass' revenue to be less reliant on the construction of newly built houses.

In the past three years, Metroglass has invested around $20 million to improve its operational efficiency. These investments include increased automation of its Christchurch production facility, upgrading its transport fleet, and progressing towards the consolidation of Metroglass' existing five Auckland sites into a new purpose-built facility (targeted to be operational in January 2015[16]). Metroglass believes these investments will generate material efficiency and capacity improvements over time.

For further information about Metroglass' long term growth opportunities, refer to Section 6 *Business Description*, in particular Section 6.12 *Growth Strategy*.

FIGURE 5:

Upgraded Christchurch site

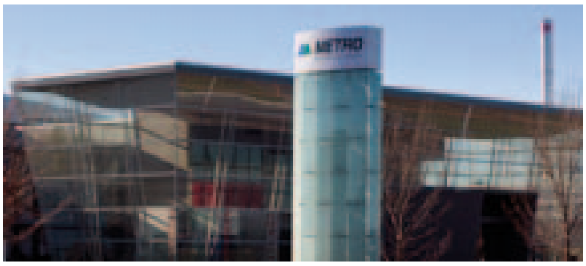


FIGURE 6:

Planned new Auckland site (Completion targeted for March 2015[16])

FIGURE 7:

Key drivers of growth

A. Construction market growth	Historical underbuild		Favourable economic conditions	Net migration trends	Cyclical
B. Structural market improvements	Christchurch earthquake rebuild	Auckland Housing Accord and Unitary Plan	Increasing glass penetration	Trend towards higher value performance glass	Structural
C. Site optimisation	Christchurch automation		Auckland optimisation	Efficiency improvements (lean manufacturing)	Metroglass initiatives
D. New market segments	Retrofit	Low-e	Laminates	Image glass	

For further information about Metroglass' long term growth opportunities, refer to Section 6 *Business Description*, in particular Section 6.12 *Growth Strategy*.

[16] The new Auckland facility is expected to be operational in January 2015 and completed in March 2015.

04 Performance

Metroglass is forecast to grow Pro Forma revenues and Pro Forma EBITDA to $182.3 million and $42.5 million respectively[1]

Strong financial profile

Metroglass' market position and capital investment have supported strong financial performance over the past three years. From FY12 to FY14 Pro Forma revenue and Pro Forma EBITDA increased at a compound annual growth rate (**CAGR**) of 11% and 45% respectively.

Metroglass is forecast to grow Pro Forma revenues and Pro Forma EBITDA to $182.3 million and $42.5 million respectively in the 12 months to September 2015.

FIGURE 8:

Metroglass' revenue ($000s)

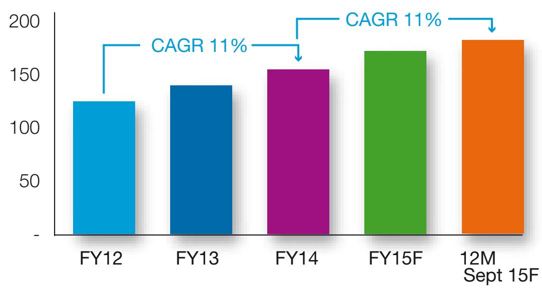
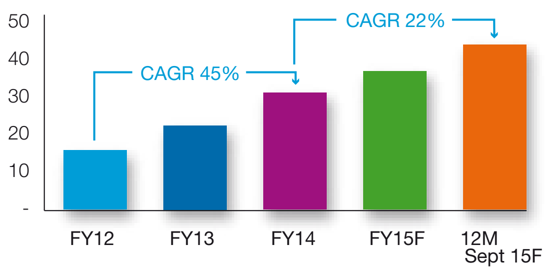


FIGURE 9:

Metroglass' Pro Forma EBITDA ($000s)



For further information about Metroglass' financial performance and prospects, refer to Section 9 *Financial Information*.

Note 1: For the 12 months ended 30 September 2015.

05 Experience

Experienced management team

Metroglass is led by its Chief Executive Officer, Nigel Rigby, who has extensive international building materials experience (including his prior role as Executive General Manager – USA for James Hardie). The Chief Executive Officer has a track record of product innovation, market development, maintaining operational discipline and successful site upgrades.

Metroglass' operational management has deep industry experience. The average tenure of the three Regional Managers and the General Manager Operations at Metroglass is 13 years. The Senior Management team is supported by a workforce of more than 700 staff.

David Carr
Chief Financial Officer

Geoff Rasmussen
General Manager, Operations

For further information about Metroglass' Senior Management team, refer to Section 7.2 *Metroglass' Senior Management Team*.

Industry overview

5.1 INTRODUCTION

Metroglass operates in the value added glass processing market in New Zealand, which is a sub-segment of the broader construction industry. This market imports float glass (large glass sheets made by floating molten glass on a bed of molten metal) and converts it into double glazed units (**DGUs**), glass for single glazed windows, and other end use applications including shower screens, balustrades, splashbacks, furniture, mirrors and commercial facades. It excludes the manufacture of float glass (there is no manufacture of float glass in New Zealand) and the conversion of glass or DGUs into complete windows (which is generally undertaken by window manufacturers).

Metroglass sells value added glass products to the New Zealand residential and non-residential construction industry. Statistics New Zealand estimates the construction industry to be a $13 billion market (5.8% of the New Zealand GDP) and Statistics New Zealand data shows that it has grown at a 5.6% (nominal) CAGR from March 1994 to March 2014. The value added glass processing market is a small segment within the residential and non-residential construction market and in FY14 represented approximately $300 million in annual sales[17].

Key characteristics of the value added glass processing market include:

- **The importance of customisation:** The New Zealand construction industry does not have broadly accepted standardised window sizes or specifications. The size, colour and shape of windows are generally customised.
- **Short lead times:** Window manufacturers and glaziers in New Zealand generally expect a three day turnaround from submitting an order to the delivery of the glass.
- **Importance of DGUs:** The New Zealand Building Code introduced new regulations to encourage increased energy efficiency that has led to DGUs becoming relatively standard in new houses. Manufacturing a DGU is more complex than processing single glass panes and requires increased automation to enable production at a low cost with short lead times.
- **The geographical spread of the market:** Approximately 50% of New Zealand's population lives in cities and towns of less than 150,000 people. This broad geographical spread makes a strong distribution network necessary to meet short lead time expectations.
- **Complex delivery requirements:** A typical new house has more than 20 windows and may also include a splashback, shower screens, mirrors and a balustrade. Delivering this broad array of products within a short lead time requires efficient systems and processes.
- **Lagging indicator:** Glass is generally installed in the later stages of construction. Metroglass' experience is that demand for residential glass typically lags six to twelve months behind the issuance of a new dwelling building consent by the relevant authority.

Together, these characteristics have led to the market being primarily a just-in-time manufacturing market that benefits from investment in automation and distribution. Currently there are limited processed glass imports to New Zealand and the market has consolidated around two key operators, Metroglass and its major competitor, who together supply more than 75% of the market.

[17] Based on market research undertaken by Partners in Performance dated 6 June 2014.

5.2 NEW ZEALAND CONSTRUCTION MARKET OVERVIEW

Statistics New Zealand estimates the New Zealand construction market to be a $13 billion market, of which residential construction comprises around 60% and non-residential construction comprises around 40%.

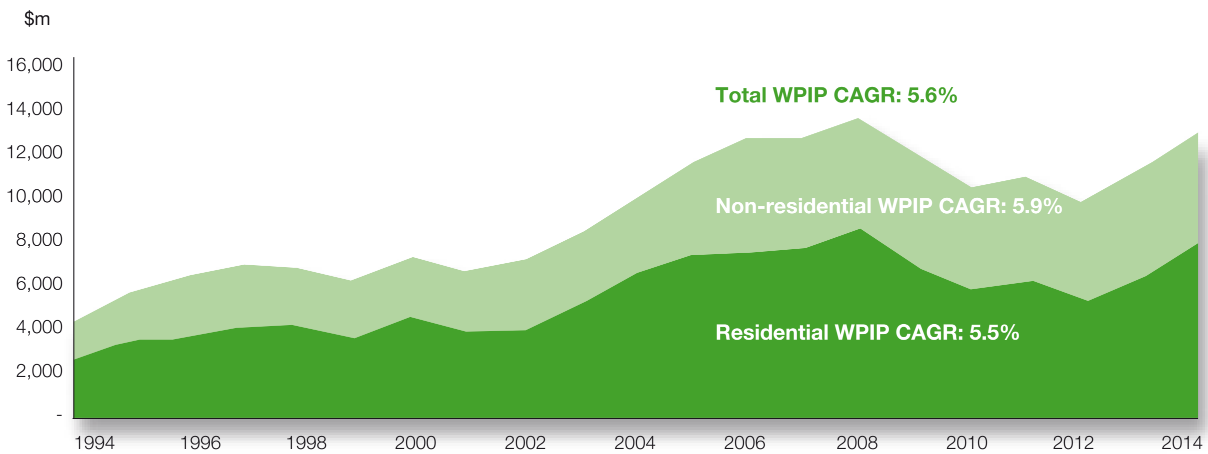
Work Put In Place (**WPIP**) is a key industry metric that is kept by Statistics New Zealand and measures the estimated value of construction activity completed in buildings that require a building consent. WPIP has grown by a CAGR of 5.6% (nominal) from March 1994 to 2014. Residential construction has grown by a CAGR of 5.5% (nominal) and non-residential construction by a CAGR of 5.9% (nominal) over this period.

Residential construction

Residential construction activity can be measured by the levels of new dwelling building consents issued by councils. For the past six years, the level of new dwellings consents has been below long-term averages (see Figure 12), leading to a housing deficit. The cyclical level of dwelling consents returned to long term averages in 2014.

FIGURE 11:

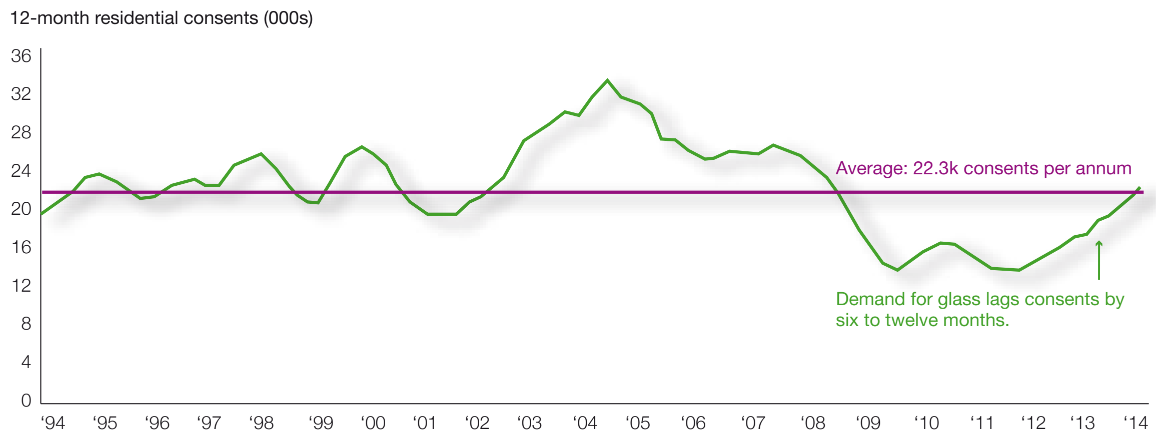
Construction WPIP in New Zealand ($m, rolling 12 months, nominal)



Source: Statistics New Zealand, March 1994 – March 2014

FIGURE 12:

New Zealand residential new build consents (000s, rolling 12 months)

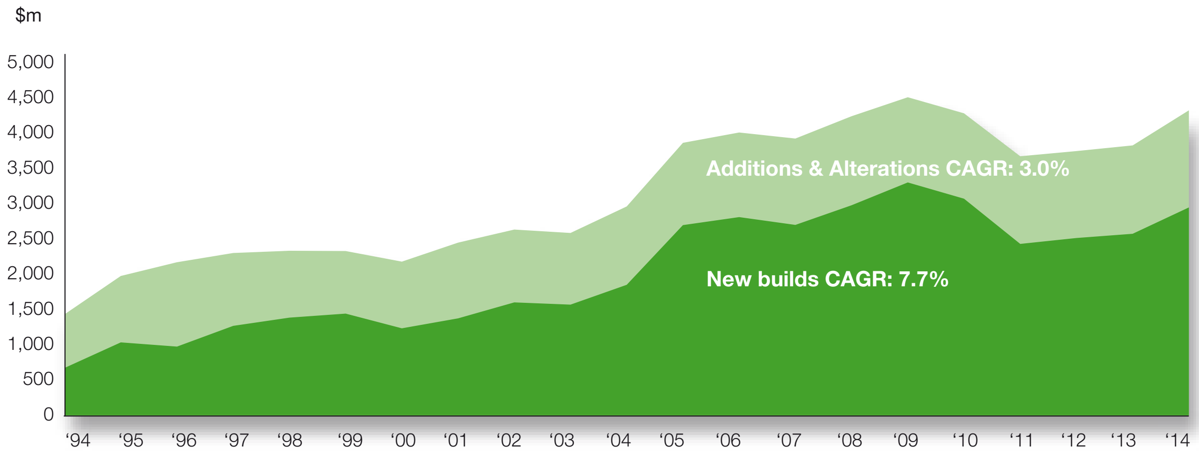


Source: Statistics New Zealand, March 1994 – March 2014

Non-residential construction
The non-residential construction sector has been relatively flat over the past five years with limited growth in both the construction of new buildings and additions and alterations. In the past 12 months there have been early indicators of an increase in non-residential construction (see Figure 13).

FIGURE 13:

Non-residential building consents activity ($m, rolling 12 months, nominal)



Source: Statistics New Zealand, March 1994 – March 2014

5.3 DRIVERS OF THE NEW ZEALAND CONSTRUCTION MARKET

A number of underlying factors affect New Zealand's residential and non-residential construction demand, including:

- **Macroeconomic factors** including GDP growth and unemployment;
- **Government policy** including planning policies;
- **Residential construction drivers** including population and net migration growth, a decreasing average number of people per household and demolitions;
- **Non-residential construction** drivers including business sentiment, commercial leasing markets, vacancy rates and segment-specific commercial and industrial factors; and
- **Additional drivers** including the Christchurch rebuild and the Auckland Housing Accord.

Macroeconomic factors

General macroeconomic indicators currently support a positive outlook for construction, with many indicators being better than their five year averages (see Table 1).

TABLE 1:

New Zealand macroeconomic indicators

Key macroeconomic indicators	Current status	Five year average[2]
GDP growth	3.3% (2014 calendar year[1])	1.9%
Unemployment	6.0% (March 2014)	6.5%
Government fiscal position	Improving	N/A
Net migration to New Zealand	31,914 (12 months to March 2014)	9,549

Source: RBNZ, Statistics New Zealand
Note 1: GDP growth for the 2014 calendar year is seasonally adjusted forecast, RBNZ Monetary Policy Statement, June 2014
Note 2: Five years ended March 2014

Government policy

The New Zealand Government and the Reserve Bank of New Zealand (**RBNZ**) have stated they believe there is a national housing supply deficiency. To address this issue, local and central government have implemented policies including:

- The Auckland Housing Accord and Proposed Auckland Unitary Plan, which aims to build 39,000 homes in three years by rezoning land in Auckland;
- A first home buyer subsidy, where the New Zealand Government provides contributions to first home buyer deposits in relation to KiwiSaver (a government-initiated voluntary, work-based savings initiative); and
- Streamlining of resource consent approvals under the Resource Management Act.

Population and net migration growth

New Zealand's natural population growth (births less deaths) is around 0.8% per annum or approximately 32,350 people. In addition to this natural population growth, New Zealand usually experiences positive net migration (new immigrants plus returning expatriates less departures). In FY14, net migration added 31,914 people to New Zealand's population.

Trends in household size

Household density in New Zealand has been declining for the past 20 years, with the average persons per household decreasing from 2.78 in 1994 to 2.68 in 2014. The decline in average household size has led to demand for approximately 70,000 additional dwellings over this period. The trend towards smaller households is forecast to continue. Statistics New Zealand forecast that average household size will continue to reduce to 2.46 people by 2031. Without any additional population growth, this trend towards smaller households would lead to more than 150,000 new dwellings being required over the next 17 years to accommodate this change.

Demolitions

Building Research Association of New Zealand (**BRANZ**) has forecast the number of major alterations (work that considerably alters a dwelling including demolitions) to be approximately 35,000 per year. Of these, approximately 1,000 to 1,500 per annum are expected to be from demolitions.

Non-residential construction drivers

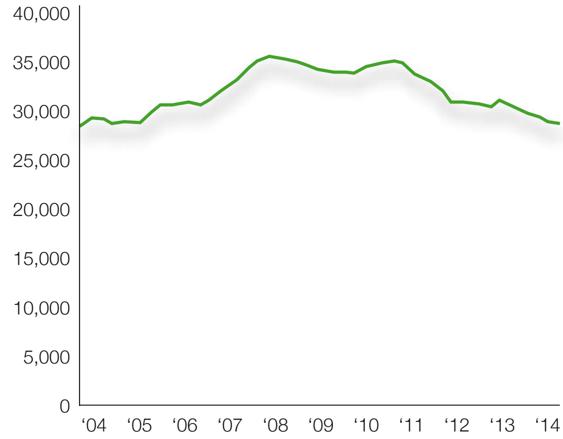
Non-residential construction demand is driven by factors such as business sentiment and the commercial leasing markets. These are influenced both by general factors (economic conditions, government policy, business confidence and vacancy rates) and specific commercial and industrial factors affecting hotel, retail, warehouse, office, factory, health, education, farm buildings and other sectors.

Christchurch rebuild

The rebuild following the Canterbury earthquakes in 2010 and 2011 is expected to add significant demand for both residential and non-residential construction in New Zealand over the coming years (see Figure 17).

FIGURE 14:

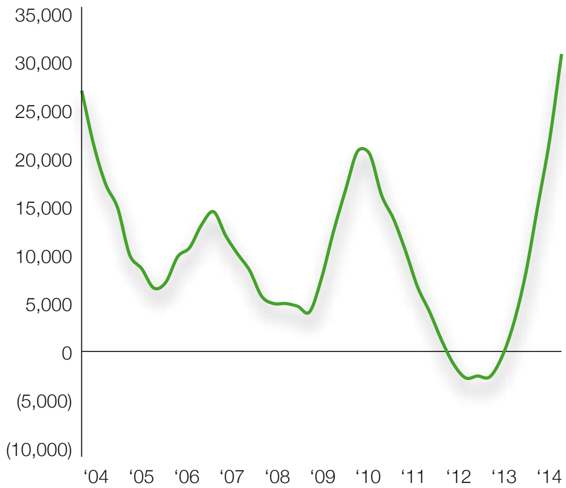
Natural net population growth (rolling 12 months)



Source: Statistics New Zealand, March 2004 – March 2014

FIGURE 15:

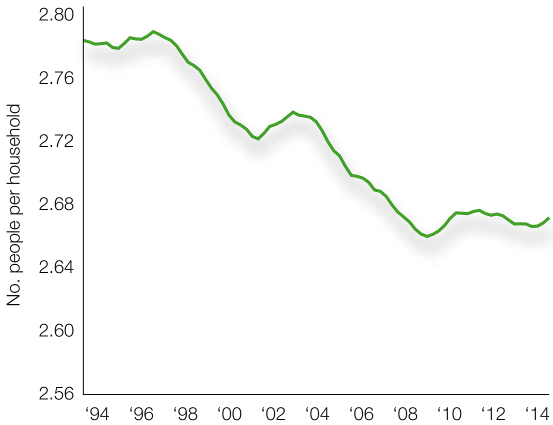
Net migration (rolling 12 months)



Source: Statistics New Zealand, March 2004 – March 2014

FIGURE 16:

Changing size of average New Zealand household



Source: Statistics New Zealand, March 1994 – March 2014

FIGURE 17:

Canterbury Earthquakes

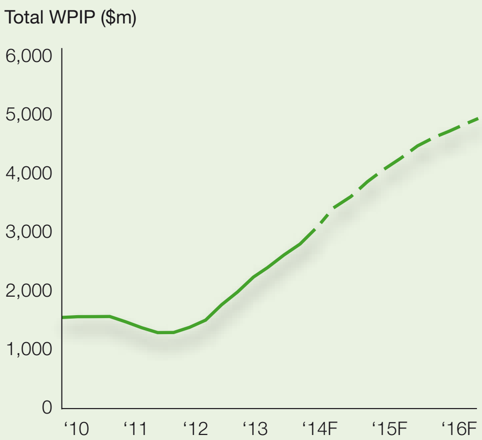
Two large earthquakes struck the Canterbury region in September 2010 and February 2011, causing significant damage to buildings and infrastructure. The New Zealand Treasury has estimated the cost of the rebuild at $40 billion, almost 20% of New Zealand's annual GDP.

The supply of habitable homes was reduced as a result of the earthquakes. This has resulted in an estimated 3,520 dwelling stock deficiency in Canterbury. This deficiency is forecast to fall as dwelling consents grow through 2014 and 2015.

The rebuild process in Canterbury has been slow due to the need for the land to settle, new zoning laws to be developed and insurance payouts to be finalised. As stated by the RBNZ in its March 2014 Monetary Policy Statement, *"The profile of reconstruction work in Canterbury is expected to be prolonged, increasing further over the next year before flattening as a share of GDP for a few years thereafter."*

FIGURE 18:

Canterbury construction activity (LTM)



Source: Infometrics, March 2010 – September 2016

5.4 FORECASTS FOR THE NEW ZEALAND CONSTRUCTION MARKET

As set out above, the current conditions in New Zealand support the need for growth in the construction sector. The RBNZ stated in its March 2014 Monetary Policy Statement that "Nationwide construction spending is expected to rise as a share of GDP, to a level similar to that in the mid-2000s and remain strong for several years".

Infometrics expects that the construction sector will grow strongly in the medium term and has forecasted the following:

- growth in WPIP of 34% between 2014 and 2016 from $13.2 billion to $17.7 billion; and
- growth in new dwelling consents of 24% between 2014 and 2016 from 22,366 to 27,765.

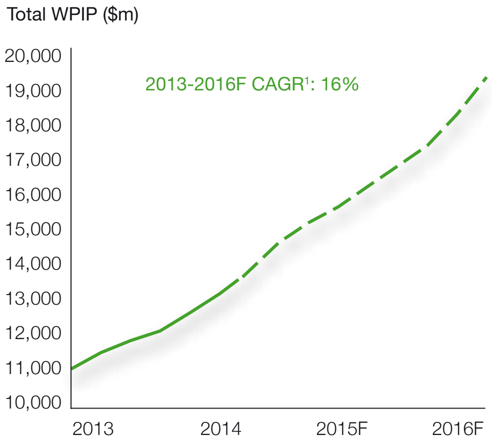
FIGURE 19:

Construction expenditure as a % of GDP (quarterly, Mar-04 – Sep-16)

Source: RBNZ: Monetary Policy Statement, March 2014

FIGURE 20:

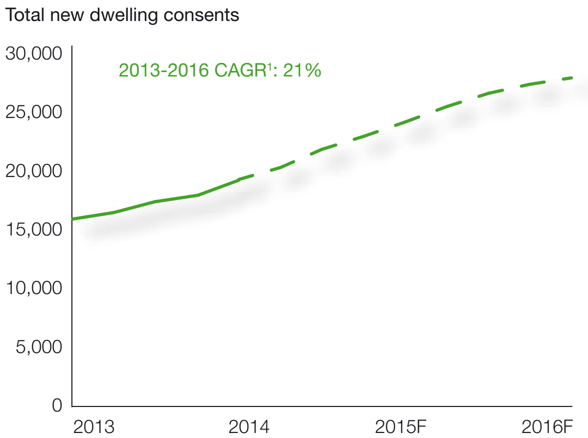
Residential & non-residential construction activity (rolling 12 months, nominal)



Source: Infometrics, March 2013 – September 2016, Forecast released July 2014
Note. 1: CAGR is for period March 2013 – March 2016

FIGURE 21:

Residential housing consents forecasts (9 month lag, rolling 12 months)

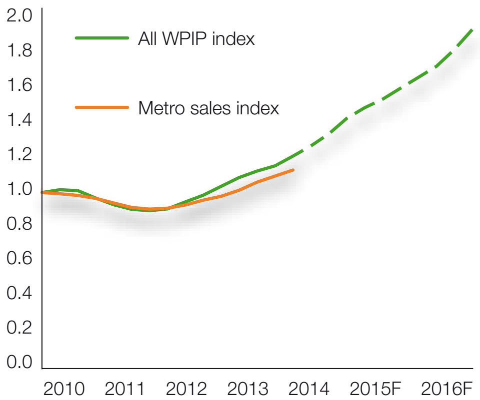


Source: Infometrics, March 2013 – September 2016, Forecast released July 2014
Note. 1: CAGR is for period March 2013 – March 2016

In recent years, Metroglass' revenue has been correlated with changes in both WPIP and residential consents (see Figures 22 and 23).

FIGURE 22:

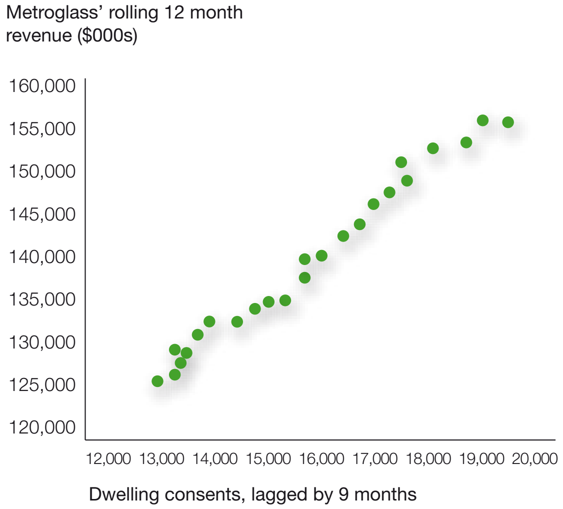
Metroglass sales revenue and total WPIP (Scaled to 1.0 in 2010, rolling 12 months)



Source: Company information, Infometrics (March 2010 – September 2016, Forecast released July 2014)

FIGURE 23:

Metroglass rolling 12 month revenue vs. rolling 12 month dwelling consents (nine-month lagged)



Source: Company information, Statistics New Zealand (April 2012 – April 2014)

Over the past two years, Metroglass' growth has been primarily driven by growth in the residential construction market. As illustrated in Figure 13, the non-residential construction market has not had significant growth.

The continuation of the relationship between Metroglass' revenue, WPIP and consents depends on:

- the time it takes for a consent to convert into the construction of a new building (influenced by factors including industry capacity);
- other revenue trends (for example, commercial revenue); and
- other market factors (for example, the proportion of glass in new builds, product mix, pricing and market share).

5.5 VALUE ADDED GLASS PROCESSING MARKET

Metroglass operates in the New Zealand value added glass processing market. This is a sub-segment of the broader New Zealand construction market.

The value chain for the New Zealand glass market starts with the importation of float glass (there is no float glass manufacturing in New Zealand). New Zealand's float glass supply is primarily sourced from Asia (59%), United Arab Emirates (18%) and Australia (17%). There are many potential sources of float glass, with more than 240 float lines in Asia and approximately 380 float lines globally.

Imported float glass is processed by value added glass processors such as Metroglass. Value added processing involves a combination of:

- cutting the float glass stock sheets to the required size;
- edgeworking (for example, edge grinding, polishing, shaping, adding holes);
- adding decorative features (for example, printing digital images);
- heat treating (toughening or heat soaking);
- laminating to improve strength and safety; and
- the combination of two panes of glass into a DGU.

Processed glass is sold to window manufacturers who generally install the glass into window frames for builders, as well as to merchants and glaziers, who typically install the glass directly into residential or commercial buildings in forms such as windows, balustrades, shower screens and splashbacks. This downstream segment is highly fragmented, with more than 350 window manufacturers, more than 750 merchants and glaziers, and approximately 17,000 builders in New Zealand. Only a small proportion of glass is supplied by the glass processor direct to the end user.

FIGURE 24:

New Zealand glass value chain

	Float glass manufacture	**Value added glass activities**	**Window manufacturing and glass installation**	**Builders**
	Asian/global suppliers	Metro (>50%) ~60%	>350 Window Manufacturers	
		Others (20 - 25%) ~30%	>750 Merchants/Glaziers	~17,000 builders
	Major Competitor	Major Competitor (25%) ~10%	Retail/Other	
Activity	Manufacture of large glass sheets	Cutting, edgework, toughening, laminating, printing, etc. DGU production	Window fabrication and installation, site glazing, residential retrofit/interior glass, commercial fitout	Residential and commercial building
Characteristics	Fragmented supplier base Global overcapacity High capital intensity and fixed costs No NZ manufacturing	Concentrated market Short lead times and mass customisation protect against imports Automated processing required for scale DGU driving higher value added glass products	Highly fragmented Largely manual job shops	Highly fragmented Customisation Short lead times
Metroglass	Able to shift suppliers to access latest innovations Scale provides it with competitive pricing Largest competitor associated with Australian manufacturer	National coverage and distribution network provides scale Investments in technology and processes has enabled more efficient cost structure than competitors Extensive product range serves market needs as "one stop shop"	No customer concentration risk – the largest single customer represents <2% of sales Metroglass provides some glazing services	High levels of customer service with strong DIFOT performance Key service differentiation

The New Zealand glass processing market has several characteristics that differentiate it from other building products markets. These characteristics benefit large local manufacturers with strong distribution networks and include:

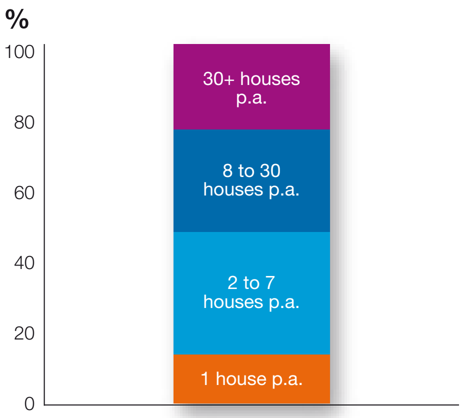
- high customisation;
- production complexity; and
- regional distribution.

High customisation

There is a high level of building customisation in New Zealand. One-off designs account for approximately 45% of the residential construction market with almost all other houses having some level of customisation. This level of customisation is in part driven by the large number of small builders in New Zealand. Around 50% of detached houses are built by builders constructing less than seven houses a year.

FIGURE 25:

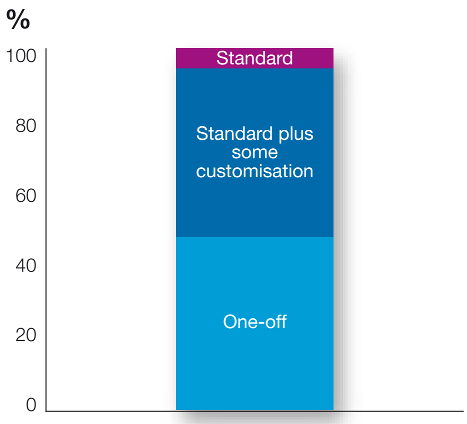
New Zealand builder size[1]



Source: BRANZ (Study Report 247) (2011)
Note: 1. Based on survey with 135 respondents

FIGURE 26:

Level of customisation in New Zealand



Source: Ministry of Business Innovation & Employment-Residential Construction Sector Market Study (2013)

Production complexity

Participants in the New Zealand glass processing market produce made-to-measure glass units in various colours and finishes and typically deliver to window fabricators and glaziers within three days of receiving an order. A typical New Zealand house will have more than 20 windows of varying sizes including DGUs, and potentially splashbacks, shower screens, mirrors and other products which each require different levels of processing. This mass customisation and short lead time creates significant production complexity that has led to an increase in the level of automation in the industry. Recent trends towards performance glass have further increased levels of production complexity (for example, Low-e glass is more complex to process and handle than standard glass) and, therefore, have increased the associated capital required for production.

FIGURE 27:

Comparison of building products requiring high customisation (for example, glass) and a more commodity-based building product (for example, steel)

Key characteristics of glass in New Zealand

Specialised processing equipment required (e.g. furnaces, CNCs, DGU line). Processing generally cannot be on site

Fragile: Typically processed close to construction site to minimise risk of breakage; cannot be shaped or cut once toughened

Highly visible: large number of aesthetic choices in terms of colour and shape

Highly customised: driven by customer preferences

Limited sales through hardware chains

↓

Characteristics favour just in time manufacture by operator with equipment that allows fast customisation and strong distribution network

Characteristics of other building products (e.g. steel)

Able to be cut and processed on site if required

Easy to store: can be bulk manufactured

Tough: Typically can be stored on site

Generally not visible

Limited customisation: can be bulk manufactured and easy to store

↓

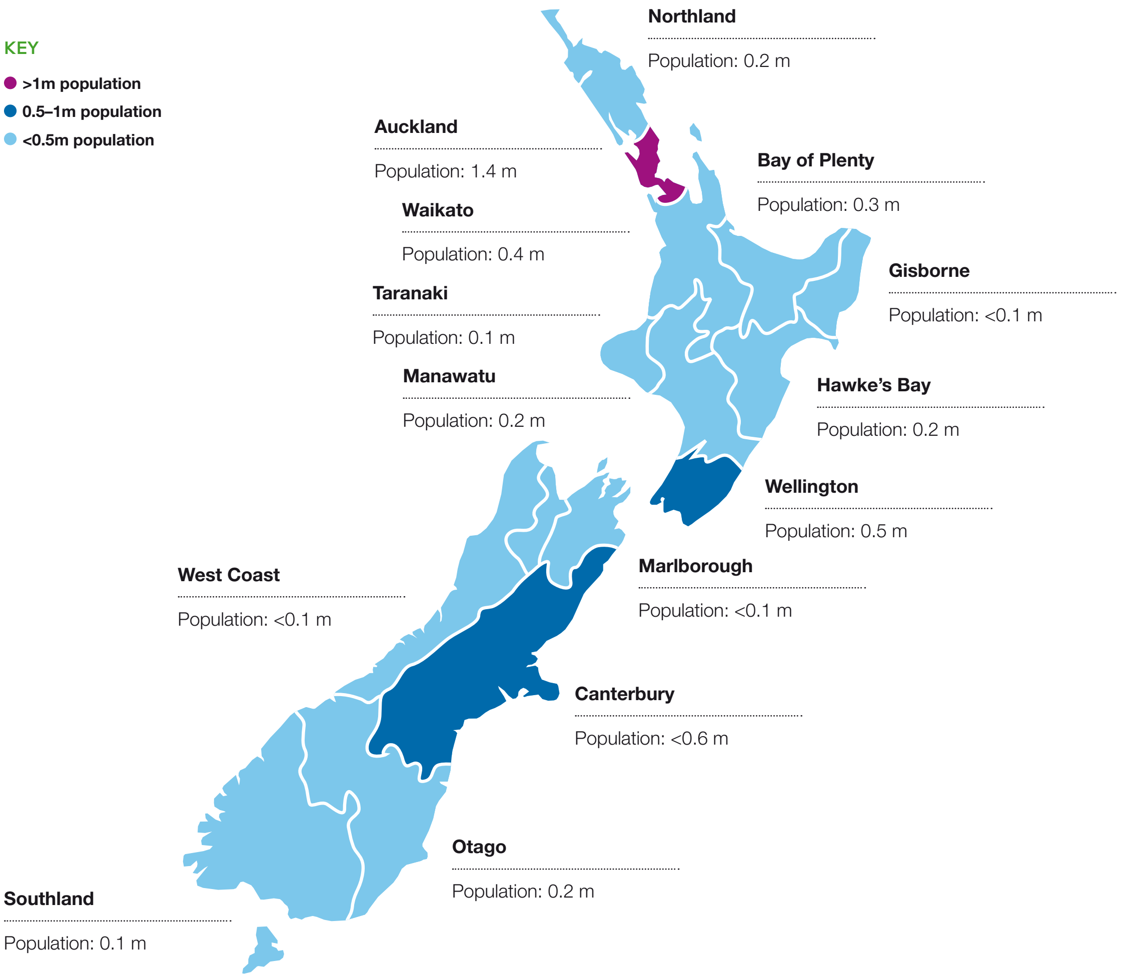
Characteristics support commoditisation and import products

Regional distribution

A significant proportion of New Zealand's population lives in relatively small, regional population centres, with approximately half of the population in cities and towns with less than 150,000 people. The short delivery lead times associated with the value added glass processing market mean that a national distribution network and a strong logistics capability is required to successfully service the market and achieve scale.

FIGURE 28:

New Zealand population distribution



Source: Statistics New Zealand

FIGURE 29:

Comparison of New Zealand vs. Australian population distribution by size of urban area

Share of population

Sources: Australian Bureau of Statistics; Statistics New Zealand

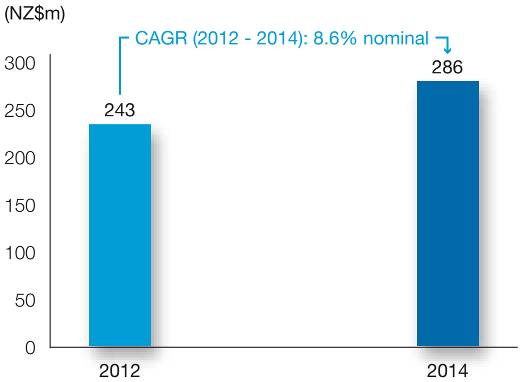
5.6 MARKET SIZE AND SHARE

The value added glass processing market in New Zealand is an approximately $300 million market which has been growing at a CAGR of 8.6% (nominal) per annum over the past two years[18].

FIGURE 30:

Value added glass processing market size[1]

(NZ$m)

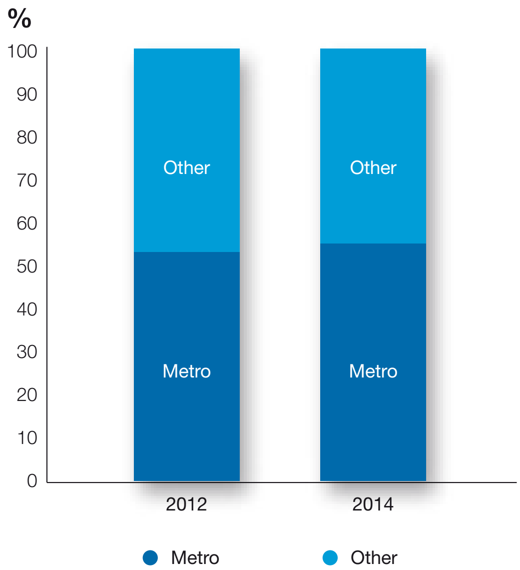


Source: Market research by Partners in Performance dated 6 June 2014.
Note 1: 31 March year end

The New Zealand glass market is highly consolidated, favouring companies that have the scale to invest in distribution, specialised processing equipment and high levels of customer service. The two largest operators in the market, Metroglass and its major competitor, account for more than 75% of the value added glass market (see Figure 31).

FIGURE 31:

Value added glass processing market share[1]



Note 1: 31 March year end.

As of March 2014, Metroglass has more than 50% market share and its major competitor has an approximate 25% market share.[18]

The short lead times associated with the value added glass processing market, and the highly customised nature of the product made, restrict the ability of imports to compete efficiently. The relevance of imports is generally constrained to toughened standardised products such as balustrades, shower screens and pool fences and structurally glazed curtain walls for high rise buildings, a segment that Metroglass has not historically focused on.

[18] Based on market research undertaken by Partners in Performance dated 6 June 2014.

5.7 VALUE ADDED GLASS PRODUCTS

The industry is focused on increasing the value of glass used by educating the market on the benefits of higher value performance glass, including improved climate control, reduced condensation, improved sound management, improved safety and decorative effects.

TABLE 2:

Examples of value add application of glass

Area	Issue	Value add product solutions
Climate control—heat gain	• Single glazed clear glass lets through a major proportion of the sun's energy, making a room hot in warm climates	• Tinted glass • Reflective and Low-e coatings • DGU
Climate control—heat loss	• Interior heat loss through windows, making a room cold in cool climates	• DGU • Low-e • Combining DGU and Low-e reduces heat loss further
Climate control—condensation	• Condensation can result in damage to joinery, curtains and wall coverings	• DGU • Low-e
Sound control	• Windows are a vulnerable area to noise intrusion	• DGU • Laminates with plastic interlayer • Increased thickness
Fading control	• A significant proportion of furniture fading is due to the effects of solar energy	• Laminates with ultra-violet absorbing interlayer • Tinted or reflective coatings
Risk control	• Accidental injury from glass breakage • Security • Damage by vandalism	• Toughened glass - up to five times stronger than untreated annealed glass - if shattered, breaks into blunt granules • Laminates - broken glass remains intact on interlayer film - can be made intruder resistant
Decoration/design	• Opportunity to create a design feature	• Screen printing • Laminates with patterns/effects between glass panes • Image glass (digital printing)

In the past 10 years, the most significant example of this trend has been the increase in use of DGUs (see Figure 32).

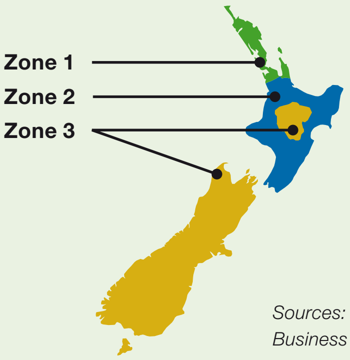
FIGURE 32:

Double glazing under the New Zealand Building Code Clause H1

In 2007 the New Zealand Building Code was changed to require new homes and alterations to have improved thermal resistance (the "**R-Value**").

The requirements are different for different zones of the country, with higher performance required in colder climates (Zone 3) and lower insulation required for the warmer climates (Zone 1).

In practice, this regulation has led to more than 80% of new homes throughout New Zealand featuring double glazing to improve their insulation characteristics since 2007.



Sources: BRANZ, Ministry of Business Innovation & Employment

This regulation has significantly increased the complexity of glass processing in New Zealand, and led to the industry making material investments in automation over the past eight years.

The shift towards DGUs (which now account for around 40% of Metroglass' glass sales) has led to:

- more automated DGU production lines; and
- the need for improved logistics – driven by the weight and complexity of moving DGUs.

The shift of the New Zealand market to DGUs has accelerated the market from a "job lot" style manufacturing market (suitable for single pane glass) to more of an automated production process.

The added complexity of performance glass (Low-e) and argon gas fills for DGUs is further increasing the importance of automation.

Retrofitting existing buildings with DGUs has the potential to become a significant long term driver for growth of the value-added glass processing market going forward (see Figure 48: The New Zealand retrofit market opportunity in Section 6 *Business Description*).

Business description

6.1 INTRODUCTION

Metroglass is the leading value added glass processor in New Zealand[19]. Metroglass' glass processing activities include cutting, shaping, laminating, painting and toughening glass, and manufacturing DGUs. Metroglass is involved in the conversion of commodity float glass into end use products and applications. In FY14, Metroglass cut and processed more than 2,000,000 square metres of glass products. It has national coverage through 17 decentralised sites, including five major processing sites.

Metroglass sells a full range of glass products, including DGUs, toughened glass, laminated and cut-to-size glass to more than 3,000 customers, primarily window manufacturers, glaziers, merchants and builders. Its customer base is widely diversified across New Zealand and across products and channels, with no single customer accounting for more than 2% of FY14 revenues. The business provides a "just-in-time" delivery service to its customers and manages its own logistics through a fleet of over 260 service vehicles.

Metroglass' market leadership is supported by a number of competitive advantages including its high customer service standards, manufacturing capability and scale, distribution footprint, product offering and glazing capability. The short lead times and the customised nature of the glass products demanded by the market make it challenging for imports to compete effectively, while the regional population distribution throughout New Zealand makes the establishment of a scale operation challenging.

FIGURE 33:

Customer service supported by product delivery capabilities

	Efficient low-cost manufacturing and just-in-time distribution			
Product delivery	Process Automation	Scale Distribution Network	Manufacturing Flexibility	Low Cost Manufacturing
Customer service	High Quality Products	Fast Turnaround Times	High Degree of Customising	Glazing and Installation
	Delivering market leading products and services to customers			

Over the last three years, Metroglass has been focused on preparing for the expected uplift in construction activity. It has increased its management capability, invested in increased production capacity and automation, and improved its operating cost structure while maintaining its high customer service levels.

Metroglass now considers that it is well positioned to take advantage of the expected growth in the construction market. In addition, the business is focused on increasing sales by driving market penetration of higher value performance glass (Low-e and custom laminates) and the retrofitting of DGUs into existing homes.

[19] Based on industry interviews, publicly available import data and financial information as analysed by Partners in Performance and reported on in the Partners in Performance Report.

6.2 HISTORY OF METROGLASS

Metroglass was established in 1987 in Auckland.

The Selling Shareholders gained control of Metroglass in January 2012 through a recapitalisation process[20] and supported initiatives designed to improve performance. These included:

- establishing a new management team with significant building products experience, led by Nigel Rigby (Chief Executive Officer) and David Carr (Chief Financial Officer);
- centralising procurement and inventory management with a focus on stock turns and purchasing terms;
- a greater focus on manufacturing efficiency, leading to the increased automation of the Christchurch manufacturing facility and the planned consolidation and increased automation of the Auckland sites (currently underway with targeted completion in March 2015);
- investing in new products and technologies, including custom lamination and Low-e glass; and
- rebranding the business with a consistent national image.

FIGURE 34:

History of Metroglass

1987	Metroglass established in Auckland Central
1988-1993	Branches opened in greater Auckland
1995-2000	A series of acquisitions to build out capability and expand into Bay of Plenty and Wellington
2003	Established Metro Frameless Glass (MFG) in Auckland
2004	Acquisition of GlassTech (50%) and Christchurch Glass in Christchurch to deliver national coverage
2006	Metro GlassTech purchased by a private equity investor
2009	Establishment of Metrofit
2010-2011	Canterbury earthquakes
2011-2012	Change of ownership (Crescent Capital Partners becomes largest shareholder)
2013-2014	National rebranding of company as Metro Performance Glass Upgrade of Christchurch plant
2014-2015	Investment in new glass technologies (e.g. lamination and Low-e) Consolidation and upgrade of Auckland sites underway

[20] For further detail about the 2012 recapitalisation, refer to section 12.7 *Substantial equity security holders of issuer.*

6.3 KEY ACTIVITIES

Metroglass conducts value added glass processing activities, including cutting glass to size, washing, arrissing, edgeworking, toughening, laminating, painting, printing and manufacturing DGUs. Metroglass also conducts some glazing activities to assist customers with the installation of windows in buildings and to ensure high service levels.

FIGURE 35:

Key value added glass processing activities undertaken by Metroglass

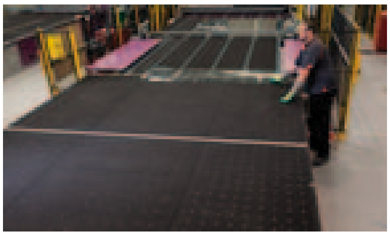
Activity	Description	Metroglass' approach
Cut and arris	Cutting large float glass sheets into smaller sizes Edges are typically smoothed and glass washed after cutting	Computer optimised cutting to reduce wastage
Edgeworking	Edge polishing Shape polishing Holes, notches and cut-outs for products such as balustrades or shower screens Other edgeworking possible such as mitred or bevelled edges	Automated and manual cutting, drilling and edgeworking
Toughen / Laminate / Paint	Toughening or laminating glass with special safety requirements Glass may have colouring, etching, sandblasting, painting, screen printing or other effects applied (for example, for shop fronts, splashbacks)	Tempering (furnace) Heat soaking Batch laminating (various interlayer and decorative insert options available) Digital printing
DGUs	Matching two panes of glass, inserting spacer bar and desiccant (drying agent), and sealing the glass together ready for window framing	Automated DGU lines with some manual processes for abnormal items Driving penetration of higher value added glass products (for example, Low-e)
Glazing	Installation of glass into buildings DGUs may be inserted directly into window frames already installed in a house Structural glazing facades	More than 150 glazing employees to install glass as required Sale of frameless glass hardware (Metroglass Frameless Glass)

FIGURE 36:

Examples of Metroglass' glass processing activities

Bulk glass storage

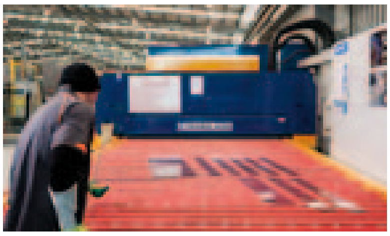
Glass cutting



Arrissing and washing

Polishing

Toughening



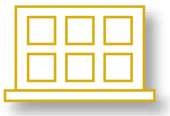
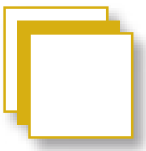
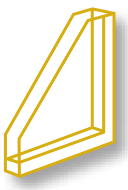
Double glazing line

6.4 PRODUCTS

Metroglass processes and produces a wide range of product types for a variety of end uses, primarily across residential and non-residential construction applications. Metroglass' core products are annealed (cut-to-size) glass, toughened glass, laminated glass and DGUs.

FIGURE 37:

Overview of Metroglass' core product range

Image	Product description	Typical uses
	**Annealed/cut-to-size glass** Unprocessed glass that is cut to size for the customer Typically arrissed (removal of rough edges) and washed	Windows Internal partitions Architectural features Picture frames
	**Toughened glass** Glass processed by a furnace in controlled thermal treatment to increase its strength and safety performance When it breaks, glass shatters into small pebble-like granules which are less likely to cause injury than the jagged shards of annealed glass	Shower screens Sliding doors Commercial building doors Bus shelters
	**Laminated glass** Two or more pieces of glass are bonded together by an interlayer The interlayer allows the glass to bend to a certain degree, making it more flexible and harder to break than annealed glass When broken, the cracked glass is held together by the interlayer which prevents the glass from falling and causing injury	High safety and security windows High safety balconies Balustrades Floors and treads
	**Double glazed units (DGUs)** Two or more window panes are separated by air or gas to reduce heat transfer Glass pieces are separated around the edges by a spacer bar and sealed at the perimeter in factory controlled conditions The spacer contains a drying agent which absorbs moisture vapour in the cavity The window units are used to reduce building heat loss and heat gain depending on the climate and DGU combination (i.e., the type of glass, gas or seal used)	Energy efficient windows

Across these products there are a wide range of variations available, depending on the glass type (including clear, extra clear, tinted, reflective and Low-e glass), thickness and colour.

Metroglass supplies more than 250 types of glass to suit consumer preferences. It processes these glass types to meet their customised end use through a combination of the activities outlined above in Figure 37.

This means that there is significant variation in terms of sales value across Metroglass' products. The products are produced by a combination of modern glass processing machines and specialised software applications that are designed to optimise the manufacturing process.

FIGURE 38:

New custom lamination capability

Background

- In FY14 Metroglass purchased two flatbed batch laminators for installation in Auckland and Christchurch
- The machines are capable of producing at market leading production speeds and flexibility (the ability to change glass types and interlayers between batch loads)

The product

- Laminated glass is ideal for applications that require safety and security (see Figure 37)
- In combination with printed glass or the use of printed, coloured or special inserts it can also be used to create decorative effects

Impact

- Without any major external marketing to date, demand has been strong and resulted in a significant ramp up in production. This highlights the shift towards higher performance end-use glass in the New Zealand market

The investment represents part of Metroglass' commitment to remain at the forefront of glass innovation.

Examples of laminated glass applications

Decorative awning

Stairs

6.5 CUSTOMERS

Metroglass sells its products through a range of distribution channels which gives it flexibility and access to a broad base of customers. Metroglass' customer base is diverse, with over 3,000 customers in FY14. Metroglass' key customer segments are described below in Figure 39, with the composition of revenue and customer diversity shown in Figure 40.

FIGURE 39:

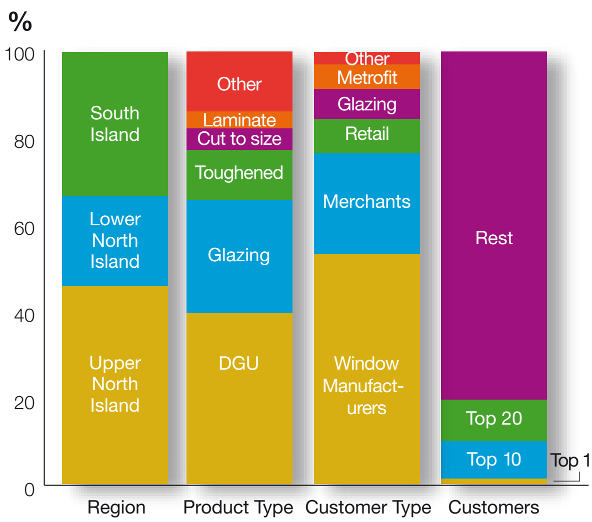
Metroglass' customer segments

Customer segment	Description
Window manufacturers	Window manufacturers (both residential and non-residential) purchase glass from Metroglass and insert it into customised window or door frames, ready for installation. They commonly supply these products to builders. The New Zealand window manufacturer market is fragmented with over 350 companies. Window manufacturers are typically aligned with particular suppliers of aluminium.
Merchants and glaziers	Merchants and glaziers typically sell and install glass in residential and commercial settings. They purchase glass from Metroglass and install it in forms such as windows, doors, pool fences, balustrades and splashbacks, often as replacement or repairs. This is a fragmented market also with more than 750 merchants and glaziers throughout New Zealand.
Retail	A number of Metroglass' sites have sales offices offering products such as cut-to-size glass, splashbacks and mirrors direct to retail customers.
Glazing	Metroglass provides some glazing services for customers to assist with glass installation. This can include commercial glazing work for builders.
Metrofit	Metrofit is Metroglass' retrofit DGU business which provides product sales and installation services direct to the end user. This business replaces the existing single-glazed windows of a residential house with DGUs.

Given Metroglass' high market share and its range of channels to market, its revenue is linked to the general demand for windows and glass in the market, which in turn is driven by residential and commercial construction expenditure.

FIGURE 40:

Segmentation of Metroglass sales in FY14



Consistent with industry norms, Metroglass does not have long term, volume based supply contracts with its customers. Instead, it supplies on typical terms of trade negotiated with customers on a case-by-case basis. In FY14 no single customer represented more than 2% of revenues.

As most of Metroglass' sales are through window manufacturers, glaziers and merchants, this means that Metroglass does not know the specific segmentation of its end customer use.

6.6 MANUFACTURING AND SALES OPERATIONS

Metroglass operates through a regional structure, reflective of the relatively regional nature of New Zealand's population distribution and the need to provide high service levels with short lead times. Metroglass operates from 17 locations across New Zealand, including five key glass processing sites across Auckland (two), Bay of Plenty, Wellington and Christchurch. The remaining sites are sales and distribution facilities with more limited processing capability for products such as cut-to-size glass, splashbacks, mirrors and glazing work. Metroglass currently has five locations in Auckland and is in the process of consolidating them into one purpose built facility (see Figure 47: *Auckland site optimisation*).

FIGURE 41:

Overview of Metroglass manufacturing and distribution locations

Auckland

– Currently two production sites with combined

– 11,689m² of manufacturing/warehouse

– 1,754m² of office space

and three distribution sites (including Head Office and Bulk Store)

– To be consolidated in FY15

Bay of Plenty

– 3,826m² of manufacturing

– 634m² of office space

Wellington

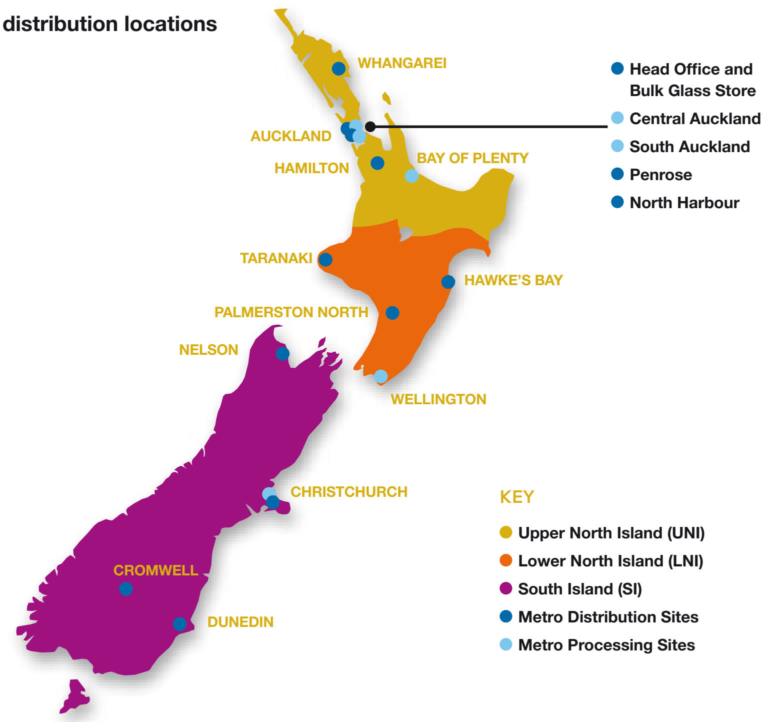
– 4,805m² of manufacturing/warehouse

– 764m² of office space

Christchurch

– 8,374m² of manufacturing

– 955m² of office space



Note 1: The Christchurch facility is located in South/West Christchurch which was not as significantly affected by the recent earthquakes as other areas

6.7 LOGISTICS AND DISTRIBUTION

Metroglass has a nationwide network of branches across 12 key centres. This distribution network allows Metroglass to operate a hub and spoke distribution approach[21] to cover all of New Zealand.

To ensure a high level of customer service, Metroglass maintains its own national fleet of over 260 company vehicles for glass delivery, glazing and customer service.

The combination of Metroglass' processing capabilities, branch network coverage and fleet has enabled it to consistently achieve DIFOT rates of over 95% and high levels of customer satisfaction[22].

FIGURE 42:

Composition of Metroglass fleet

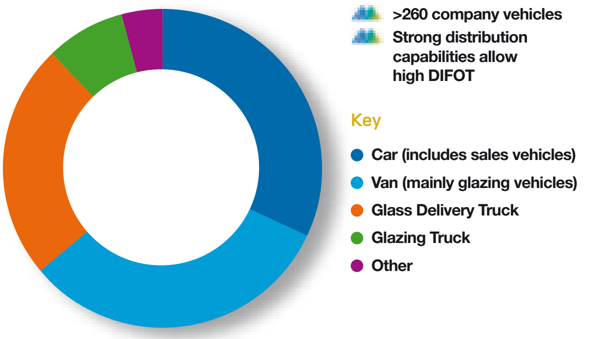
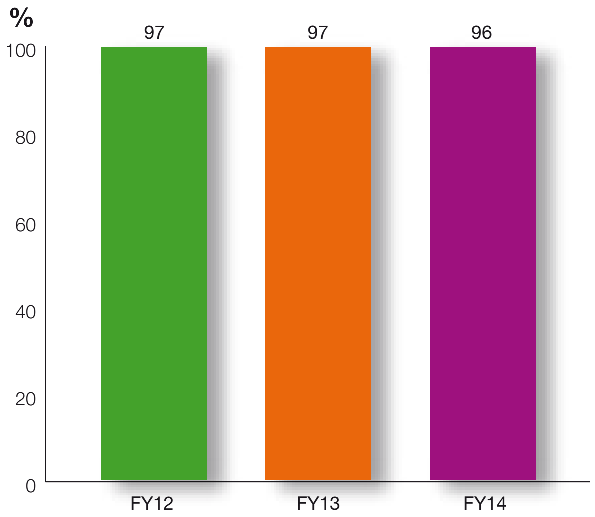


FIGURE 43:

Metroglass DIFOT performance[22]



[21] "Hub and spoke" distribution is a particular model for distribution arrangements involving centralised manufacturing sites and smaller distribution sites around the country.
[22] Metroglass measured DIFOT calculations, excluding the South Island for the six months period around the implementation of the Christchurch site automation.

6.8 KEY SUPPLIERS

Metroglass purchases glass and other glass consumables (for example to manufacture DGUs) from a variety of European, Asian, American, Australian and New Zealand suppliers. Due to Metroglass' scale, it has historically purchased its raw materials at globally competitive prices which has allowed it to compete in the New Zealand market effectively. Metroglass has historically demonstrated a capacity to shift suppliers to ensure that it receives globally competitive prices and access to the latest glass technology.

Metroglass purchases a range of consumables such as those used in the production of DGUs consumables (polysulphide, butyl, spacer bars, desiccant and argon gas), safety gloves and glasses, and cork pads to prevent glass panels from scratching each other. The majority of Metroglass' consumables are sourced from a New Zealand based distributor.

Metroglass has been purchasing the majority of its capital equipment for its Auckland site consolidation from European manufacturers.

6.9 EMPLOYEES

Metroglass has more than 700 employees across New Zealand. The breakdown of the workforce is shown in Table 3.

Metroglass supports continuing professional development to encourage the best from its staff. For example, it has established a management training programme in conjunction with The University of Auckland to promote higher performance within the business. This is a three year programme offered to management staff. It also undertakes various operator training initiatives.

Metroglass has a focus on workplace safety to protect the well-being of its employees. In addition, Metroglass is working on developing a culture focused on "lean" (low-cost) manufacturing.

TABLE 3:

Composition of Metroglass employees

	Head Office	Upper North Island	Lower North Island	South Island	Total
Management / Sales / Admin	25	80	33	43	181
Glass Processing	-	180	62	79	321
Logistics	-	33	14	18	65
Glazing	-	53	38	61	152
Total	**25**	**346**	**147**	**201**	**719**

6.10 BUSINESS MODEL

Metroglass has established a business model that has allowed it to become the market leader in New Zealand[23]. This model is focused on investing in leading manufacturing and distribution capabilities to enable the provision of a broad range of customised glass products to customers as a "one stop shop" with short lead times. Metroglass' scale, cost efficiency and local presence have contributed to Metroglass' success.

[23] Based on industry interviews, publicly available import data and financial information as analysed by Partners in Performance and reported on in the Partners in Performance Report.

FIGURE 44:

Overview of Metroglass business model

Customised product

New Zealand residential windows are generally measured to size once a house is built to take into account variations in window size

There is a culture of customisation when building houses in New Zealand

There are few large project builders in New Zealand (~75% of houses built by builders doing <30 houses p.a.)

Short lead time

Industry standard for delivery of windows and other glass products is less than 3 days for window fabricators

Broad geographical spread requires strong distribution capabilities
– ~50% of population in areas <150,000 people

Broad product range

Wide range of glass products as a “one stop shop”

– Thicknesses ranging from 2mm to 19mm

– Many colours (e.g. grey, blue, green, bronze)

– Many effects (e.g. tinted, figured, mirrored)

– Double glazed windows, cut-to-size balustrades, shower screens, splashbacks, doors, decorative glass, etc.

Complex delivery model – increasingly so due to weight of DGU and shelf life of performance glass

Flexible manufacturing equipment and processes

Automated manufacturing that is flexible enough to allow for mass customisation with short lead times

Differentiated from other glass markets that are either annealed cut-to-size markets (like Australia) or standardised

6.11 COMPETITIVE ADVANTAGES

Metroglass' market leadership is supported by a number of competitive advantages, as shown below.

Customer service	Manufacturing flexibility and scale	Large distribution footprint	Procurement choice	Extensive product range	In-house glazing capacity
Despite the production complexity and challenges of regional distribution outlined above, Metroglass has developed processes that allow it to have strong DIFOT performance.	Metroglass has invested in the automation of its processing, which allows it to service the market and compete on price and product range with short lead times.	Metroglass operates through 17 sites and with more than 260 service vehicles throughout New Zealand. This coverage allows Metroglass to have significant scale and to operate a hub (manufacturing sites) and spoke (distribution sites) distribution system.	Metroglass has sound relationships with leading global float glass manufacturers and has the scale and capacity to switch suppliers to access glass innovation and maintain low purchasing costs.	Metroglass has invested in market leading technology that enables it to supply an extensive range of glass and related products.	Metroglass has more than 150 glazing employees and access to glazing subcontractors. This allows it to provide installation support and to meet deadlines for its customers.

6.12 GROWTH STRATEGY

Metroglass has invested in its business across production, distribution and product to position it for growth. This investment has allowed Metroglass to be prepared for both cyclical and structural market growth and to pursue ongoing strategic growth opportunities, as displayed in Figure 45.

FIGURE 45:

Metroglass' investment for growth

Asset upgrade	• Automation of the primary Christchurch processing site • Automation of Auckland processing (under way) • Renewal of the distribution fleet (ongoing) • Investment in new custom laminate lines • IT systems (ongoing)
Operations and distribution	• Investment in a national distribution network • Consolidation of Auckland sites (under way) • Rebranding
Product and segment innovation	• Low-e strategy • Retrofit strategy • Laminate strategy • Image glass – colour digital printing
Investment in employees	• Management training programme • Focus on workplace safety for employee protection

Construction market growth

As outlined in Section 5.4 *Forecasts for the New Zealand construction market*, industry forecasts for the New Zealand residential and non-residential construction market are for multi-year growth. In the past nine months to April, New Zealand's rolling 12 month new dwelling consents have increased by approximately 18% relative to the prior comparable period.

Structural market improvements

As set out in Section 5.3 *Drivers of the New Zealand construction market*, there are a number of structural factors that Metroglass believes should assist with growth above normal in the medium term, including the Christchurch rebuild and government policy.

Site optimisation

Christchurch

In December 2013, Metroglass completed an automation project for the Christchurch manufacturing facility. The project included the purchase and installation of automated glass breakout equipment, an automated glass sorting buffer, automated edge grinding equipment and associated production software.

The project was completed on time and on budget and is forecast to deliver the following:

- an increase in DGU manufacturing capacity by approximately 60% to accommodate the Christchurch earthquake rebuild and increased construction volumes;
- labour efficiency savings;
- reduced raw materials wastage and rework volumes;
- improved product quality;
- reduction in workplace accidents and injuries; and
- improved production planning capability.

Metroglass' experience in the Christchurch automation project will allow the Company to prepare for the Auckland site consolidation and to train employees at an automated facility. The Christchurch automation also enables Metroglass to learn the new software and planning processes required, which should allow the business to deal with the short term DIFOT issues that occurred (and have now been addressed) at the time of the Christchurch site implementation.

FIGURE 46:

Christchurch automation

Metroglass: Christchurch site

Metroglass: Glass buffer system

Auckland

Metroglass has commenced a similar automation project in Auckland. This project involves the consolidation of Metroglass' five existing Auckland sites into a purpose-built facility. The greenfield site is currently under construction and all key equipment has been ordered from the relevant manufacturers. The new Auckland site is targeted to be operational in January 2015 and completed in March 2015.

Metroglass expects operational efficiencies in relation to this capital expenditure. The Auckland site optimisation is expected to add operating leverage to the business and drive financial improvements in the medium term. The Prospective Financial Information set out in Section 9.4 *Prospective Financial Information* does not include net savings in respect of the Auckland site optimisation across the Prospective Period. In respect of the two financial periods in the Prospective Period:

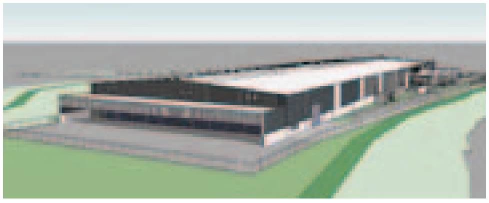
- some transitional operational inefficiencies are included in the forecast Pro Forma EBITDA for the financial year ending 31 March 2015; and
- $0.7 million[24] of operational efficiencies are forecast to be phased in during the six month period ending 30 September 2015 and are included in the forecast Pro forma EBITDA for that period.

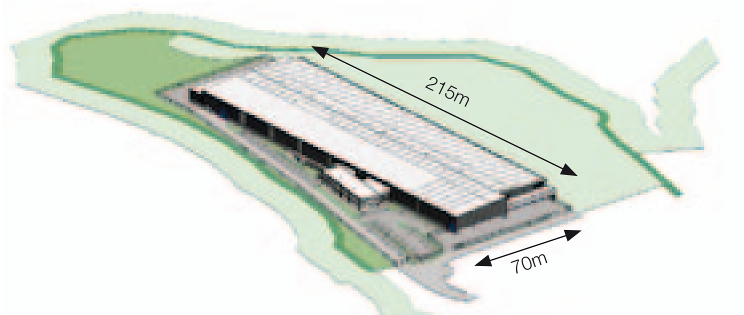
[24] Excludes the impact of increased depreciation.

FIGURE 47:

Auckland site optimisation

An architect's impressions of new Auckland site





Dimensions are approximate

Project description

- Consolidation of existing Auckland sites (Head Office and adjacent Bulk Glass Store, Metrofit and Metroglass Frameless Glass offices and South and Central factories) into one purpose built facility at Highbrook in Auckland
- Automation of the glass cutting, toughening, DGU and edgeworking processes
- Project includes purchase and installation of an automated glass sorting buffer, automation equipment for the DGU lines, cutting table, arrisser, jumbo furnace, automated edgeworking and IT control room
- Estimated capital cost of $21.5 million with approximately one-third of the total expenditure already paid for

Expected benefits

- Increase in DGU manufacturing capacity by over 80% to accommodate increased construction volumes
- Operational savings
- Reduced raw materials, repairs and maintenance, and logistics costs
- Improved product quality and reduced reworks
- Improved safety for Auckland staff

New market segments

As the market leader, Metroglass is focused on continuing to invest in ways to increase glass usage in New Zealand and expand into new segments including DGU retrofit, Low-e glass and custom lamination.

DGU retrofit

Since the introduction of energy efficiency regulations in New Zealand in 2007, the use of double glazed windows in new houses has increased substantially. More than 80% of new homes in New Zealand now have double glazed windows. However, BRANZ has estimated that there are more than 1.1 million existing homes in New Zealand without DGUs. To date, only a small proportion of Metroglass' sales relate to retrofitting existing homes (less than 7% of revenue). Based on international experience, this has the potential to be a large market for Metroglass (see Figure 48).

FIGURE 48:

The New Zealand retrofit market opportunity

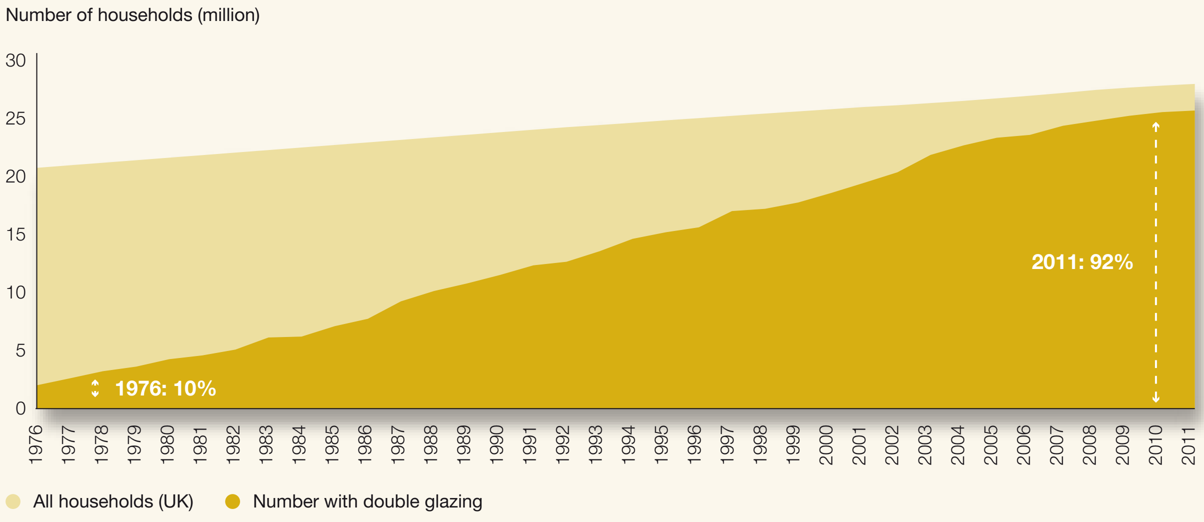
Case study

Retrofit of double glazing in the United Kingdom

Double glazing grew in popularity in the United Kingdom following regulatory change in 1976 to improve housing energy efficiency. The tightening of the regulations through to 2002, along with increasing energy costs and a reduction in the cost of DGU framing materials, significant government incentives and low cost led to a progressive increase in the adoption of double glazed windows.

The proportion of United Kingdom households with DGUs increased from 10% in 1976 to 92% in 2011 (an average increase of 2.35% per year for 35 years). The number of houses increased by an average of 202,000 per year whereas the number of houses with DGUs increased by 663,000 per year.

Penetration of double glazing in the United Kingdom



Source: Department of Energy & Climate Change, Office of National Statistics "Energy Consumption in the United Kingdom" - 2013 Update - Publication URN 12D/298.

Benefits of double glazing

Double glazing has multiple potential benefits including:

- houses that are cooler in summer and warmer in winter;
- better energy efficiency as less heating or cooling reduces power bills;
- less condensation;
- increased comfort and health;
- quieter living environment with greater insulation from street and neighbour noise; and
- increased property value.

Current retrofit market in New Zealand

Since the introduction of energy efficiency regulations in 2007, the retrofit market in New Zealand has remained relatively small. In FY14, Metroglass achieved approximately $10 million in retrofit sales.

In FY15F, Metroglass intends to start investing in the growth of the retrofit DGU market through the following initiatives:

- targeted marketing addressing key customer issues relating to time to install and the benefits of double glazing;
- increased management focus, including additional sales and support resources and rebranding Metroglass' retrofit offering; and
- better customer service by improving operational turnaround times.

Metroglass believes that growth in the double glazing retrofit market is a real opportunity that can be built up in the medium to long term. If 1.5% of existing New Zealand houses (as opposed to new builds) chose to retrofit their windows with DGUs each year, the retrofit market has the potential to be a similar size to the existing new build DGU market.

Low-e glass

Low-e glass can materially improve the thermal performance of DGUs and other windows. Metroglass plans to launch a Low-e marketing campaign in FY15F which will be designed to increase awareness of this higher end, higher value performance glass.

FIGURE 49:

Metroglass Low-e performance products

Product	Performance[1]	Metroglass brand
DGU with high performance and high clarity, low haze Low-e glass and argon gas fill and thermal spacer	☆☆☆☆☆	Low E Xcel Double Glazing
DGU with high clarity, low haze Low-e; and argon gas fill	☆☆☆	Low E Max Double Glazing
DGU with medium clarity Low-e glass	☆☆	Low E Plus Double Glazing
DGU without Low-e glass	☆	Classic Double Glazing

Note 1: Performance rating based on relative thermal efficiency and clarity of unit

Custom lamination

In FY14 Metroglass invested in two new custom laminators. These laminators allow for improved safety products and special decorative effects (see Figure 38 for additional details). Metroglass will commence external marketing for custom lamination in FY15F to build on the level of market demand already experienced to date.

6.13 IT SYSTEM UPGRADE PROGRAME

Metroglass' central IT system, ClearCut, is a proprietary system which interfaces with numerous Metroglass IT functions, including the sales and inventory management functions, as well as "shop floor" control. Metroglass intends to replace the sales, inventory management and "shop floor" control aspects of the ClearCut system over the next 24 months.

The "shop floor" control functions of the ClearCut system are also to be replaced with a new software system to be provided and supported by Metroglass' principal plant and equipment supplier. This replacement has occurred at the Christchurch plant, as part of its 2013 automation. Metroglass intends that these functions will also be replaced in Auckland as part of the site consolidation and automation project scheduled for completion by March 2015, and at the Wellington plant over the next 12 to 24 months.

Metroglass' general ledger and back of house IT systems operate on a combination of "off the shelf" software package and ClearCut. The "off the shelf" software package is currently being upgraded to the latest version, which, once upgraded, is intended to assume the back of house functions currently being provided by ClearCut. This upgrade is expected to be completed by the end of 2015.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Board, Senior Management team and corporate governance

7.1 METROGLASS' BOARD OF DIRECTORS

Metroglass has an experienced and balanced Board. Its members collectively contribute a diverse range of skills and backgrounds including executive and governance roles at various building products companies, publicly listed companies, and other significant entities both in New Zealand and internationally. The Board comprises an independent, non-executive Chairman, two independent non-executive directors, one other non-executive director and one executive director.

Sir John Goulter KNZM, JP (age 72)
Independent, Non-Executive Chairman
Member of the Audit and Risk Committee

Sir John has long standing experience in the New Zealand corporate sector in executive and non-executive roles across a variety of industrial and services organisations in both the public and private sectors. He brings a significant range and depth of business and corporate governance experience to the Board.

He currently acts as Chairman of the New Zealand Business and Parliament Trust, Northland Port Corporation (NZ) Limited, Northport Limited and Ururangi Limited.

Sir John has served on a number of boards, including the Reserve Bank of New Zealand, Vector and TVNZ. He has been the Chairman of a number of companies, including the New Zealand Lotteries Commission, United Carriers Group and Kapiti Coast Airport.

Prior to his non-executive roles, Sir John was the inaugural Managing Director of Auckland International Airport Limited.

In 2003, Sir John was appointed the New Zealand Herald Business Leader of the Year and a Distinguished Companion of the New Zealand Order of Merit (DCNZM) for services to business and the community. This honour was re-designated as Knight Companion of the New Zealand Order of Merit (KNZM) in 2009.

Sir John is a graduate of Harvard Business School (Advanced Management Program), a Justice of the Peace and a Fellow of the New Zealand Institute of Management. He was inducted as a Laureate into the New Zealand Business Hall of Fame in 2003.

Nigel Rigby (age 47)
Executive Director and Chief Executive Officer

Nigel was appointed as Chief Executive Officer of Metroglass in 2012.

Nigel has over 15 years' of experience working in the building products sector in New Zealand, Australia, Asia and the United States.

Prior to joining Metroglass, Nigel was with the James Hardie group for 13 years, including Executive General Manager – USA for James Hardie. In this role he led James Hardie's largest international business division, which included managing large and complex capital projects as well as the day-to-day management and responsibility for the performance of this division.

7.1 METROGLASS' BOARD OF DIRECTORS CONTINUED

Neville Buch (age 56)
Non-Executive Director

Neville is a Partner at Crescent Capital Partners, an Australian private equity firm, specialising in high growth companies and certain industry sectors, including building products. Neville has particular expertise in operational management of industrial businesses.

Neville was Chairman of Metroglass Holdings from 2011 to 2014.

Neville is also Chairman of Crescent Capital portfolio companies Steel-Line Group and Groundprobe.

Before joining Crescent Capital Partners, Neville was Chief Executive Officer of Wormald Australia and a senior executive of Tyco where he held the roles of Global Vice President – Fire and Safety Division and Deputy Chairman – Tyco Securite Europe.

Neville holds a Bachelor of Science in Electronic Engineering (Hons Computer Design) and a Masters of Business Administration from the University of Witwatersrand in South Africa.

As a result of his affiliation with Crescent (which will have an interest in 8.3% of the Shares following the Transaction), Neville is not considered to be an independent director. Neville was the nominee director of Crescent Capital Partners to the Board of one of Crescent Capital Partner's investee companies – Rosella Food HoldCo Pty Limited. This company and other Rosella group companies voluntarily entered into external administration due to insolvencies during the time Neville was a director.

Russell Chenu (age 64)
Independent, Non-Executive Director and Chairman of Audit and Risk Comittee

Russell has significant experience in the corporate sector with more than 22 years in senior management roles. He has considerable experience in financial roles, including with building products companies.

Russell is currently an independent director of ASX listed Leighton Holdings Limited (where he chairs the Audit Committee).

Russell had a 23-year career at James Hardie, holding various management and executive positions in a number of countries, including most recently serving as group Chief Financial Officer from 2004 to 2013.

Before this role, Russell served as Chief Financial Officer for several ASX-listed companies (Tab, Delta Gold, Australian National Industries and Pancontinental Mining) and Mighty River Power. Russell was also previously Treasurer of Pioneer International.

Russell has a Bachelor of Commerce from The University of Melbourne, an MBA from Macquarie Graduate School of Management and is a Member of the Society of Certified Practising Accountants (Australia).

Willem (Bill) Roest (age 66)
Independent, Non-Executive Director and Member of Audit and Risk Committee

Bill has extensive experience in the New Zealand corporate sector both in executive and non-executive functions, in particular in the domains of finance and corporate governance.

He is currently on the boards of Synlait Milk (where he chairs the Audit and Risk Committee), Fisher & Paykel Appliances (where he chairs the Audit Committee) and New Zealand Housing Foundation.

Prior to his non-executive roles, Bill held the position of Chief Financial Officer at Fletcher Building for 12 years. Before this, he held several leadership roles within the Fletcher Group, including Managing Director of Fletcher Residential and Fletcher Aluminium.

Bill is a member of the New Zealand Institute of Directors, a Fellow of the Association of Chartered Certified Accountants (United Kingdom) and an Associate Chartered Accountant in the New Zealand Institute of Chartered Accountants (New Zealand).

The composition of Metroglass' Board committees and a summary of its key corporate governance policies are set out in Section 7.4 *Corporate governance* and Section 7.5 *Policies and procedures*.

7.2 METROGLASS' SENIOR MANAGEMENT TEAM

The Metroglass Senior Management team will continue without change following the Transaction, comprising a Chief Executive Officer, a Chief Financial Officer, a General Manager of Operations and three Regional Managers. Further information on the terms of employment of the Senior Management team is set out in Section 7.7 *Executive remuneration*.

Nigel Rigby (age 47)
Chief Executive Officer

See Section 7.1 *Metroglass' Board of Directors*.

David Carr (age 50)
Chief Financial Officer

David was appointed Chief Financial Officer in August 2013.

Prior to his appointment, David was the General Manager of Finance for the Building Products division of Fletcher Building. Previously, he performed various roles across mergers and acquisitions, treasury and business development for Yum! Brands in the United States.

David is a former Chartered Accountant and holds a Bachelors degree in Economics from Macquarie University in Sydney.

Geoff Rasmussen (age 43)
General Manager Operations

Geoff has more than 17 years' of experience in various senior management roles at Metroglass and was appointed General Manager, Operations in April 2011.

Geoff has 27 years' of experience in the glass industry combining a trade background with experience including sales, production and operations management.

Regional Managers

Metroglass has three Regional Manager positions aligned to three geographic regions – Upper North Island, Lower North Island and South Island. These Regional Managers have significant experience (collectively over 30 years) with Metroglass and each is well known and respected in the New Zealand glass industry. Individually, they are responsible for leading and managing their teams to achieve both sales and production targets consistent with Metroglass' overall strategy.

7.3 DIRECTORS AND SENIOR MANAGERS' INTERESTS IN SHARES

In connection with the Offer, the shareholders associated with the interested persons below will sell all of their shares in Metroglass Holdings to Metroglass under the Acquisition Agreements. The consideration for the sale is payable partly by the issue of Consideration Shares and partly by the payment of cash raised through the Offer.

The following table sets out the number of shares in Metroglass that the Directors and Senior Managers (or their associated persons) own prior to and after the Offer.

Interested person	Shareholders	Total interest in Metroglass Holdings prior to the Offer	Total interest in Metroglass after the Offer
Neville Buch (Director)	Crescent Capital Partners Management Pty Limited as trustee for Crescent Capital Partners Trust IIIA	16.3%[1]	3.2%
	Crescent Capital Partners Management Pty Limited as trustee for Crescent Capital Partners Trust IIIB	16.3%[1]	3.2%
	Crescent Capital Partners III (Belgium) BVBA	9.9%[1]	1.9%
Nigel Rigby (Director and Chief Executive Officer)	Nigel Rigby	3.5%[1]	2.8%
David Carr (Chief Financial Officer)	David Carr	0.9%[1]	0.7%
Geoff Rasmussen (General Manager Operations)	Geoff Rasmussen	0.4%[1]	0.3%

Note 1: This number assumes any C and B class shares, which will convert to ordinary shares before the allotment of Offer Shares pursuant to the Offer, have converted to ordinary shares in Metroglass Holdings.

In addition, each of Sir John Goulter KNZM, JP, Russell Chenu and Willem Roest intend to apply for Offer Shares under the Offer. At this stage, their respective applications are expected to be for 20,000, 25,000 and 25,000 Offer Shares.

None of the persons named above guarantees, or undertakes any liability in respect of, the Shares.

Certain of the above Directors and Senior Management have agreed with Metroglass that, following completion of the Offer, they will not sell any Shares for a period after the Listing Date. These restrictions are subject to certain customary exceptions. For further information, please see further details in Section 10.14 *Escrow arrangements* of this Prospectus.

In addition, a portion of each of Nigel Rigby, David Carr and Geoff Rasmussen's holdings of Shares after the Offer will be subject to certain additional restrictions pursuant to the Senior Management Shareholding Plan (as described in Section 7.7 *Executive remuneration*).

7.4 CORPORATE GOVERNANCE

The Board is committed to upholding standards in corporate governance, business behaviour and accountability in order to promote investor confidence. Consistent with this, the Board has endorsed the Corporate Governance Best Practice Code set out in the NZX Listing Rules and the ASX Corporate Governance Principles and Recommendations.

Role of the Board

The Board has ultimate responsibility for the strategic direction of Metroglass and for supervising Metroglass' management for the benefit of its Shareholders. The Board's responsibilities include setting and overseeing the execution of Metroglass' strategy, and supervising management in the operation of Metroglass' business.

The Board has adopted a Charter recording its commitment to best corporate governance practices. The Board Charter describes the specific responsibilities, values, principles and practices that underpin the role of Directors on the Board. The Board Charter does not attempt to provide a complete record of all of the formal and informal rules associated with the role of the Board and should be read in conjunction with the Constitution and relevant laws, regulations, codes and guidelines.

The Board currently plans to meet not less than ten times during the financial year, including sessions to consider Metroglass' strategic direction and business plans. Video and/or phone conferences will be used as required.

Given its size, the Board has elected not to establish separate Nominations or Remuneration sub-committees. The total Board will attend to matters relating to nominations and remuneration.

Audit and Risk Management Committee

The Board has established an Audit and Risk Management Committee, as a sub-committee of the Board. The Audit and Risk Management Committee is responsible for overseeing the risk management (including treasury and financing policies), treasury, insurance, accounting and audit activities of Metroglass, and reviewing the adequacy and effectiveness of internal controls, meeting with and reviewing the performance of external auditors, reviewing the consolidated financial statements and making recommendations on financial and accounting policies.

The members of the Audit and Risk Management Committee are Russell Chenu (Chairman), Bill Roest and Sir John Goulter KNZM, JP.

7.5 POLICIES AND PROCEDURES

Once Metroglass' Shares are quoted on the NZX Main Board and ASX, it will be required to comply with the NZX Listing Rules, the ASX Listing Rules and the disclosure requirements of securities and other laws in New Zealand and Australia. Key policies and procedures adopted by the Board, which will be effective from Listing, are as follows:

Market Disclosure Policy

The Board has adopted a Market Disclosure Policy to ensure that timely, orderly, consistent and credible information is communicated to the market. Metroglass is committed to full and fair disclosure of any material information required by applicable NZX and ASX Listing Rules and fostering constructive relationships with Shareholders.

In particular, Metroglass is committed to:

- communicating effectively with Shareholders including maintaining an up-to-date website which provides Shareholders with information about Metroglass, its business and affairs;
- giving Shareholders ready access to balanced and understandable information about Metroglass and its corporate proposals; and
- making it easy for Shareholders to participate in Metroglass' general meetings.

The Board is responsible for ensuring that Metroglass complies with its disclosure obligations.

Share Trading Policy

The Board has adopted a Share Trading Policy which details Metroglass' rules for trading in its securities (including the Shares). The Share Trading Policy applies to Directors, officers, employees, contractors and secondees and is additional to the legal prohibitions on insider trading in New Zealand and Australia.

Code of Ethics

The Code of Ethics provides guiding principles outlining how all Directors, employees, contractors and advisers of Metroglass and its related companies are expected to behave in the carrying out of their responsibilities. It is not an exhaustive list of acceptable behaviours, rather it facilitates decision making that is consistent with Metroglass' values, business goals and legal and policy obligations.

The Board has not, at this stage, adopted a Diversity Policy. It intends to conduct an overall review of Metroglass' diversity practices and statistics prior to adopting any Diversity Policy.

7.6 DIRECTORS' INTERESTS

Directors' Remuneration

Sir John Goulter KNZM, JP, as Chairman, receives $160,000 per annum. The Non-Executive Directors receive $80,000 per annum. Russell Chenu, as the chairman of the Audit and Risk Committee, receives an additional $20,000 per annum. Willem Roest, as a member of the Audit and Risk Committee, receives an additional $10,000 per annum. The Executive Director does not receive additional remuneration in his capacity as a Director.

The Directors have set the Directors' fees in aggregate for all Directors at $600,000 per annum in total. Under NZX Listing Rule 3.5.1, if the total number of Directors in Metroglass subsequently increases, the Directors are permitted (without seeking Shareholder authorisation) to increase the total remuneration by the amount necessary to enable Metroglass to pay the additional Director or Directors' remuneration not exceeding the average amount then being paid to each of Metroglass' non-executive Directors (other than the Chairman).

The Directors are also entitled to be paid for reasonable travel and other expenses incurred by them in connection with their attendance at Board or Shareholder meetings, or otherwise in connection with the Metroglass Group's business.

Directors' Indemnity and Insurance

Metroglass has granted indemnities in favour of each of its Directors and also maintains insurance for its Directors and officers in each case, to the extent permitted by the Companies Act and Securities Act (see Section 12.17 *Material Contracts*).

7.7 EXECUTIVE REMUNERATION

Base and Short Term Performance Incentive

In addition to fixed base salary, some executives are also eligible for a short term performance incentive and/or a vehicle allowance or lease. The short term performance incentive is made up of a cash bonus which is a specified percentage of each executive's base salary.

Senior Management Shareholding Plan

Each of Nigel Rigby, David Carr and Geoff Rasmussen hold shares in Metroglass Holdings pursuant to an executive long term incentive plan. Metroglass Holdings lent each of them the funds to acquire and pay up those shares. On the Allotment Date, these individuals will sell their Metroglass Holdings shares to Metroglass in consideration for a combination of cash (25% of the value) and Shares (75% of the value) in accordance with the terms of the Senior Management Acquisition Agreement.

Two-thirds of the Shares received by these Senior Managers will be held by them pursuant to Metroglass' Senior Management Shareholding Plan (the **Shareholding Plan**). Shares that are subject to the Shareholding Plan will not vest until the date that is 12 months after the Listing Date. Dividends received in respect of those unvested Shares must be used to pay down the Senior Manager's loan from Metroglass Holdings. If the relevant Senior Manager ceases to be employed by Metroglass before those Shares have vested, Metroglass has the option to buy back those Shares at the lower of their market value or the then-outstanding value of their loan from Metroglass Holdings.

	Total Shares after the Offer (millions)	Unvested Shares held pursuant to Shareholding Plan (millions)	Shares held not pursuant to Shareholding Plan (millions)
Nigel Rigby	5.1	3.4	1.7
David Carr	1.3	0.9	0.4
Geoff Rasmussen	0.6	0.4	0.2

None of the persons named above guarantees, or undertakes any liability in respect of, the Shares.

In addition, Shares held by these Senior Managers will be subject to escrow restrictions, as described above in Section 7.3 *Directors and Senior Managers' interests in shares* above and in Section 10.14 *Escrow arrangements* of this Prospectus.

7.8 PARTICIPATION IN THE OFFER

Metroglass' Eligible Employees and Directors (or their nominees) may apply for Offer Shares under the Employee Offer and to the extent any such Offer Shares are acquired by Metroglass' Directors and Senior Managers, these acquisitions will be disclosed to the market as required by law.

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What are my risks?

PRINCIPAL RISKS FOR INVESTORS

The principal risk is that you may not be able to recoup your original investment or you may not receive the returns you expect. This could happen for a number of reasons, including that:

- the price at which you are able to sell your Shares is less than the price paid for them;
- an inability to sell your Shares at all – for instance, because the market for them does not develop, becomes illiquid or ceases to exist;
- Metroglass does not perform as expected, and as a result, may not be in a position to pay dividends;
- the operational and financial performance of Metroglass is not as strong as expected; or
- Metroglass becomes insolvent and is placed in receivership, liquidation or voluntary administration.

Any investment in the share market has risks associated with it, and this investment is no exception. The key risks specific to Metroglass and other general market risks are set out below. These risks, were they to occur, could have a material adverse effect on Metroglass' financial position or performance through reduced revenue, increased costs, reduced cash flows, a decrease in products sold, damage to reputation or a combination of these.

You should consider such risk factors together with the other information in this Prospectus. In particular, you should read Section 6 *Business Description*, Section 7 *Board, Senior Management Team and Corporate Governance* and Section 9 *Financial Information*.

The risk factors set out below may not be the only ones faced by Metroglass. There may be additional risk factors of which Metroglass is currently unaware, or that it currently deems not material but which may subsequently become key risk factors for the business.

The risk factors described below necessarily include forward looking statements. Actual events may be materially different to those described below and may therefore affect Metroglass in a different and/or more material way.

8.1 CYCLICAL ECONOMIC CONDITIONS AND DEPENDENCE ON THE CONSTRUCTION INDUSTRY

Metroglass' business is highly dependent on the activity levels in the residential and commercial construction industry (comprising both new builds and additions and alterations) in New Zealand, which is cyclical and is highly sensitive to a broad range of economic and other factors that are beyond Metroglass' control, including:

- general economic and market conditions;
- housing demand from population growth and household formation and other demographic trends, which, in turn, drives new builds and additions and alterations;
- commercial leasing market conditions and commercial site vacancy levels;
- house prices;
- prevailing interest rates;
- inflation or deflation;
- Government or Reserve Bank policies (for example, lending restrictions tied to loan to value ratios, policies relating to residential housing construction, or programmes or regulations relating to energy efficiency) (which policies could change following the 2014 central Government elections);
- changes in consumer spending or Government funding for construction projects;
- personal income tax rates;
- employment levels and job and personal income growth; and
- business and consumer confidence generally, including the confidence of potential homebuyers in particular.

Metroglass' business will continue to be affected by the level of construction activity in New Zealand and lower levels of construction activity, including as a result of any negative trends in any of the factors referred to above, could lead to a significant reduction in demand for Metroglass' products and services. That would reduce Metroglass' revenues and profits.

8.2 RISKS RELATING TO CHANGES CURRENTLY BEING MADE WITHIN METROGLASS' BUSINESS

Implementation of the Auckland manufacturing facilities consolidation and automation project

Metroglass currently operates from five existing sites in the Auckland region, including two key manufacturing facilities at Lady Ruby Drive, South Auckland and Patiki Road, West Auckland. In FY14, these Auckland sites represented approximately one third of total Metroglass processing. Metroglass has commenced a plan to consolidate its Auckland sites into one new facility at Highbrook Business Park in Auckland. This new facility will have fully automated glass cutting, toughening and DGU production capabilities. Metroglass has entered into an Agreement to Lease with Highbrook Development Limited (a subsidiary of Goodman Property Trust) under which Highbrook Development Limited will build the manufacturing facility and lease the land and buildings to Metroglass once it is completed. Metroglass has also purchased new plant and equipment for the facility. As part of this consolidation, Metroglass will relinquish leases on its five existing Auckland sites upon the new manufacturing facility becoming fully operational. The new manufacturing facility is expected to be fully operational in January 2015. There are a number of risks associated with this Auckland site consolidation and automation project, including:

- unplanned variations in the construction of the new manufacturing facility or commissioning the new plant and equipment;
- delays in construction of the new manufacturing facility or delays in commissioning of new plant and equipment at the new facility for any reason, resulting in the new facility not being operational by the targeted time;
- Metroglass being unable to exit the leases on its existing Auckland sites on a timely basis and/or on commercially reasonable terms;
- customer loss due, for example, to change in location or lower customer service levels during the transition of processing to the new facility; and
- loss of key personnel including due to workplace relocation to the new facility.

Should any of these or other risks associated with the site consolidation and automation project materialise, Metroglass could suffer a combination of cost overruns, ongoing liabilities in relation to the existing Auckland sites, loss of production capability and delays in achieving the expected efficiencies from the new manufacturing facility. These circumstances could result in a loss of customers, loss of revenue and reduced profits.

Failure to extract the efficiencies expected from the Auckland manufacturing facilities consolidation and automation project

On completion of the new Auckland manufacturing facility, Metroglass' Auckland production processes will be mostly automated. The operation of this production capability will be technically complex and accordingly there will likely be a testing period before optimal operational efficiency is achieved. Reaching optimal efficiencies at the new manufacturing facility will also require Metroglass to train its personnel on the new machinery and manage and allocate manufacturing personnel in a different way, which may take time to optimise. Any inability to extract the expected efficiencies from the new Auckland facility or any delays in achieving the efficiencies could slow production and reduce cost savings, which in turn could result in loss of customers, loss of revenue and lower profits. For a description of the benefits that Metroglass expects from the Auckland manufacturing facilities consolidation and automation project, refer to Figure 47 in Section 6.12 *Growth Strategy*.

Failure to manage initiatives successfully

In order to increase productivity and grow the Metroglass business, Metroglass has implemented, or is implementing, a number of efficiency or growth programmes, including automating its Christchurch plant in 2013; consolidating its existing five Auckland premises into one fully automated facility (discussed above *"Implementation of the Auckland manufacturing facilities consolidation and automation project"*); considering amendments to the employment contracts of its manufacturing personnel to build in the flexibility to enable its automated production lines to be appropriately staffed for optimised production runs; upgrading or replacing its technology systems (discussed below "Certain of Metroglass' IT systems are to be replaced"); and developing the management team in key areas relevant to Metroglass' growth, including strategy and marketing, operations management, managing people and change leadership.

These and other Metroglass business improvement projects represent a high degree of change for its management, systems and resources. There is a risk that Metroglass' management will have difficulty managing the various initiatives successfully, or will fail to integrate new personnel, operations, technology, software, glass products and services and strategies satisfactorily into its operations. Any failure by Metroglass to successfully implement these and other business improvement programmes or any material unbudgeted spending on such programmes could have a material adverse effect on Metroglass' business and future revenues and profits.

8.3 COMPETITIVE FACTORS

Competition from other producers and distributors

Metroglass is subject to competition from other domestic and international manufacturers and distributors of glass products in New Zealand. Metroglass' primary competitor in the New Zealand value added glass market, with approximately 25% market share, is a joint venture between CSR Limited, an Australian based, ASX listed, building products company and Euroglass[25]. The market share of these competitor producers and distributors in each market segment may increase relative to Metroglass' share as a result of various factors, including a change in consumer preference towards glass products offered by those other producers or distributors for any reason, including those competitors:

- acquiring or developing technologies which give them a competitive advantage;
- increasing their scale or range of their products in New Zealand;
- improving distribution of their products in New Zealand;
- lowering their pricing; or
- undertaking strategic moves to combine or consolidate in some way.

Metroglass' business could also be negatively impacted if a new competitor entered the market at a scale or with a product range to compete across the board with Metroglass.

Market position may be affected by an inrease in imports

Metroglass' market position and market pricing could also be adversely affected if there was an increase of imported finished processed glass products from foreign suppliers or a "dumping" of processed glass products into the New Zealand markets by foreign suppliers (a practice that Metroglass may not have legal protections against). This risk could increase in magnitude if demand for glass products (for example, windows and doors) in New Zealand moved towards a standardised size and quality, including as the result of regulation.

Any of these competitive factors may reduce the prices that Metroglass is able to charge for its products or reduce the volume of products it sells, both of which could impact negatively upon the financial performance of Metroglass.

8.4 KEY PERSONNEL, RECRUITMENT AND STAFF RETENTION

The success of Metroglass' business is dependent on the leadership of its key management personnel, including Nigel Rigby, Chief Executive Officer, and other members of the Senior Management team (see Section 7 *Board, Senior Management Team and Corporate Governance* for more information on the key managers of Metroglass). The loss of key personnel could have a material adverse effect on Metroglass through a loss of leadership, institutional knowledge and potentially through loss of customer relationships.

[25] Based on industry interviews, publicly available import data and financial information as analysed by Partners in Performance and reported on in the Partners in Performance Report.

Metroglass' future success also relies on its ability to continue to retain and motivate other skilled and qualified personnel, particularly those who have detailed experience in automated glass processing lines. If Metroglass loses these employees, it could be difficult to replace them and that could have a material adverse effect on Metroglass.

Metroglass may require additional qualified personnel to support its growth strategies. Attracting and retaining such qualified personnel may require increased expenditure from Metroglass which would reduce profits and Metroglass may experience difficulty in attracting and retaining the required personnel.

8.5 RISKS RELATING TO CUSTOMERS

Diverse customer base and no long–term sales contracts

Metroglass is dependent on the continued custom of its diverse customer base including window manufacturers (who then on-supply to builders) and, to a lesser extent, glaziers and wholesale merchants in New Zealand[26]. Metroglass also provides glazing products and services direct to builders and sells glass and related products and fixtures and fittings direct to consumers through its Metrofit business. Consistent with industry practice, Metroglass does not have long-term sales contracts with its customers, and it largely depends on its ability to conduct independent negotiations with each of its customers. Accordingly, Metroglass does not have contractually secured revenues. Metroglass' marketing and sales strategy therefore must respond to customer preferences, which can be unpredictable.

Metroglass relationships with its customers and the prices Metroglass charges them (and as a result Metroglass' revenues and profits) could be materially adversely affected by a number of factors, including, for example:

- a decision by its customers to diversify or change their sources of glass (including as a result of greater availability of cheaper imported glass products, new competitor entry, lower pricing by a competitor or customer dissatisfaction with Metroglass' products or services);
- the inability of Metroglass to agree acceptable pricing or other terms with its customers;
- a significant dispute with or between Metroglass' customers; or
- if a section of Metroglass' customer base was to consolidate in some manner.

Inventory management

Due to the relatively short lead time nature of Metroglass' order book for its performance glass products, it is difficult for Metroglass to estimate demand and, therefore, production. If Metroglass over-estimates demand for its new or existing products, this could result in excess inventory and adversely affect its results or operations. Conversely, if Metroglass under-estimates demand or otherwise does not have sufficient stock available, it may not be able to meet customers' needs in the required timeframe and it could lose sales to a competitor.

Payment collections from customers

Given Metroglass' diverse customer base, its customers have a range of credit profiles. If Metroglass is unable to collect payments from customers, its financial results would be adversely affected. Some of Metroglass' customers may have liquidity issues and ultimately may not be able to fulfil the terms of their purchase agreements with Metroglass. While Metroglass does not rely on a small number of large customers for its revenues, if Metroglass does not manage its credit risk issues across its customer base adequately, or if a large number of customers have financial difficulties at the same time, Metroglass' losses could increase above normal levels and its financial performance could be adversely affected. A worsening of economic conditions would also mean that bad debts generally could increase.

8.6 CLAIMS IN RELATION TO THE PRODUCTS METROGLASS SELLS

Metroglass' glass products are widely applied in homes and commercial buildings across New Zealand. Significant property damage, personal injuries and even death can result from malfunctioning glass products. If Metroglass' glass products are not properly manufactured or installed and/or if people are injured as a result of its products, Metroglass could be subject to claims for damages based on product liability and breach of contract and other claims.

Metroglass' DGUs are supplied to customers with a 10-year product warranty covering defects. Metroglass agrees to replace any defective DGUs pursuant to this warranty. As such, at any one time Metroglass will have a potential liability which could become an actual liability if any of its DGUs ultimately prove to be defective.

Product liability claims present a risk of litigation, monetary damages (in excess of any product liability insurance Metroglass has), reputational damage, costs and expenses and diversion of management's attention from the operation of Metroglass' business, all of which could have a material adverse effect on its business, revenues and profits.

8.7 BUSINESS DISRUPTIONS

Metroglass' business is dependent on the continued and uninterrupted performance of its production facilities across New Zealand. Metroglass' glass production lines are specialised and depend on critical pieces of equipment, such as vertical glass washing machines, automatic glass-cutting machines and toughening furnaces, some of which rely on technology systems for their operation. On occasion, Metroglass' equipment may be out of service as a result of unanticipated failures which could result in material plant shutdowns or periods of reduced production. Interruptions to production capabilities could increase production costs and reduce Metroglass' revenues and profits.

In addition to equipment failures, each of Metroglass' facilities is subject to operating risks such as shortages in float glass supply, industrial accidents (including fire), extended power outages, withdrawal of permits and licences, catastrophic events (such as a major earthquake, landslide, fire, flood, cyclone, explosion, act of terrorism or other disaster), prolonged maintenance activity or labour disputes or

[26] Refer to Figure 40 in Section 6.5 *Customers* for a breakdown of Metroglass' sales, including by customer type.

stoppages. Any interruption in production capability may require Metroglass to undertake material capital or operational expenditures to remedy the cause of the interruption and could cause lost sales, reduced revenues and profits.

8.8 REGULATORY RISK

Metroglass' business may be adversely affected by legal and regulatory changes or requirements, for instance, including legislation, regulations and codes relating to building and construction, occupational health and safety, environmental issues, competition and local government requirements. Material changes to law and Government policy may occur if there is a change of the New Zealand Government as a result of the September 2014 central Government election. Potential changes to existing laws, or the introduction of new laws, could result in changes to Metroglass' operating environment which in turn could require Metroglass to change its business model. Law changes could also require Metroglass to undertake additional compliance actions at additional cost. Such law changes could materially adversely affect Metroglass' business.

Any involvement by Metroglass in regulatory inquiries or investigations (whether industry-wide or specific to it) will add cost to Metroglass' business, could negatively affect its reputation and could be a material distraction for management. Failure to comply with any applicable legislation, regulation or code could also result in fines, injunctions, penalties, requirements for remedial works, total or partial suspension of regulatory approvals or other sanctions that may have a material adverse effect on Metroglass' business.

8.9 EXCHANGE RATES RISK

Metroglass buys almost all of its float glass from foreign suppliers and, as a result, most of Metroglass' costs associated with buying float glass are denominated in foreign currencies. Expenditure on float glass purchases represents a material proportion of Metroglass' operating expenditure. Metroglass' revenues are earned almost exclusively in New Zealand Dollars. Consequently, there may be a risk that unfavourable foreign exchange movements will occur between the time at which a contract is entered into and the time at which it is settled. In addition, a significant weakening of the New Zealand Dollar is a risk for Metroglass as this would increase the New Zealand Dollar cost of purchasing float glass, which would in turn reduce profitability if Metroglass could not offset this by passing a price increase through to its customers in a way that is sufficient to recover increased costs. Metroglass uses financial instruments to partly hedge its exposure to foreign currency denominated costs that will be incurred in any rolling 12 month period. The cost of such contracts can vary and the use of such financial instruments could result in financial losses to Metroglass if actual foreign exchange movements differ from those expected. Exchange rate movements have significant potential to impact Metroglass' PFI. For further information regarding the effect of foreign exchange on Metroglass' business, see Section 9.2 *Overview of Metroglass' financial information* under the heading "Overview of the effect of foreign exchange".

8.10 OCCUPATIONAL HEALTH AND SAFETY

Due to the nature of the industry in which Metroglass operates and the product it processes (glass), there is a potential risk to the health and safety of Metroglass' employees and contractors and/or its customers or members of the public. If Metroglass does not comply with its health and safety obligations, it could be subject to a range of enforcement activity, including directions to take remedial action and/or summary criminal prosecution and fines, if convicted. A health and safety incident has the potential to damage Metroglass' reputation and brand, which, in turn, could negatively affect its revenues and profitability.

Health and safety legislation is currently under review and is expected to be significantly amended in the next year. This could alter the extent of Metroglass' general health and safety obligations. These changes may increase costs for Metroglass' business and impact on its profitability.

8.11 RISKS RELATING TO FLOAT GLASS SUPPLY

Changes in the cost of float glass

Float glass represents a material cost component for the glass products Metroglass sells. The float glass that Metroglass purchases and processes has been subject to price changes in the past, some of which have been significant. Metroglass' revenues and profits could be adversely affected by a delay between the point at which float glass cost increases are implemented and the time Metroglass is able to increase prices for its glass products, or an inability to pass on cost increases in part or in full to customers at any time.

In the past Metroglass has been able to achieve advantageous purchase prices through high volumes and strong relationships with suppliers. Should Metroglass no longer receive advantageous pricing for the float glass it processes, this could have a material adverse effect on Metroglass' revenues and profits.

Float glass shortages or the loss of key suppliers

Metroglass' business is reliant on float glass supplied by third parties. Some of the third parties are responsible for a material amount of the float glass processed by Metroglass. Metroglass does not generally enter into long-term agreements with its suppliers to secure volumes. Generally, the float glass that Metroglass purchases is available from various sources in various jurisdictions in sufficient quantities. There is no certainty however, that Metroglass could procure float glass from other sources on similar or more favourable terms. Any material shortfall in float glass availability (particularly from one of Metroglass' large suppliers) or any material issue in terms of quality could therefore adversely affect Metroglass' business.

8.12 OTHER BUSINESS RISKS

Failure of IT systems

The proper functioning of Metroglass' information systems is important to the successful operation of its business. Metroglass depends on its information management systems to receive and process orders, operate key processing plant and equipment, manage material procurement and inventory, production planning, and monitor accounts receivable collections. Metroglass' information systems also allow it to deliver its performance glass products to customers on a timely basis while maintaining cost-effective operations. A significant part of Metroglass' information systems are proprietary systems created in-house. Accordingly, the resources that are readily available to Metroglass to update, repair and modify these systems are limited. Metroglass also relies on third party software providers to provide IT support for upgrades or system failure issues. Metroglass' systems are vulnerable to computer viruses and hacking, natural disasters, power losses, telecommunication failures and other problems.

If critical information systems fail or are otherwise unavailable, or the services of third party IT support contractors are unavailable or delayed, Metroglass' business could be disrupted and its ability to receive and process customer orders, maintain proper levels of inventories, collect accounts receivable and pay accounts payable and expenses could be adversely affected. That could result in damage to Metroglass' reputation, lost customers and lower revenues and profits.

Failure to comply with bank facilities

A decline in revenues and profits could cause Metroglass to not comply with its financial covenants in its bank facilities. A financial covenant is an agreement with Metroglass' banks to maintain certain financial and other ratios - see Section 12.20 *Restrictions on issuing group* and note 11 *Financing* in Section 9.4 *Prospective Financial Information* for a summary of Metroglass' bank facility covenants and undertakings. Non-compliance with any covenant or undertaking in a bank facility (financial or otherwise) would result in an event of default or event of review occurring and may prevent Metroglass from borrowing under the bank facilities. Consequences of an event of default or event of review may include increased financing costs and other re-negotiated terms which may be more restrictive, decreased or non-availability of debt funding, acceleration of repayment of all outstanding amounts and enforcement of security, all of which could result in Metroglass' insolvency.

Restrictive covenants in Metroglass' bank facilities may also restrict operations and affect its financial flexibility and its ability to pay dividends.

Changes in interest rates

Adverse movements in interest rates may increase Metroglass' cost of funds and, therefore, reduce its profitability.

Dependence on others within a construction project

The installation of Metroglass' glass products can be one of the final steps in the construction of a building. Metroglass' business is dependent on the construction project adhering to planned schedules. Its business can be adversely affected by unexpected or prolonged delays to a construction project, including those caused by the non-performance of other contractors to that project. The larger the project, the more material the negative effect on Metroglass could be.

Adverse weather

Metroglass' business can be adversely affected by unexpected or prolonged periods of inclement or severe weather, by creating slowdowns in the construction industry, which can reduce the demand for its glass products and, in the short term, can delay expected cash inflows to Metroglass as a result of construction projects it has contracted to being delayed.

Transport system and fuel

Metroglass delivers a large proportion of its performance glass products to its customers through its own transport systems and third party delivery services. Significant increases in fuel prices, road-user charges, or other transport-related taxes or imposts would affect Metroglass' profitability, if they are not able to be passed on to or recovered from customers.

Other risks

In addition to the more specific risks referred to above, Metroglass faces the usual risks that arise in the normal course of operating any business, such as:

- fraud, business continuity planning and data integrity risk;
- the emergence of a widespread health emergency, epidemic or pandemic which could create economic or financial disruption; and
- the possibility of future litigation.

2012 recapitalisation

Under previous ownership, and under a materially different capital structure, the entities that owned the Metroglass business breached the covenants and other obligations in their then bank facilities as a result of suppressed economic and industry conditions and a large debt burden. This resulted in the recapitalisation of the business in 2012.

For further detail on the 2012 recapitalisation and what led to it, see Section 12.7 *Substantial equity security holders of issuer*.

Forward-looking statements

This Prospectus contains certain statements that relate to the future, including, in particular, the information set out in Section 9.4 *Prospective Financial Information* of this Prospectus. Forward-looking statements should be read together with the other information in this Prospectus, and the Investment Statement, including the risk factors in Section 8 *What are my risks?* of this Prospectus and the assumptions and the sensitivity analysis set out in Section 9.4 *Prospective Financial Information* of this Prospectus.

Such forward-looking statements are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other factors, many of which are beyond the control of Metroglass and which may cause the actual results, performance or achievements of the Offer Shares to differ materially from those expressed or implied by such statements.

Each of Metroglass, the Directors and the Promoter disclaim any responsibility to update any such risk factors or publicly announce the results of any revisions to any of the forward-looking statements contained in this Prospectus to reflect developments or events, except to the extent required by the Securities Act, the Securities Regulations, the NZX Listing Rules, the ASX Listing Rules or any other law.

Given these uncertainties, you are cautioned not to place undue reliance on any forward-looking statements contained in this Prospectus. Under no circumstances should you regard the inclusion of forward-looking statements as a representation or warranty by Metroglass or the Promoter or their respective directors or officers or any other person referred to in this Prospectus with respect to the achievement of the results set out in any such statement, or that the underlying assumptions used will in fact be realised

8.13 GENERAL INVESTMENT RISKS

Economic risk and economic activity

Like any other investment, returns from an investment in the Shares are influenced by the level of economic activity. A contraction in the New Zealand or global economy may impact upon the performance of Metroglass by reducing demand for Metroglass' performance glass products and/or affecting Metroglass' costs.

Taxation risks

A change to the existing rate of company income tax, or other changes to tax law or practice in New Zealand or in other relevant international jurisdictions which affect Metroglass, may affect Metroglass' returns. A change to tax law applying to you personally could affect your returns.

8.14 GENERAL MARKET RISKS

An active or liquid market may not develop

Prior to this Offer, there has been no public market for the Shares. There can be no assurance that an active trading market in the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the NZX Main Board or ASX at any time. This may increase the volatility of the market price of the Shares and may affect the liquidity of the Shares. It may also affect the market price at which Shareholders are able to sell their Shares.

The Offer Price may not be indicative of the market price for the Shares

The Offer Price has been determined by Metroglass, following consultation with the Joint Lead Managers, a number of weeks prior to the Listing and the Offer Price may therefore not be indicative of the market price for the Shares following the Listing. The increased number of equity offerings taking place in New Zealand and elsewhere at the current time may also affect demand for the Shares. A public perception that Metroglass is a building and/or manufacturing company could result in the price of the Shares moving in line with other shares in companies of this nature.

Future sales or issues of Shares may affect the market price

Following Listing, sales by Shareholders may significantly reduce the market price for the Shares. Issuances by Metroglass of Shares may also significantly dilute your holding and reduce the market price for the Shares.

The market price of the Shares may be volatile

Factors such as changes in the New Zealand or international regulatory environment (including for accounting), New Zealand and international equity markets, New Zealand Dollar and foreign currency movements, and the New Zealand and global economy, could cause the market price of the Shares to fluctuate. These fluctuations may adversely affect the market price of the Shares after the Offer.

Consequently, investors may have difficulty selling their Shares or may not be able to sell their Shares at or above the Offer Price. Investors may lose part or all of their investment in the Shares.

Consequences of insolvency

Shareholders will not be liable to pay any money to any person as a result of any future insolvency of Metroglass. All of Metroglass' creditors (secured and unsecured) will rank ahead of Shareholder claims if Metroglass is liquidated. After all such creditors have been paid, any remaining assets will be available for distribution between all holders of Shares who will rank equally amongst themselves. There may not be sufficient surplus assets to enable Shareholders to recover all or any of their investment.

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Financial information

This section contains both the historical and prospective financial information for Metroglass. The financial information should be read in conjunction with the risk factors set out in Section 8 *What are my risks?* and the other information contained in this Prospectus.

Included within this section is:

9.1 INTRODUCTION TO METROGLASS' FINANCIAL INFORMATION

An overview of how Metroglass makes money and the main drivers of its financial performance are provided in this section to help readers better understand the financial information provided.

9.2 OVERVIEW OF METROGLASS' FINANCIAL INFORMATION

An overview of the key historical and prospective financial information (**PFI**) between the years ended 31 March 2012 (**FY12**) and the six months ending 30 September 2015 (**1H16F**), and commentary on key trends and drivers of historical and PFI. This selected information is provided in addition to the financial information disclosure required under the Securities Regulations to help readers understand Metroglass' financial performance.

9.3 RECONCILIATION OF NON-GAAP FINANCIAL INFORMATION

A reconciliation of the Pro Forma profitability to the financial statements and PFI.

9.4 PROSPECTIVE FINANCIAL INFORMATION

PFI for the eight months ending 31 March 2015, the year ending 31 March 2015 (**FY15F**) and the six months ending 30 September 2015 (**1H16F**) comprising:

- prospective consolidated statement of comprehensive income;
- prospective consolidated statement of changes in equity;
- prospective consolidated statement of financial position;
- prospective consolidated statement of cash flows;
- a description of the general and specific assumptions on which the PFI has been prepared; and
- an analysis of the sensitivities of the PFI to changes in key assumptions.

9.5 STATUTORY AUDITOR'S REPORT

9.6 INVESTIGATING ACCOUNTANT'S REPORT

APPENDIX 1: SUMMARY OF HISTORICAL FINANCIAL INFORMATION

A five year summary of historical financial information is required by the Securities Regulations if the relevant company has been in existence for this period. As Metro Performance Glass Limited is yet to commence business, no historical financial information for that entity exists. The historical summary included in this Appendix instead includes financial information for Metroglass Holdings. As Metroglass Holdings was incorporated on 8 November 2011, the historical summary includes the historical financial information from 1 February 2012. In respect of Metroglass Holdings the financial information presented from 1 April 2011 until 8 November 2011 includes unaudited trading information from NZ Glass Investments Limited.

APPENDIX 2: AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

As Metro Performance Glass Limited is yet to commence business, the audited financial statements for Metroglass Holdings have been provided.

9.1 INTRODUCTION TO METROGLASS' FINANCIAL INFORMATION

This Prospectus contains a detailed description and analysis of Metroglass' industry (see Section 5 *Industry Overview*) and business (see Section 6 *Business Description*). You are strongly encouraged to read those sections in detail, and also Section 8 *What are my risks?*

Certain information included in this section (including EBITDA, Pro Forma EBITDA, EBITA, Pro Forma EBITA, NPATA and Pro Forma NPATA) is non-GAAP financial information. It also includes Pro Forma financial information and profit measures other than net profit for the financial year as reported in the statutory financial statements. The statutory financial statements are prepared in accordance with NZ GAAP and comply with New Zealand equivalents to International Financial Reporting Standards (**NZ IFRS**). You can find an explanation as to why Metroglass uses these measures of financial performance in Section 9.2 *Overview of Metroglass' financial information* under the heading "Explanation of non-GAAP financial information" and a reconciliation of Statutory Net Profit to Pro Forma NPAT, NPATA, EBITA, and EBITDA in Section 9.3 *Reconciliation of Non-GAAP Financial Information.*

A summary of how Metroglass makes money

The following provides a simplified overview of how Metroglass makes money as an introduction to assist in reading the detail in the rest of this section.

Metroglass' core business is the value-added processing of float glass in New Zealand including cutting, shaping, laminating, painting and toughening glass, the manufacturing of DGUs and the glazing (installation) of windows. Metroglass' market includes more than 350 window manufacturers and 750 merchants and glaziers, and a large number of retail consumers.

Metroglass derives revenue from the sale of glass and related services to:

- **Window manufacturers:** Generally a window manufacturer will receive an order for windows from a builder who will then transfer this order onto the value added glass processor of their choice (such as Metroglass). An order is typically for a full house lot of glass (which may include more than 20 windows and additional glass used in showers, splashbacks, mirrors and balustrades) and the window manufacturer will expect delivery of the required DGUs or glass either to their factory or to an end consumer location.
- **Glass merchants and glaziers:** Typically a merchant or a glazier will order glass for on-sale to a smaller window manufacturer, builder or directly to a consumer. They may also install the glass in forms such as windows, doors, balustrades, splashbacks, office partitions and shop fronts in residential and commercial settings, often as replacements or repairs.
- **Retail customers:** In most markets Metroglass offers glass products and services (typically cut-to-size glass, splashbacks, mirrors and glazing work) direct to retail customers.
- **Retrofit DGU customers:** Generally a consumer will call Metroglass directly for a measure and quote for DGUs to retrofit their existing house. Metroglass will manufacture the units and glaze them directly for the consumer.
- **Other customers:** Metroglass offers other products and services such as glazing services to assist with commercial projects and frameless glass hardware.

As most of Metroglass' sales are through window manufacturers, glaziers, merchants and builders, this means that Metroglass does not know the specific segmentation of its end customer use.

Main drivers of Metroglass' financial performance

The following factors can have a significant impact on the financial performance and net cash flows, but are not an exhaustive list of all relevant factors. This should be read in conjunction with "Trends in revenue, Pro Forma EBITA and statutory net profit" later in this section as well as Section 8 *What are my risks?*

Demand for windows and glass in the market, which in turn is linked to residential and commercial construction

Given Metroglass' high market share and its range of channels to market, its revenue is linked to the general demand for windows and glass in the market, which in turn is driven by residential and commercial construction expenditure. The comparison of Metroglass' historical revenue with nine month lagged new dwellings consents, and also with the value of residential and non-residential Work Put In Place, in Section 5.4 *Forecasts for the New Zealand construction market*, demonstrates this correlation. Metroglass believes that glass is a late cycle construction product (in other words, it is generally installed late in a build process).

As set out in Section 5.4 *Forecasts for the New Zealand construction market*, industry forecasts are for construction expenditure growth in the PFI forecast period. Rolling 12 month new dwellings consents have increased by approximately 18% over the nine months to April 2014 compared with the previous corresponding period. Given the historical relationship between lagged consents and Metroglass' revenue, this supports continued growth of Metroglass revenue in the next 12 months.

There are a number of factors that support continued growth in the construction sector in the medium term including the Christchurch rebuild, the increased level of net migration, the general under–build since the global financial crisis, government policy and a decreasing average number of people per household (see Section 5.3 *Drivers of the New Zealand construction market* for more details).

Capacity to drive efficiency from the site optimisation and capital expenditure programme

Since 1 January 2012, Metroglass has spent approximately $20 million on new capital equipment. This includes spend related to the optimisation and automation of the Christchurch processing site, investment in new technologies (for example, batch laminators), an upgrade of the vehicle fleet and initial deposits on the Auckland site optimisation and consolidation process. Between July 2014 and January 2015 an additional

$15 million of capital is expected to be invested, which includes the targeted completion of the Auckland site consolidation and optimisation project (see Section 6.12 *Growth strategy*).

Metroglass believes that this capital expenditure programme will increase its capacity to deal with the expected market growth and generate operational improvement. Early indications from the implementation of the automation processes in Christchurch (completed in December 2013) are that the business should achieve operational improvements over time from both the Christchurch automation and Auckland consolidation and site optimisation project capital expenditure.

Glass and consumables costs

Metroglass purchases glass and other glass consumables (for example to manufacture DGUs) from a variety of European, Asian, American, Australian and New Zealand suppliers. Due to Metroglass' scale, it has historically purchased its raw materials at globally competitive prices which has allowed it to compete in the New Zealand market effectively. Metroglass has demonstrated its capacity to shift suppliers which has allowed it to negotiate appropriate pricing. Metroglass has in place a foreign exchange hedging policy to protect it from short term movements in foreign exchange rates (see Section 9.4 *Prospective Financial Information*).

Glass processing costs

Metroglass employs more than 300 personnel in relation to processing glass in its various factories (more than 700 personnel in total). These people are appropriately experienced and trained in the operation of specialist glass processing equipment, including automated machinery.

Distribution and glazing costs

Metroglass' business model relies on being the preferred glass provider to window manufacturers, glaziers and merchants. These customers typically require very fast turnaround of service and Metroglass has built its business model to provide reliable just-in-time service. This focus on customer service requires Metroglass to invest in logistics capabilities (it owns more than 260 service vehicles) and a distribution network (it has 17 sites around New Zealand). Metroglass' glazing installation resources are a key component of its service offering and it considers that they represent a competitive advantage (Metroglass employs more than 150 glaziers). Metroglass has invested in various supply chain elements, including glass trolleys and specialised trucks.

Selling and marketing costs

Metroglass employs a number of customer service and sales staff who are available both to accept orders and to resolve any order or shipping issues as they arise. Metroglass has invested in IT infrastructure that allows customers to electronically submit orders, becoming an efficient part of its customers business models.

9.2 OVERVIEW OF METROGLASS' FINANCIAL INFORMATION

Presented in this section are certain historical and prospective financial information and a description of non-GAAP financial information used in this Prospectus. This is provided as an introductory overview, in addition to the financial information disclosure required under the Securities Regulations.

The financial information is presented in New Zealand Dollars and is rounded to the nearest thousand (unless stated otherwise), which may result in some minor discrepancies between the sum of components and totals within tables, and also in certain percentage calculations.

If you do not understand the information in this section, you should consult a financial adviser.

Financial information presented

There are four different types of financial information presented in this Prospectus:

- **Statutory historical financial information** as reported in Metroglass' financial statements.
- **Pro Forma historical financial information** adjusts the statutory historical financial results to reflect publicly listed company costs and to exclude certain costs relating to the Auckland site consolidation and optimisation project.
- **Statutory prospective financial information** includes the forecast results presented on the same basis as that on which they will be reported under NZ GAAP in the future.
- **Pro Forma prospective financial information** adjusts the statutory prospective financial results to remove certain costs relating to the Auckland site consolidation and optimisation project, and to remove the costs associated with the Offer process. The Pro Forma PFI also presents the Pro Forma financial information for the 12 months ending 31 March 2015.

In addition, forecast Pro Forma profitability for the 12 month period ending 30 September 2015 (**12M Sept 15F**) is provided as additional information. This information represents the Pro Forma prospective financial information for the six months ending 30 September 2015 (**1H16F**) and the six months ending 31 March 2015, which has been extracted from the prospective financial information for the 12 months ending 31 March 2015.

The Pro Forma prospective financial information for the 12 months ending 30 September 2015 has been provided as additional information to show the readers the 1H16F six month period as part of a full 12 calendar month period. As there is a degree of seasonality in the business, this additional disclosure will enable readers to better compare the period ending 30 September 2015 with the historical Pro Forma financial information presented for FY12, FY13 and FY14 and the prospective Pro Forma financial information for FY15F.

Overview of financial information

The following non-GAAP financial information represents historical and prospective financial information that has been adjusted for specific items to assist potential investors with comparing profitability on a consistent basis. It is provided in addition to the statutory information required for the PFI set out in Section 9.4 *Prospective Financial Information* and the historical financial information set out in Appendix 1.

This selected information is provided in addition to the financial information disclosure required under the Securities Regulations to help readers understand the drivers of financial performance. Set out in Section 9.3 *Reconciliation of Non-GAAP financial information* is a reconciliation of non-GAAP profitability to historical and prospective financial information, with a description of the various adjustments following.

PRO FORMA CONSOLIDATED INCOME STATEMENT

$000s	FY12	FY13	FY14	FY15F	1H16F	12M Sept 15F
	12 months ended 31 March 2012	12 months ended 31 March 2013	12 months ended 31 March 2014	12 months ending 31 March 2015	6 months ending 30 Sep 2015	12 months ending 30 Sep 2015
Sales	**126,865**	**135,612**	**155,374**	**171,880**	**94,081**	**182,308**
Cost of goods sold	71,047	69,986	74,871	81,787	44,005	86,014
Gross Margin	**55,818**	**65,626**	**80,503**	**90,093**	**50,076**	**96,293**
Gross Margin %	*44.0%*	*48.4%*	*51.8%*	*52.4%*	*53.2%*	*52.8%*
Distribution and glazing related expenses	24,486	24,524	26,731	28,696	16,381	30,567
Selling and marketing expenses	6,980	6,711	7,378	8,586	4,601	8,902
Administration expenses	15,306	16,628	19,283	19,645	9,957	19,975
Total Operating Expenditure	**46,772**	**47,863**	**53,392**	**56,928**	**30,940**	**59,444**
Pro Forma EBITA	**9,046**	**17,763**	**27,111**	**33,165**	**19,136**	**36,849**
Depreciation	5,906	4,572	4,420	4,372	3,135	5,609
Pro Forma EBITDA	**14,952**	**22,335**	**31,531**	**37,537**	**22,271**	**42,459**
Pro Forma EBITDA %	*11.8%*	*16.5%*	*20.3%*	*21.8%*	*23.7%*	*23.3%*
Depreciation				(4,372)	(3,135)	(5,609)
Pro Forma Interest Expense				(3,189)	(1,594)	(3,189)
Interest income				96	69	128
Pro Forma NPBTA				**30,073**	**17,611**	**33,789**
Tax				(8,420)	(4,931)	(9,461)
Pro Forma NPATA				**21,652**	**12,680**	**24,328**
NPAT (Statutory)	**8,773**	**8,263**	**11,951**	**14,331**	**12,117**	**21,167**

Notes

Pro Forma financial information: The Pro Forma financial information should be read in conjunction with the notes and discussion accompanying this section, including the explanation of the Pro Forma adjustments in Section 9.3 *Reconciliation of Non-GAAP financial information* and Section 9.4 *Prospective Financial Information*.

FY12 Pro Forma financial information: Metroglass Holdings was incorporated on 8 November 2011 as the ultimate parent of the group of companies that acquired Metropolitan Glass and Glazing Limited and associated companies. That acquisition was completed on 31 January 2012. As such, Pro Forma results, including the results for the period 1 April 2011 to 31 January 2012 for the predecessor entity have been included in order to present the full 12 month period for FY12 (see Section 9.3 *Reconciliation of Non-GAAP financial information*).

FY15F Pro Forma financial information: Metroglass was incorporated on 30 May 2014, and is not expected to commence business until 29 July 2014. Therefore, the results for FY15F will only include 8 months of trading. The forecast Pro Forma financial results for FY15F have been restated to assume that incorporation was on 1 April 2014.

12M Sept 15F: Forecast Pro Forma profitability for the 12 month period ending 30 September 2015 (**12M Sept 15F**) is provided as additional information.

Cost of goods sold: This includes the cost of raw materials consumables and all processing costs including labour, factory management, other factory costs and factory depreciation.

Distribution and glazing related expenses: This includes costs related to logistics and transportation, including depreciation and the costs associated with glazing (installation) and glazing support.

Selling and marketing expenses: This includes sales and customer service staff and advertising.

Administration expenses: This includes branch and head office administration and all corporate costs including Director's fees.

Pro Forma interest: Pro Forma interest relates to the interest charge that will be incurred under the New Banking Facilities (see Section 9.4 *Prospective Financial Information*).

Depreciation: This includes depreciation of property, plant and equipment, and the amortisation of computer software.

Explanation of non-GAAP financial information

Metroglass' financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards (**NZ IFRS**) and other applicable Financial Reporting Standards, as applicable for profit-orientated entities. The consolidated financial statements also comply with International Financial Reporting Standards (**IFRS**). Metroglass monitors its profitability using the non-GAAP financial measures of NPATA, EBITA and EBITDA. The use of these measures removes the effects of amortisation, the Metroglass Group's capital structure and tax position and the impact of a range of non-cash items (depreciation, amortisation, revaluations (when they occur), fair value movements in financial instruments and other gains or losses). A reconciliation between NPATA, EBITA, EBITDA and NPAT is presented in Section 9.3 *Reconciliation of Non-GAAP financial information.*

The measures are not defined by NZ GAAP, IFRS, or any other body of accounting standards and therefore Metroglass' calculation of these measures may differ from similarly titled measures presented by other companies. These measures are intended to supplement the NZ GAAP measures presented in Metroglass' financial information, should not be considered in isolation and are not substitutes for those measures.

EBITA, Pro Forma EBITA, EBITDA, Pro Forma EBITDA

EBITA is earnings before net finance expense, tax and amortisation of intangibles.

EBITDA is earnings before net finance expense, tax, depreciation of tangible assets and amortisation of intangibles.

Pro Forma EBITA and Pro Forma EBITDA are non-GAAP profit measures which reflect a number of historical and prospective Pro Forma adjustments (see Section 9.3 *Reconciliation of Non-GAAP financial information*).

Metroglass uses EBITA to evaluate the operating performance over time without the impact of non-cash amortisation, capital structure and tax position. Metroglass also uses EBITDA to evaluate the operating performance over time without the impact of depreciation, non–cash amortisation, capital structure and tax position.

Metroglass considers that both EBITA and EBITDA allow for better comparison of operating performance with that of other companies than do NZ GAAP measures that include these items, although caution should be exercised as other companies may calculate EBITA and EBITDA differently.

NPATA or Net Profit after tax before amortisation

NPATA represents net profit after tax before the amortisation of acquisition related intangibles and its associated tax effect.

Metroglass considers that NPATA allows better comparison of underlying profitability with that of other companies as it excludes the amortisation of acquisition related intangibles, resulting from acquisition accounting effected in 2012.

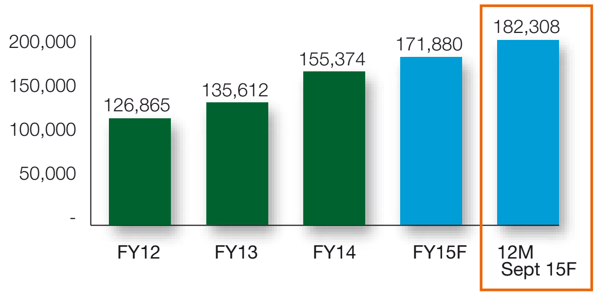
Metroglass' dividend policy is based on 55% to 75% of NPATA as Metroglass believes NPATA better reflects the underlying profitability and cash generation of Metroglass than does statutory net profit. Metroglass' dividend policy is described in detail in Section 9.4 *Prospective Financial Information* of this Prospectus under the heading "Dividends".

Trends in revenue, Pro Forma EBITA and statutory net profit

The charts below summarise the movements in revenue and Pro Forma EBITA over FY12, FY13 and FY14, the PFI for FY15F and additional forecast information relating to the 12 month period ending 30 September 2015.

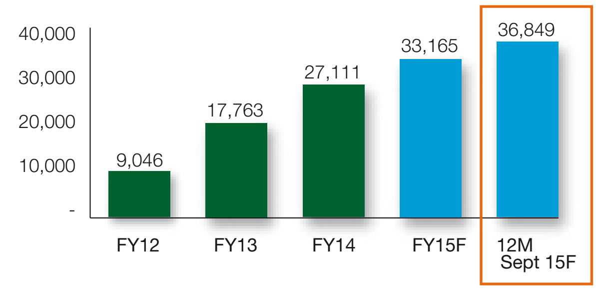
SALES TRENDS

($000s)



PRO FORMA EBITA TRENDS

($000s)



Overview of historical revenue and Pro Forma EBITA for FY12

FY12 was a year of significant change for Metroglass for two reasons. Firstly, the full negative effects of the February 2011 Christchurch earthquake impacted the financial results. Also, the recapitalisation of the business was completed, which led to a change in the ownership of Metroglass in January 2012. There were no prior comparable financial results to FY12 for Metroglass Holdings, which was a new company established in November 2011. Key factors that affected the FY12 Revenue and Pro Forma EBITA result included:

- significant softness in the Christchurch construction market and generally throughout New Zealand. The total number of consents (on a nine month lagged basis) in

FY12 was 13,539, compared to 16,167 in FY11. This was driven by a lack of building activity in the Christchurch area following the February 2011 earthquake and the aftershocks that occurred in the region;

- Metroglass' decision to maintain its workforce and operating cost structure despite the lower sales achieved. This was driven by the belief that there was value in retaining Metroglass' skilled workforce in preparation for the future rebuild in Christchurch and expected rebound in the building and construction market generally; and
- continued shift towards DGU penetration in the Upper North Island of New Zealand. This allowed Metroglass to partly offset the impact to revenue which resulted from a reduction in consents.

From January 2012, Metroglass commenced a number of initiatives that would materially affect the FY13 financial results. These initiatives included:

- renegotiation of supply arrangements to take effect at various points over the first half of FY13 which reduced the costs of glass and consumables;
- closure of one site in Auckland and the formulation of the plan for consolidation of all sites in Auckland;
- an accelerated capital expenditure plan to prepare the business for the anticipated rebound in the residential and commercial construction markets; and
- recruitment of additional management resources.

Overview of historical revenue and Pro Forma EBITA for FY13 compared to FY12

Pro Forma EBITA increased by 96.4% to $17.8 million, primarily due to an increase in revenue of 6.9% to $135.6 million, and an improvement in gross margin by 4.4% from 44.0% to 48.4%. This was offset by an increase in operating expenditure of $1.1 million. Key factors that affected the FY13 Revenue and Pro Forma EBITA results included:

- the nine month lagged consents increased from 13,539 to 15,414, an increase of 1,875 consents. This increase in residential building activity led to an increase in demand for windows, which in turn was the primary driver of an $8.7 million increase in revenue. Metroglass believes that the increase in revenue in FY13 was primarily driven by growth in residential demand rather than growth in commercial demand. Growth was also supported by price increases from September 2012;
- the part year flow through of the renegotiated supply agreements into the gross margin. These new contracts related to both glass and consumables purchasing; and
- the increase in operating costs by $1.1 million, which was driven by an increase in management expenses related to a new Chief Executive Officer being recruited (in September 2012) and changes to the Road User Charge billing methodology in FY13. Relatively high operating costs to revenue in FY12 meant the increase in operating costs to FY13 was relatively low.

Other material factors that occurred in FY13 included:

- an investment of approximately $1.0 million in the upgrade of various machinery at the Wellington site and $1.5 million at the Christchurch site; and
- the announcement of the Christchurch Central Recovery Plan (30 July 2012) which paved the way for increased activity related to the Christchurch rebuild by providing a framework for redeveloping the city area that incorporated changes to zoning.

Overview of historical revenue and Pro Forma EBITA for FY14 compared to FY13

Pro Forma EBITA increased by 52.6% to $27.1 million, primarily due to growth in revenue of 14.6% to $155.4 million and an improvement in gross margin by 3.4%, from 48.4% to 51.8%. This was offset by an increase in operating expenditure of $5.5 million. Key factors that affected the FY14 Revenue and Pro Forma EBITA results included:

- the nine month lagged consents increased from 15,414 to 18,783, an increase of 3,369 consents. This increase in residential building activity led to an increase in demand for windows, which in turn was the primary driver of a $19.8 million increase in revenue. Metroglass believes that the increase in revenue in FY14 was primarily driven by growth in residential demand rather than growth in commercial demand. Growth was also supported by price increases from August 2013;
- the full year flow-through of the renegotiated supply agreements into the gross margin. These new contracts related to both glass and consumables purchasing; and
- the significant increase in operating expenditure was driven by increased labour and subcontractors to support higher volumes. Additionally Metroglass invested in increased management strength, including the full year effects of a new Chief Executive Officer, a new Chief Financial Officer and investing in additional operational and management resources to assist in managing the expected growth in the market.

Other material factors that occurred in FY14 included:

- an investment of $4.8 million in the automation of the Christchurch site and a $2.7 million investment in other capital expenditure including laminating machines and $0.5 million in IT upgrades; and
- a rebranding of the business to Metro Performance Glass (for production sites) and Metro Direct (for distribution sites) throughout the country.

Overview of prospective revenue and Pro Forma EBITA for FY15F and 1H16F compared with FY14 and 1H15F respectively

In FY15F, Pro Forma EBITA is expected to increase by 22.3% to $33.2 million, primarily due to growth in revenue of 10.6% to $171.9 million and an improvement in gross margin by 0.6% from 51.8% to 52.4%. This is offset by an increase in operating expenditure of $3.5 million.

In 1H16F, Pro Forma EBITA is expected to increase by 23.8% to $19.1 million, primarily due to growth in revenue of 12.5% to $94.1 million and the continued improvement in gross margin by 0.8% from 52.4% to 53.2%. This is expected to be offset by an increase in operating expenditure of $2.5 million.

Key factors that are expected to affect the FY15F and 1H16F Revenue and Pro Forma EBITA results include:

- the nine month lagged consents are forecast to increase from 18,783 to 23,560, an increase of 4,777 for the year ending 31 March 2015. The May 2014 level of consents is currently 22,849, which provides support for the forecast level of nine month lagged consents. It is assumed that this level of increased residential demand will lead through to increased demand for Metroglass products and services, and is the primary driver of an increase in forecast revenue. In addition, due to the Christchurch rebuild, there is forecast growth in commercial building in FY15F and 1H16F;
- operational improvements as a result of the automation of the Christchurch plant, resulting in reduced headcount and labour hours which will improve the gross margin during FY15F;
- operational improvements as a result of the Auckland site consolidation and optimisation project, resulting in reduced headcount and labour hours which will start to phase in during 1H16F, which is offset by the increased depreciation;
- an increase in operating expenditure (6.6% in FY15F, 8.9% in 1H16F) relating primarily to an increase in labour and subcontracting costs to support higher volumes and cost inflation. Administration expenses are expected to increase in FY15F as Metroglass introduces a management training programme to enhance management capabilities; and
- growth is also expected to be supported by a price increase across all regions that is partly offset by cost increases on certain raw materials.

Other material factors assumed to occur in FY15F include:

- an investment of $17.2 million as a result of the Auckland site consolidation and optimisation project, and $5.3 million of other capital equipment.

Overview of trends in statutory net profit

Trends in Net Profit are influenced by the movements in Pro Forma EBITA discussed above, a range of non-cash expenses, items one-off in nature, and interest and tax costs. The more significant differences are explained below:

- FY13 Net Profit of $8.3 million was 5.8% down on FY12 due to a tax expense of $3.0 million, after a tax benefit of $0.2 million was received in FY12. The difference in tax was largely due to taxable profit in FY12 being offset by losses incurred by the predecessor financing company. The results were also impacted by an increase in interest expense (from $1.1 million to $5.8 million) following the introduction of $80.0 million of debt into the business as a result of the business recapitalisation. Offsetting the tax and interest was an increase in Pro Forma EBITA as discussed above.
- FY14 Net Profit of $12.0 million was 44.6% higher than that for FY13, driven by the increase in revenue and Pro Forma EBITA discussed above, offset by the tax effect of this growth. Net profit was also impacted by a lease cost provision ($3.0 million) and an asset impairment ($1.5 million) which is not included in Pro Forma EBITA (see Section 9.3 *Reconciliation of Non-GAAP financial information*).
- Forecast FY15F Net Profit of $14.3 million is expected to be 19.9% higher than that for FY14, driven by the increases in revenue and Pro Forma EBITA discussed above. Offsetting this growth is the impact of the Auckland site consolidation and optimisation costs ($2.9 million) and one-off Listing costs ($3.9 million) which are discussed in Section 9.3 *Reconciliation of Non-GAAP financial information*.
- Forecast 1H16F Net Profit of $12.1 million is expected to be 129.4% higher than that for 1H15F. Excluding abnormals included in 1H15F, the Net Profit and is expected to increase by 32.5%, resulting from the revenue and Pro Forma EBITA movements discussed above.

Overview of the effect of foreign exchange

Metroglass' earnings are exposed to movements in the New Zealand Dollar (**NZD**)/United States Dollar (**USD**) exchange rate as a significant proportion of Metroglass' raw material purchases are denominated in USD. The appreciation of the NZD relative to the USD has contributed to a reduction in the average cost of glass over the historical period. Metroglass hedges its estimated foreign currency exposure out 12 months on a rolling basis. For FY15F approximately 68% of glass purchases are covered by USD forward exchange contracts at average rates of USD0.793/NZD1.00.

9.3 RECONCILIATION OF NON-GAAP FINANCIAL INFORMATION

Set out below is a reconciliation of non-GAAP profitability (set out in Section 9.2 *Overview of Metroglass' financial information*) to historical and prospective financial information together with a description of the various adjustments following.

EBITA and EBITDA are key metrics which management monitor to operate the business.

RECONCILIATION OF NON-GAAP FINANCIAL INFORMATION

$000s	Notes/Pro Forma adjustment	FY12	FY13	FY14	8M15F	1H16F
		12 months ended 31 March 2012	12 months ended 31 March 2013	12 months ended 31 March 2014	8 months ending 31 March 2015	6 months ending 30 Sep 2015
Reported NPAT	(A)	**8,773**	**8,263**	**11,951**	**9,410**	**12,117**
Intangible amortisation (tax effected)	(B)	174	1,044	1,044	696	522
Reported NPATA		**8,947**	**9,307**	**12,995**	**10,106**	**12,639**
Net financing costs		1,037	5,536	4,850	1,948	1,582
Income tax expense (benefit)	(B)	(114)	3,445	5,457	5,433	4,915
Reported EBITA		**9,871**	**18,287**	**23,302**	**17,487**	**19,136**
Depreciation		5,906	4,572	4,420	3,130	3,135
EBITDA		**15,776**	**22,859**	**27,722**	**20,618**	**22,271**
Four month trading pre-IPO	(1)	-	-	-	10,128	-
Listing costs	(2)	-	-	-	3,864	-
Incremental public company costs	(3)	(825)	(524)	(668)	(12)	-
Costs associated with the Auckland Site Optimisation:						
Auckland site optimisation one-off costs	(4)	-	-	-	2,940	-
Fixed asset impairment	(5)	-	-	1,523	-	-
Lease cost provision	(6)	-	-	2,954	-	-
Total adjustments		**(825)**	**(524)**	**3,809**	**16,919**	**-**
Pro Forma EBITDA		**14,952**	**22,335**	**31,531**	**37,537***	**22,271**
Pro Forma EBITA		**9,046**	**17,763**	**27,111**	**33,165***	**19,136**

* For the 12 months ending 31 March 2015 (the aggregate of the "Four month trading pre-IPO" added at note (1) and the eight months trading ending 31 March 2015).

Notes:

(A) **FY12 Reported NPAT -** Metroglass Holdings was incorporated on 8 November 2011 as the ultimate parent of the group of companies that acquired Metropolitan Glass and Glazing Limited and associated companies. The acquisition was completed on 31 January 2012. As such, the reported NPAT was for a two month period only and represented a loss of $0.5m. The reported NPAT of $8.8m shown in the table above assumes the acquisition took place on 1 April 2011 in order to present the financial results on a comparable basis to later years. A reconciliation is provided below under the heading "Consolidated Income Statement - FY12".

(B) **Intangible amortisation and Income tax expense (benefit) -** Intangible amortisation relates to the amortisation of customer relationships. The income tax expense (benefit) excludes the impact of the tax effect on amortisation (used in the calculation of NPATA). The impact is $0.1 million in FY12, $0.4 million in FY13 and FY14, $0.3 million in 8M15F and $0.2 million in 1H16F.

Explanations of Pro Forma adjustments

1. Four month trading pre-IPO: This reflects the actual results for April 2014, and the PFI for the months of May, June and July 2014 which, when taken together with the eight months PFI following the Listing Date, allow presentation of the Pro Forma EBITDA for the 12 month period ending 31 March 2015.

2. Listing costs: Total expenses of the Offer are estimated at $10.9 million, of which $3.9 million (non tax deductible) is expensed in the statutory forecast results. The remaining $7.0 million is directly attributable to the issue of Shares and will be offset against equity raised in the Offer.

3. Incremental public company costs: An adjustment has been made to include an estimate of the incremental annual costs that will be incurred as a listed public company. These incremental costs include Director remuneration, additional audit and tax costs, Listing fees, share registry fees, Directors' and officers' insurance premiums, investor relations, company secretarial costs, as well as annual general meeting and annual report costs.

4. Auckland site consolidation and optimisation one-off costs: The Auckland site consolidation and optimisation project has been described in detail in Section 6 *Business Description*. The one-off costs associated with the project include assumptions with regards to duplicated rent costs, make good costs, redundancy costs and equipment relocation costs.

Six months of rental overlap is expected from the time Metroglass starts paying the Highbrook Business Park lease (October 2014) to the time all facilities are moved (expected in March 2015). The lease incentive agreed with the Highbrook landlord has been recorded as a reduction in the rent charge over the term of the lease.

Metroglass has estimated make good costs for the exit of existing sites.

As a result of increased automation and the removal of duplicated services, increased operating efficiencies are expected during 1H16F. This may require some redundancy expenses, however, these costs have been provisioned for in FY15F.

5. Fixed asset impairment: In moving to the new premises at Highbrook, a number of assets will not be transferred and as such have been written off. This amount has been extracted from the audited financial statements of Metroglass Holdings.

6. Lease cost provision: The relocation from the existing Auckland premises will result in the Metroglass Group exiting a number of certain leases. This resulted in a lease termination provision being recorded in FY14. This amount has been extracted from the audited financial statements of Metroglass Holdings.

Reconciliation of FY12 extracted financial information

Metroglass Holdings (**MHL**) was incorporated on 8 November 2011, as the ultimate parent of the group of companies that acquired Metropolitan Glass and Glazing Limited (**MGGL**) and associated companies. That acquisition was completed on 31 January 2012. As such, Pro Forma results, including the results for the period 1 April 2011 to 31 January 2012 for the predecessor entity, have been included in order to present the full 12 month period in FY12. The financial information has been extracted as follows:

- audited financial statements for Metroglass Holdings for the two months ended 31 March 2012; and
- unaudited Metropolitan Glass and Glazing Limited management accounts for the ten months ended 31 January 2012.

The FY12 Pro Forma financial information does not include the results for New Zealand Glass Investment Company Limited, which was the predecessor financing company. For the ten month period ended 31 January 2012 this company made a net loss of $24.4 million relating to interest and bank restructuring payments. Given the change in the financing structure of Metroglass Holdings from 31 January 2012, this information has been excluded.

In FY14, the Statutory Accounts were reformatted from a 'nature of expenses' classification to a 'function of expense' classification as this better reflects current internal and industry reporting. As a result in FY12 expenditure items in the Statutory Accounts were not classified on a consistent basis with those used in the Pro Forma consolidated income statement. The FY12 Pro Forma expense classifications have therefore been extracted from the relevant management accounts.

CONSOLIDATED INCOME STATEMENT – FY12

$000s	Audited MHL two months ended 31 March 2012	Unaudited MGGL 10 months	Unaudited MHL 12 months ended 31 March 2012
Sales revenue	**21,543**	**105,322**	**126,865**
Operating expenditure	20,851	96,091	116,942
Other (gains) / losses, net	52	-	52
Finance costs	981	151	1,132
Finance income	(23)	(72)	(95)
Amortisation of intangibles	322	(80)	242
Profit (loss) before income taxation	**(640)**	**9,232**	**8,592**
Income taxation expense (benefit)	(181)	-	(181)
Profit (loss) for the period	**(459)**	**9,232**	**8,773**

Note: no tax expense was recorded in Metroglass Glass and Glazing Limited in the 10 months to 31 January 2012, as the taxable profit was offset by the losses incurred by New Zealand Glass Finance Company Limited.

9.4 PROSPECTIVE FINANCIAL INFORMATION

The prospective financial statements included in this section (including what is required by clause 11(1)(c) of Schedule 1 of the Securities Regulations) are the consolidated group position of Metro Performance Glass Limited and subsidiaries and include:

- the basis of preparation for the PFI for Metroglass;
- prospective consolidated income statement;
- prospective consolidated statement of comprehensive income;
- prospective statement of financial position;
- prospective statement of movements in equity;
- prospective statement of cash flows;
- a description of the general and specific assumptions that underpin the PFI contained in this Prospectus, including the significant accounting policies applied; and
- the auditors' report in relation to the PFI, as required by clause 28 of Schedule 1 of the Securities Regulations.

Basis of preparation

The prospective financial statements, including the assumptions on which they are based, are the responsibility of, and have been prepared by management and approved by the Directors and are based on events and conditions existing as at the date of this Prospectus. The Directors have given due care and attention to the preparation of the prospective financial statements, including the underlying assumptions set out under the heading "Notes to the Prospective Financial Information" below. These assumptions should be read in conjunction with the sensitivity analysis further below, the risk factors set out in Section 8 *What are my risks?* and Metroglass' accounting policies which are consistent with the accounting policies of Metroglass Holdings, which are set out in Appendix 2 *Audited financial statements for the year ended 31 March 2014.*

Forecasts by their nature are inherently uncertain. They are predictions of future events which cannot be assured. They involve risks and uncertainties, many of which are beyond the control of Metroglass. These risks and uncertainties include, but are not limited to, the non-occurrence of anticipated events or alternatively events occurring that were not anticipated. Various risk factors and the management of those risks may influence the success of Metroglass' business. Accordingly, actual results are likely to vary from the PFI, and these variations may be significantly more or less favourable to Metroglass. Therefore, the Directors cannot and do not guarantee the achievement of these financial forecasts and investors are cautioned not to place undue reliance on the PFI.

The prospective financial statements were prepared and authorised by the Directors as at 5 July 2014 for use in this Prospectus and not for any other purpose. The Pro Forma PFI for the 12 months ending 31 March 2015 comprises one month of actual trading results for the Metroglass Group (April 2014) and 11 months forecast operating results for the Metroglass Group. While the forecast does not include the actual trading results for May 2014, the operating results for May are known and were consistent with the forecast for the month. The prospective income statement, prospective statement of comprehensive income, prospective statement of changes in equity and prospective statement of cash flows cover the eight month period from 1 August 2014 to 31 March 2015 and the six month period from 1 April 2015 to 30 September 2015.

The FY15F financial reporting period will only cover eight months of trading as Metro Performance Glass Limited will only acquire Metroglass Holdings with effect from the Allotment Date. In addition to the forecast results for the eight month period, financial information for the year from 1 April 2014 to 31 March 2015 is presented as if the operations of Metroglass Holdings and Metro Performance Glass Limited were consolidated from 1 April 2014 onwards. A reconciliation between the prospective financial statements incorporating the eight months of trading to 31 March 2015 and the 12 months ending 31 March 2015 is set out at the end of this section.

The prospective statement of financial position is presented as at 31 March 2015 and 30 September 2015. The period from 1 April 2014 to 30 September 2015 is referred to as the Prospective Period.

There is no present intention to update the prospective financial statements or to publish prospective financial statements in the future. Investors must consider the assumptions on which the prospective financial statements have been prepared and the sensitivities analysis in order to fully understand the prospective financial statements. Metroglass will report actual financial results against the prospective financial statements in accordance with generally accepted accounting practice in the 31 March 2015 financial statements and 30 September 2015 interim financial statements, and will provide that information to shareholders on request under section 54B of the Securities Act and regulation 44 of the Securities Regulations.

PROSPECTIVE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

$000s	**8M15F**	**FY15F**	**1H16F**
	8 months ending 31 March 2015	**12 months ending 31 March 2015**	**6 months ending 30 Sep 2015**
Sales	**117,792**	**171,880**	**94,081**
Cost of goods sold	58,195	84,727	44,005
Gross Margin	**59,597**	**87,153**	**50,076**
Distribution and glazing related expenses	19,193	28,696	16,381
Selling and marketing expenses	5,799	8,586	4,601
Administration expenses	18,085	24,745	10,682
Operating Profit (EBIT)	**16,521**	**25,126**	**18,411**
Interest expense	2,018	3,768	1,650
Interest income	(70)	(96)	(69)
Earnings (loss) before income taxation	**14,572**	**21,454**	**16,830**
Income taxation expense (benefit)	5,162	7,123	4,712
Earnings (loss) for the year	**9,410**	**14,331**	**12,117**
Items that may be subsequently reclassified to profit or loss			
Cash flow hedges	989	1,478	-
Total comprehensive income/(loss) for the year attributable to shareholders	**10,399**	**15,809**	**12,117**

Note: 8M15F and 1H16F represent statutory prospective financial statements and are not on a Pro Forma basis. FY15F is presented on a Pro Forma basis representing the 12 months ending 31 March 2015.

STATEMENTS OF FINANCIAL POSITION – PFI

$000s	As at 31 March 2015	As at 30 September 2015
Assets		
Current Assets		
Cash and cash equivalents	11,375	11,369
Receivables	23,624	27,837
Inventories	14,526	16,292
Other current assets	1,843	1,887
Total current assets	**51,368**	**57,385**
Property, plant and equipment	48,865	49,692
Deferred tax asset	-	51
Intangibles[1]	125,397	124,672
Total non-current assets	**174,262**	**174,415**
Total assets	**225,630**	**231,800**
Liabilities		
Current liabilities		
Payables and accruals	(17,712)	(18,570)
Income tax liability	(731)	(646)
Other liabilities	(133)	(133)
Total current liabilities	**(18,577)**	**(19,350)**
Non-current liabilities		
Deferred tax liabilities	(152)	-
Interest bearing liabilities	(55,000)	(55,000)
Other non-current liabilities	(1,934)	(2,066)
Total non-current liabilities	**(57,085)**	**(57,066)**
Total liabilities	**(75,662)**	**(76,416)**
Net assets	**149,968**	**155,385**
Equity		
Contributed equity	302,213	302,213
Retained Earnings/(Accumulated losses)	(152,998)	(147,581)
Share based payment reserve	753	753
Total equity	**149,968**	**155,385**

Note: 31 March 2015 and 30 September 2015 represent statutory prospective financial statements and are not on a Pro Forma basis.

[1] Intangibles are related to goodwill and intangibles related to customer relationships reflecting the purchase price in excess of net tangible assets from the 2012 recapitalisation. The intangibles related to customer relationships are written off in the non-cash amortisation over time. For further detail about the 2012 recapitalisation, refer to Section 12.7 *Substantial equity security holders of issuer.*

STATEMENTS OF CHANGES IN EQUITY – PFI

$000s	Contributed Equity	Reserves	Retained Earnings	Total
Balance as at 1 August 2014	-	-	-	-
Profit for the period	-	-	9,410	9,410
Other comprehensive income (loss) for the period	-	-	-	-
Total Comprehensive income (loss) attributable to shareholders	-	-	**9,410**	**9,410**
Dividends paid	-	-	-	-
Share based payment reserve	-	753	-	753
Issue of share capital (net of costs)	302,213	-	-	302,213
Group restructuring	-	-	(162,408)	(162,408)
Balance as at 31 March 2015	**302,213**	**753**	**(152,998)**	**149,968**
Balance as at 1 April 2015	302,213	753	(152,998)	149,968
Profit for the period			12,117	12,117
Other comprehensive income (loss) for the period	-	-	-	-
Total Comprehensive income (loss) attributable to shareholders	-	-	**12,117**	**12,117**
Dividends paid	-	-	(6,700)	(6,700)
Issue of share capital	-	-	-	-
Balance as at 30 September 2015	**302,213**	**753**	**(147,581)**	**155,385**

Note: Group restructuring – as a result of the Transaction, Metro Performance Glass Limited will acquire the shares in Metroglass Holdings. This transaction will be accounted for as a Group restructure and as a result the difference between the consideration paid for Metroglass Holdings and the book value of net assets acquired will be recorded as a movement in retained earnings.

STATEMENT OF CASH FLOWS – PFI

$000s	8M15F	FY15F	1H16F
	8 months ending 31 March 2015	12 months ending 31 March 2015	6 months ending 30 Sep 2015
Cash flows from operating activities			
Receipts from customers	117,846	170,681	90,030
Payments to suppliers and employees	(86,148)	(132,807)	(72,792)
Interest received	70	97	69
Interest paid	(2,018)	(5,590)	(1,650)
Income taxes received / (paid)	(5,000)	(6,569)	(5,000)
Net cash inflow / (outflow) from operating activities	**24,750**	**25,812**	**10,656**
Cash flows from investing activities			
Payments for property plant and equipment	(18,870)	(26,649)	(3,962)
Payment to acquire MGH	(230,459)	(230,459)	-
Net cash inflow / (outflow) from investing activities	**(249,329)**	**(257,108)**	**(3,962)**
Cash flows from financing activities			
Proceeds from new debt facility	55,000	55,000	-
Repayment of borrowings	(64,000)	(64,000)	-
Proceeds and costs from issue of shares	241,721	241,721	-
Dividends paid	-	-	(6,700)
Net cash inflow / (outflow) from financing activities	**232,721**	**232,721**	**(6,700)**
Net increase / (decrease) in cash and cash equivalents	**8,143**	**1,425**	**(6)**
Cash and cash equivalents at the beginning of the year	3,233	9,950	11,375
Cash and cash equivalents at end of year	**11,375**	**11,375**	**11,369**

Note: 8M15F and 1H16F represent statutory prospective financial statements and are not on a Pro Forma basis. FY15F is presented on a Pro Forma basis representing the 12 months ending 31 March 2015.

Notes to the Prospective Financial Information

The principal assumptions on which the prospective financial statements have been prepared are set out below. These assumptions should be read in conjunction with the risk factors set out in Section 8 *What are my risks?* and the sensitivity analysis below. The prospective financial statements comply with FRS-42. The general and specific assumptions to the prospective financial statements are set out below.

GENERAL ASSUMPTIONS

(1) Economic environment – there will be no material change in the general economic environment in which Metroglass operates or sells its products.

(2) Political, legislative and regulatory environment – there will be no material change to the political, legal or regulatory environments in which Metroglass acquires or sells its products or otherwise operates.

(3) Competitive environment – there will be no material change in the competitive dynamics of the markets in which Metroglass operates or sells its products, including any material change in competitor activity. No new entrants will materially change the competitive environment.

(4) Industry conditions – there will be no material change in the general industry structure, third party relationships or employee environments.

(5) Key customers and suppliers – there will be no loss of key customers or suppliers.

(6) Disruption to operations – there will be no material disruption to operations, including through natural disasters, marine or industrial accidents, fires or explosions, product supply or quality issues or through normal hazards associated with Metroglass' activities (including disruptions to or affecting any of Metroglass' key suppliers or customers).

(7) Operating environment – there will be no material costs incurred through either industrial or contractual disputes.

(8) Business acquisitions or disposals – there will be no material business acquisitions or disposals made by Metroglass.

(9) Management of Metroglass – no directors, key personnel or consultants will leave Metroglass, and management resources will be sufficient for Metroglass' requirements.

(10) Taxation – there will be no material change to the income tax, excise tax or goods and services tax regime in New Zealand, including no change to the corporate tax rate.

SPECIFIC ASSUMPTIONS

1. Accounting policies

It is assumed that Metroglass' accounting policies will be the same as the current Metroglass Holdings' accounting policies and will remain consistent throughout the period covered by the prospective financial statements. It is also assumed there will be no material change in NZ IFRS or otherwise in NZ GAAP. The Company's existing accounting policies are consistent with the accounting policies of Metroglass Holdings, which are set out in the historical financial statements for the year ended 31 March 2014 in Appendix 1 *Metroglass Group Summary Historical Financial Statements*, and can also be obtained from the Company.

2. Offer Proceeds and acquisition of Metroglass Holdings

As part of this Offer process, Contributed Equity will be $302.2 million, representing the issue of share capital ($309.2 million) offset by the costs relating to the issue of the equity instrument ($7.0 million).

In order to facilitate the Offer process, Metro Performance Glass Limited will acquire Metroglass Holdings for cash ($230.5 million) and share consideration ($62.3 million).

Under NZ IFRS, the acquisition is deemed a Group Restructure. The difference between the consideration paid and the carrying value of the assets and liabilities acquired in Metroglass Holdings is recorded as a component of equity ($162.4 million).

3. Macroeconomic assumptions

Inflation

The forecast has been based on an assumption that general inflation will be 2.0% in FY15F and 3.0% per annum in 1H16F. Wages are assumed to increase in line with anticipated payroll inflation.

4. Sales assumptions

Revenue by region

$000s	FY14	8M15F	FY15F	1H16F
	12 months ended 31 March 2014	8 months ending 31 March 2015	12 months ending 31 March 2015	6 months ending 30 Sep 2015
Upper North Island	72,978	54,804	80,320	44,887
Lower North Island	31,832	24,414	34,917	18,246
South Island	50,564	38,574	56,642	30,949
Total	**155,374**	**117,792**	**171,880**	**94,081**

Revenue has been forecast by region, based on management expectations of market volume growth and selling price increases. Metroglass has taken into consideration building consent data, Infometrics forecast WPIP, and recent trends in financial performance.

Over time, revenue has a strong correlation with lagged residential building consents and WPIP (see Section 9.1 *Introduction to Metroglass' Financial Information*).

WPIP

Metroglass' revenues track WPIP over the long term, but there are differences in the short term, particularly in periods of high growth, as glass is usually installed in the later stages of any construction project.

Infometrics have forecast strong growth in FY15F WPIP, with a lower growth rate thereafter. Metroglass believes capacity constraints in the overall construction sector will limit the ability of the market to service the forecast level of WPIP and has therefore assumed a level of growth that is lower than that indicated by the WPIP forecast, but is more consistent over a longer time period.

As a result, WPIP is forecast to grow at a stronger rate than revenue across FY15F and 1H16F with the exception of the lower North Island (**LNI**). LNI has a lower forecast rate of revenue growth than WPIP in FY15F (9.7% compared with 32.4%), but then a higher forecast rate in 1H16F (10.7% compared with 5.6%), reflecting Metroglass' expectation of a more consistent growth profile, with some of the growth forecast by Infometrics in FY15F expected by Metroglass' management to carry over into a higher level of activity in 1H16F.

Volumes

Volumes have been forecast by month, based on the actual volumes in FY14, after applying monthly volume growth assumptions.

Upper North Island (**UNI**) volumes are forecast to grow by 6% in FY15F and 11% in 1H16F. Volume growth is forecast to increase, with the anticipated increase in residential construction in the second half of FY15F, which then flows into 1H16F.

LNI volumes are forecast to grow by 6% in FY15F and 10% in 1H16F. Whilst Infometrics are forecasting very strong regional growth in the LNI region, Metroglass management has forecast growth to be slower but anticipate a longer period of growth.

South Island (**SI**) volumes are forecast to grow by 9% in FY15F and 11% in 1H16F. Although significant growth is expected as a result of an increase in construction activity in Christchurch, labour constraints are expected to limit the rate of growth in 1H16F when compared to WPIP forecast.

Price inflation

UNI and LNI price inflation has been forecast at 4% in FY15F and 2% in 1H16F.

SI price inflation has been forecast at 2% for FY15F and 1H16F.

Price increases have been forecast based on pricing letters issued in FY14 and anticipated in FY15F, after consideration of market dynamics.

5. Cost of goods sold assumptions

Costs of goods sold

$000s	FY14	8M15F	FY15F	1H16F
	12 months ended 31 March 2014	8 months ending 31 March 2015	12 months ending 31 March 2015	6 months ending 30 Sep 2015
Cost of goods sold – statutory	79,348	58,195	84,727	44,005
Cost of goods sold – Pro Forma	74,871	N/A	81,787	44,005

Cost of goods sold includes materials, factory management, factory labour, factory rent and other factory costs. The cost of goods sold – Pro Forma in FY14 removes the impact of the lease termination provision and fixed asset impairment (see Section 9.3 *Reconciliation of Non-GAAP financial information).* In 8M15F and FY15F the cost of goods sold – Pro Forma removes the impact of the Auckland site consolidation and optimisation costs.

Materials costs are forecast to remain broadly consistent as a percentage of sales in FY15F and 1H16F with that of the percentage incurred in FY14. An increase in material cost pricing of 2% has been assumed for FY15F. Metroglass buys its raw materials in USD and as at May 2014 had in place foreign exchange contracts for USD15.6m covering 68% of FY15F glass purchases, and USD3.0m covering 23% of 1H16F glass purchases.

Factory management is largely a fixed cost, whilst factory labour is variable and forecast based on labour hours. Labour hours are forecast to grow with production volumes, after an allowance for expected efficiencies arising from the Christchurch automation project in FY15F and 1H16F, and the Auckland site consolidation and optimisation project which starts to phase in during 1H16F. The labour cost per hour has been forecast based on the average monthly rate in FY14, after allowing for payroll inflation.

A new lease was entered into for the new factory in the Highbrook Business Park in Auckland from 1 October 2014. The rental expense has been forecast based on the average annual contracted lease payments over the term of the lease (15 years).

Other factory costs include a one-off lease termination provision expense in FY14 and one-off costs relating to the Auckland site consolidation and optimisation and plant relocation in FY15F, as described in Section 9.3 *Reconciliation of Non-GAAP financial information.*

The other remaining factory costs are relatively fixed in nature, and are forecast to increase as a result of cost inflation.

6. Operating cost assumptions

Operating Costs

$000s	FY14	8M15F	FY15F	1H16F
	12 months ended 31 March 2014	8 months ending 31 March 2015	12 months ending 31 March 2015	6 months ending 30 Sep 2015
Distribution and glazing related expenses	26,731	19,193	28,696	16,381
Selling and marketing expenses	7,378	5,799	8,586	4,601
Administration expenses	20,065	18,085	24,745	10,682
Total Operating Costs	**54,174**	**43,077**	**62,027**	**31,665**
Administration expenses – Pro Forma	19,283	N/A	19,645	9,957

Distribution and glazing related expenses

The majority of non-labour distribution and glazing costs are largely variable in nature, and are forecast to grow with sales volume growth, and expected cost inflationary increases. Certain distribution costs have been forecast to increase in line with volumes after allowing for operating leverage.

Distribution and glazing management labour costs are forecast to increase with payroll inflation, while other distribution and glazing labour is forecast to increase with sales volume and payroll inflation.

Selling and marketing expenses

Selling and marketing expenses include branch and customer service management, customer service labour and advertising.

Branch labour is a relatively fixed cost, which is forecast to increase by payroll inflation.

Customer service labour is considered to be partly fixed and partly variable in nature, and is forecast to grow at half of the rate of sales growth, combined with payroll inflation.

Metroglass has forecast advertising spend, based on a detailed assessment of the proposed sales and marketing programmes, over FY15F and 1H16F.

Administration expenses

Administration costs include head office employee expenses, overheads, corporate governance costs and the Transaction costs. The administration expenses – Pro Forma in each period removes amortisation (in order to derive Pro Forma EBITA) and adds back the incremental costs of being a publicly listed company. In 8M15F and FY15F the administration expenses – Pro Forma removes the one-off listing costs (see Section 9.3 *Reconciliation of Non-GAAP financial information)*.

Employee costs are forecast to increase with payroll inflation, combined with an additional $0.4 million for the management training programmes put in place to enhance overall management capabilities.

Overheads are forecast to increase with costs related to the opening of the Metro Direct store in Hamilton ($0.3 million), additional information technology spending ($0.2 million) assumed due to the evaluation of the Enterprise Resource Planning (**ERP**) system, centralisation of accounting systems and Metro Connect software, offset by a reduction in employee related costs ($0.5 million).

Corporate governance costs have been forecast to increase to the level required for a public company, after allowance for an increase in Directors and other public company costs, which in total is a net increase of $0.7 million per annum.

Transaction costs that relate to the issue of Shares are treated as costs that relate to the issue of an equity instrument and in accordance with NZ IFRS are recorded as a deduction of the Offer proceeds ($7.0 million). All other transaction costs are recorded in the profit and loss ($3.9 million).

7. Depreciation and amortisation

Historically depreciation was calculated on a diminishing value (**DV**) basis. With the move to being a publicly listed company the depreciation policy has been reassessed and with effect from 1 April 2014 new straight line rates that better reflect the consumption of the assets have been adopted. These rates are summarised in the table below.

Depreciation	Old rate (DV)	New rate (SL)
Computer software/ hardware	48.0%-60.0%	25.0%
Office furniture and fittings	11.0%-60.0%	20.0%
Cars	18.0%-36.0%	20.0%
Trucks	18.0%-36.0%	12.0%
Plant and equipment (purchased after 1 April 2014)	9.0%-60.0%	7.5%
Plant and equipment (purchased prior to 1 April 2014)	9.0%-60.0%	15.0%

The table below summarises the depreciation costs included in the cost of goods sold and overheads.

Depreciation

$000s	FY14	8M15F	FY15F	1H16F
	12 months ended 31 March 2014	8 months ending 31 March 2015	12 months ending 31 March 2015	6 months ending 30 Sep 2015
Cost of goods sold	2,639	2,054	2,872	2,032
Overheads	1,781	1,076	1,500	1,103
Total Depreciation	**4,420**	**3,130**	**4,372**	**3,135**

The change in rates described above and the capital expenditure programme described later in this section are the key drivers of the changes in the depreciation expense. The change in the rates resulted in a decrease in depreciation by $0.7 million.

8. Taxation

An income tax rate of 28% on taxable profit is assumed for the PFI, being the current corporate tax rate in New Zealand.

9. Current assets and liabilities

$000s	As at 31 March 2014	As at 31 March 2015	As at 30 Sep 2015
Receivables	22,163	23,624	27,837
Inventories	12,804	14,526	16,292
Other current assets	5,728	1,843	1,887
Payables and accruals	(16,562)	(17,712)	(18,570)
Other liabilities	(3,359)	(133)	(133)
Net Working Capital	**20,774**	**22,147**	**27,312**
Average Net Working Capital Days			
Receivable days	59	55	55
Inventory turn	3.8	3.2	3.3
Payable and accruals trade days	(69)	(77)	(85)

Net current assets primarily relate to receivables, inventory, and payables and accruals.

Receivables relates to trade receivables (net of provision for doubtful debts).

Trade receivables are forecast based upon receivable days, which are expected to reduce during FY15F in line with the downward trend seen historically. This is a result of improved debtor management and the write off of historical bad debts. Although receivable days reduce, the increase in forecast sales will result in higher accounts receivable. It has been assumed that there will be no change in debtor days at September 2015.

Inventory has been forecast based on inventory turn and is expected to reduce by March 2015. The growth in inventory is driven by the forecast increase in volumes.

Other current assets at March 2014 included capital work in progress relating to the Auckland site optimisation project. At 31 March and 30 September 2015 these balances relate to prepayments and spare parts.

Payables and accruals at March 2014 comprise accounts payable, employee accruals, employee bonuses and accrued interest.

Accounts payable have been forecast based on payable days. An increase is assumed during FY15F following a change in supplier terms with a key raw material supplier. The full impact of this change is expected by September 2015. The expected increase in payable days is offset by an increase in trading activity, resulting in growth in accounts payable.

Other liabilities at March 2014 include a provision in respect of anticipated lease costs and warranties. Other Liabilities are forecast to decrease by $3.2 million at 31 March 2015 as it is assumed that the lease termination provision will be paid out during FY15F.

10. Capital expenditure

$000s	FY14	8M15F	FY15F	1H16F
	12 months ended 31 March 2014	8 months ending 31 March 2015	12 months ending 31 March 2015	6 months ending 30 Sep 2015
Christchurch Automation / Auckland Site Optimisation	**7,520**	**12,018**	**17,245**	**-**
Motor Vehicles	1,672	1,445	2,520	1,504
Other plant and equipment	722	1,215	2,517	1,361
Furniture fittings & equipment	473			
Software	17	74	249	1,097
Replacement capital expenditure	**2,884**	**2,734**	**5,286**	**3,962**
Total capital expenditure	**10,404**	**14,752**	**22,531**	**3,962**
Total capital expenditure (including prepayments)	10,404	14,752	22,531	3,962
Less prepayments	(4,118)	-	-	-
Plus prepayments recognised as capital expenditure	1,531	4,118	4,118	-
Capital expenditure per cash flow statement	**7,817**	**18,870**	**26,649**	**3,962**
Net movement in capital expenditure prepayments	2,587	(4,118)	(4,118)	-
Total capital expenditure (Actual cash spend in period)	**10,404**	**14,752**	**22,531**	**3,962**

Note: Capital expenditure in the FY14 and FY15F statement of cash flows differs. The difference to the cash actually spent in the period relates to prepaid capital expenditure that has been classified as a prepayment in other current assets for statutory reporting purposes.

Capital expenditure for FY15F is expected to be $22.5 million, with $14.8 million expected in the eight months to 31 March 2015. However, Property, Plant and Equipment (**PPE**) will increase by $26.6 million in FY15F and $18.9 million in 8M15F as capital expenditure which was prepaid on FY14 will be transferred to PPE. The capital expenditure prepaid in FY14 includes deposits for equipment for both the Christchurch automation project and the Auckland site consolidation and optimisation project.

FY15F capital expenditure primarily relates to the Auckland site consolidation and optimisation project (further discussed below). In FY14, $3.2 million was spent on the Christchurch automation project, and $4.3 million on the Auckland project.

Other capital expenditure relates to the ongoing upgrade of motor vehicles (replacement of trucks), general replacement of plant and equipment and software expenditure relating to the upgrades of the current systems in place.

Auckland site consolidation and optimisation project

Metroglass has commenced a plan to consolidate its Auckland sites into one new facility at Highbrook Business Park in Auckland. The new manufacturing facility is expected to be operational by March 2015. The PFI contains the following key assumptions with regard to this project:

- total capital expenditure of $21.5 million, of which $4.3 million was spent in FY14, with $17.2 million expected to be incurred in FY15F;

- a reduction in labour hours is assumed to be phased in during 1H16F due to improved efficiencies as a result of the new plant and automation (see Section 6 *Business Description*); and
- a number of one-off costs amounting to $2.9 million (see Section 9.3 *Reconciliation of Non-GAAP financial information* under the heading "Explanations of Pro Forma adjustments").

A lease cost provision was recognised in FY14 resulting from Metroglass terminating a number of leases. Also, a fixed asset impairment was recognised as a number of assets will not be transferred to the new Highbrook site and therefore have been written off. The lease cost provision and fixed asset impairment have been included as Pro Forma adjustments (see Section 9.3 *Reconciliation of Non-GAAP financial information*).

Christchurch plant automation

During FY13 and FY14 capital expenditure of $4.8 million was spent automating the existing Christchurch plant. The PFI assumes labour savings in FY15F as a result of the reduction of 18 full time employees (**FTEs**), with a further reduction of 12 FTEs expected in 1H16F.

11. Financing

Metroglass Finance Limited (**Metro**) and ANZ Bank New Zealand Limited (**ANZ**) have entered into a committed term sheet for the provision of new banking facilities for a three year term (**New Banking Facilities**).

Subsequent to execution of the committed term sheet Metro and ANZ have agreed the documentation relating to the New Banking Facilities on the basis that the agreed documents will be executed and delivered at or about the Allotment Date.

Provision of the New Banking Facilities is subject to satisfaction of all conditions precedent to the provision of the New Banking Facilities being met to ANZ's satisfaction. These conditions are reasonably standard for facilities of this type, except that some conditions relate specifically to completion of the Offer. If the conditions are not met, the New Banking Facilities will not be available to Metro.

Funding to be provided under the New Banking Facilities will be utilised to repay existing debt facilities and assist with ongoing working capital requirements and general corporate purposes (including the issue of instruments).

The New Banking Facilities will:

- initially be borrowed by Metro and Metropolitan Glass & Glazing Limited and will include mechanics to allow for additional borrowers to accede to the New Banking Facilities;
- initially be guaranteed by Metroglass and its subsidiaries and will include mechanics to allow for additional guarantors to accede to the New Banking Facilities in order to comply with the guaranteeing group cover ratio (see below for detail); and
- be secured by way of a composite general security deed to be granted by Metroglass and its subsidiaries in favour of ANZ.

The New Banking Facilities will comprise:

- a $60.0 million three year revolving term loan facility (**Facility A**); and
- a $15.0 million three year revolving cash advance facility (**Facility B**).

On listing, the intention of the business is to have net $50.0 million of debt, comprising an initial $55.0 million drawing under the New Banking Facilities and $5.0 million cash at bank.

Amounts drawn under the New Banking Facilities are subject to a variable interest rate based on Bank Bill Market (**BKBM**) plus an applicable margin. Each of the margin and the rate of line fee payable on the New Banking Facilities varies depending upon the leverage ratio at the time.

The total forecast interest charge of $2.0 million for the eight months to FY15F is the sum of the Facility A interest and of the Facility B interest based on the projected BKBM rate and a starting debt of $55.0 million under Facility A and $4.3 million under Facility B.

A disposal of all or substantially all of the group's assets or business will trigger a mandatory prepayment of the net proceeds of such disposal against outstanding amounts under the New Banking Facilities.

Facility A

It is assumed that $55.0 million of Facility A will be utilised immediately following completion of the Offer in order to repay existing debt facilities.

Facility B

It is assumed that $4.3 million of Facility B will be utilised immediately following completion of the Offer in order to provide $2.0 million of bank letters of credit to suppliers of Metroglass and $2.3 million of guarantees over leasehold properties occupied by Metroglass. The terms of such instruments shall be based on ANZ's usual terms and conditions for those instruments.
The forecast assumes that no cash is drawn down under the facility.

Ancillary finance

Metroglass' current policy is to review whether to hedge interest rate risk on a quarterly basis and has currently determined to remain unhedged at this time. As a result, the PFI has been prepared on the basis that Metro does not hedge any interest rate risk in respect of the total New Banking Facilities. Despite this fact, Metro may decide to hedge its interest rate risk under Facility A going forward.

Other financing considerations

The agreement under which the New Banking Facilities are proposed to be made available contains certain representations, undertakings, events of default and review events which are standard for facilities of this nature and in some cases are subject to certain agreed qualifiers such as materiality and threshold amounts. If an event of default occurs, ANZ may (among other things) require repayment of the New Banking Facilities or enforce the security held by ANZ.

A review event will be triggered if a change of control occurs or a financial covenant is breached. If a review event occurs, the parties may try to negotiate revised terms for the New Banking Facilities. If agreement cannot be reached within a certain period, then ANZ may declare that the New Banking Facilities are cancelled and require all outstanding amounts under the New Banking Facilities to be repaid.

The New Banking Facilities contain the following financial covenant ratios:

- the leverage ratio (net debt to adjusted EBITDA) shall be less than or equal to 3:1;
- the interest cover ratio (EBITDA to interest expense) shall be greater than or equal to 3:1; and
- the guaranteeing group cover ratio (total tangible assets/ EBITDA of the guaranteeing group to total tangible assets/ EBITDA of the group) shall be no less than 90%.

The New Banking Facilities also contain restrictions on the making of distributions by the group while an event of default, potential event of default or event of review is continuing or will occur as a result of the making of the distribution.

For a further summary of the restrictive covenants applicable on the group under the New Banking Facilities, see Section 12.20 *Restrictions on issuing group*.

12. Equity and dividends

The payment of dividends and other distributions by Metroglass is solely at the Board's discretion and depends on a number of factors. The payment of dividends is not guaranteed and Metroglass' dividend policy may change in the future.

Factors expected to influence or affect the Board's decision to pay dividends over time include:

- any statutory or regulatory requirements;
- the financial performance of Metroglass;
- 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; and
- any other factors deemed relevant by the Board.

Except as explained below in relation to FY15F and subject to the above, Metroglass intends to make dividend payments to Shareholders twice each year, in respect of half years ending 30 September and full years ending 31 March. The dividends for these periods are expected to be paid to Shareholders in January and July respectively.

The dividend is currently expected to be approximately 55% to 75% of NPATA. However, the actual ratio of dividends paid to NPATA is expected to vary over time reflecting the above factors.

Metroglass intends to weight dividends to the second half, with the first half targeting 40% to 50% of the total expected dividend for the year. However, the split will vary according to actual and forecast NPATA and the factors described above.

The first dividend payment is expected to be made for the six month period ending 31 March 2015.

It is the Board's intention to attach imputation credits to dividends to the extent they are available. Dividends are expected to be fully imputed for New Zealand tax purposes but no franking credits are expected to be available for Australian tax purposes.

Sensitivity analysis

PFI is inherently subject to uncertainty and, therefore, actual results are likely to vary from the PFI and this variation could be material. You can find a full description of the assumptions relevant to the PFI for FY15F and 1H16F above, along with a description of risks in Section 8 *What are my risks?*

The sensitivity analysis below is provided to assist you with assessing the potential effects of variations in certain key assumptions (defined as those most likely to materially affect results). The sensitivities for each assumption are not intended to be indicative or predictive of the possible range of outcomes but are for information purposes to allow potential investors to gain an understanding of the sensitivities of financial outcomes to changes in these key assumptions.

Care should be taken in interpreting the information set out below. Each movement in an assumption is treated in isolation from possible movements in other assumptions, which is not likely to be the case. Movements in one assumption may have offsetting or compounding effects on other variables, the impact of which is not reflected in the PFI. In addition, it is possible that more than one assumption may move at any point in time, giving rise to cumulative effects, which are not reflected in the PFI.

Two key assumptions that are considered to have significant potential impact on the prospective financial performance are:

Sales

As detailed in the key assumptions, revenues have historically lagged building consents and correlated to WPIP. If the WPIP does not eventuate as forecast or if for any reason the historical correlation between building consents and revenue does not continue, then the revenue shortfall will impact NPATA. This sensitivity assumes that only certain direct costs are variable as in the short term other operating costs are mainly fixed in nature.

Exchange rates

Metroglass purchases a significant proportion of raw materials in USD. As discussed in Section 9.2 *Overview of Metroglass' Financial Information* under the heading "Overview of the effect of foreign exchange", Metroglass has hedged approximately 68% of purchases for FY15F. If the exchange rates change and Metroglass has not been able to obtain currency hedges at the same rates, then the cost of goods sold may be impacted. The sensitivity analysis table shows the estimated impact of a change in the New Zealand Dollar against the US Dollar.

The impact on NPATA of sales and exchange rate movements are set out in the table below.

Sensitivites - NPATA

	FY15F		1H16F	
$ millions	**Upside**	**Downside**	**Upside**	**Downside**
Sales (+/- $5m per annum)	1.7	(1.7)	0.8	(0.8)
NZD/ USD exchange rate (+/-5%)	0.3	(0.3)	0.4	(0.5)

The above sensitivities do not take into account any mitigating measure that Metroglass' management may take. In the case of a reduction in sales volume, Metroglass would endeavour to reduce operating costs.

Pro Forma financial statement reconciliation

Set out below is a reconciliation between the forecast period for the eight months ending 31 March 2015, and the Pro Forma period for the 12 months ending 31 March 2015. The four month period ending 31 July 2015 includes the actual results for April 2014 and the PFI for the months of May, June and July 2014.

RECONCILIATION BETWEEN THE 8 MONTHS FORECAST TRADING TO THE FULL YEAR FY15F (PF)

$000s	**4M15F**	**8M15F**	**FY15F**
	4 months ending 31 July 2014	**8 months ending 31 March 2015**	**12 months ending 31 March 2015**
Sales	**54,088**	**117,792**	**171,880**
Cost of goods sold	26,533	58,195	84,727
Gross Margin	**27,556**	**59,597**	**87,153**
Distribution and glazing related expenses	9,503	19,193	28,696
Selling and marketing expenses	2,788	5,799	8,586
Administration expenses	6,660	18,085	24,745
Operating Profit (EBIT)	**8,605**	**16,521**	**25,126**
Interest expense	1,750	2,018	3,768
Interest income	(27)	(70)	(96)
Earnings (loss) before income taxation	**6,882**	**14,572**	**21,454**
Income taxation expense (benefit)	1,961	5,162	7,123
Earnings (loss) for the year	**4,921**	**9,410**	**14,331**
Items that may be subsequently reclassified to profit or loss			
Other comprehensive income/(loss) for the year	489	989	1,478
Total comprehensive income/(loss) for the year attributable to Shareholders	**5,410**	**10,399**	**15,809**

pwc

The Directors
Metro Performance Glass Limited
24 Lady Ruby Drive, East Tamaki
Auckland 2013
New Zealand

7 July 2014

Report of the Independent Auditors' for inclusion in the Prospectus

Dear Directors

As auditors of Metro Performance Glass Limited ("Metroglass") we have prepared this report pursuant to clause 28 of Schedule 1 of the Securities Regulations 2009 (the "Regulations") for inclusion in the Prospectus to be dated 7 July 2014 (the "Prospectus").

The Prospectus includes:

(a) the financial statements of Metroglass Holdings Limited and its subsidiaries (together "Metroglass Holdings Limited Group") which comprise the balance sheet as at 31 March 2014, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for Metroglass Holdings Limited Group, as required by clause 12(3)(e)(ii) of Schedule 1 of the Securities Regulations 2009;

(b) summary financial statements of Metroglass Holdings Limited Group which comprise summary statements of financial position as at 31 March 2012, 31 March 2013 and 31 March 2014, summary statements of comprehensive income, summary statements of changes in equity and summary statements of cash flows for the periods then ended, as required by clause 12(3)(d) of Schedule 1 of the Securities Regulations 2009;

(c) the prospective financial statements of Metro Performance Glass Limited and its subsidiaries (together "Metro Performance Glass Limited Group"), which comprise the balance sheet as at 31 March 2015 and 30 September 2015, statements of comprehensive income, statements of changes in equity and statements of cash flows for the eight months ending 31 March 2015 and the six months ending 30 September 2015, including the assumptions on which they are based, as required by clause 11 of Schedule 1 of the Securities Regulations 2009; and

(d) the pro forma prospective financial information of Metro Performance Glass Limited Group for the year ended 31 March 2015, including the assumptions on which it is based.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements therefore is not a substitute for reading the full financial statements of Metroglass Holdings Limited Group.

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This report is made solely to the Directors, for the purpose of clause 28 of Schedule 1 of the Securities Regulations 2009. Our work has been undertaken so that we might state those matters we are required to state to the Directors in a report from the auditor and for no other purpose. To the fullest extent permitted by law and subject to the Securities Act 1978 and Securities Regulations 2009, we do not accept or assume responsibility to anyone other than the Directors for this report. In addition, we take no responsibility for, nor do we report on, any part of the prospectus not specifically mentioned in this report.

Director's Responsibilities
Metroglass' Directors are responsible for the preparation and presentation of:

(a) the financial statements of Metroglass Holdings Limited Group referred to under clause 12(3)(e)(ii) of Schedule 1 of the Securities Regulations 2009, that comply with the Financial Reporting Act 1993, and which comply with generally accepted accounting practice in New Zealand and which give a true and fair view of the matters to which they relate 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;

(b) the summary financial statements of Metroglass Holdings Limited Group for the periods ended 31 March 2012, 31 March 2013 and 31 March 2014 as required under clause 12(3)(d) of Schedule 1 of the Securities Regulations 2009;

(c) the prospective financial statements of Metro Performance Glass Limited Group, for the eight months ending 31 March 2015 and the six months ending 30 September 2015 including the assumptions on which they are based, as required by clause 11 of Schedule 1 of the Securities Regulations 2009; and

(d) the pro forma prospective financial information of Metro Performance Glass Limited Group for the year ended 31 March 2015, including the assumptions on which it is based.

Auditors' Responsibilities
Our responsibility is to express an opinion on Metroglass Holding Limited Group's financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant Metroglass Holding Limited Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Metroglass Holding Limited Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

We are also responsible for reporting, in accordance with clause 28 of Schedule 1 of the Securities Regulations 2009, on:

(a) the amounts included in the summary financial statements of Metroglass Holding Limited Group for the periods ended 31 March 2012, 31 March 2013 and 31 March 2014;

(b) the prospective financial statements of Metro Performance Glass Limited Group, for the eight months ending 31 March 2015 and the six months ending 30 September 2015; and

(c) the pro forma prospective financial information of Metro Performance Glass Limited Group for the year ending 31 March 2015.

In respect of the summary financial statements of Metroglass Holding Limited Group we have undertaken reasonable procedures pursuant to clause 28(1)(h) of Schedule 1 of the Securities Regulations 2009. Our engagement was conducted to obtain reasonable assurance that, in all material respects, the amounts set out in the summary financial statements and presented in accordance with clause 12(3)(d) of Schedule 1 of the Securities Regulations 2009 included in the Prospectus have been correctly taken from the audited financial statements of Metroglass Holding Limited Group.

In respect of the prospective financial statements for the eight months ending 31 March 2015 and the six months ending 30 September 2015, and pro forma prospective financial information for the year ending 31 March 2015 of Metro Performance Glass Limited Group we have undertaken procedures pursuant to clause 28(2) of Schedule 1 of the Securities Regulations 2009. Our engagement was conducted in accordance with International Standard on Assurance Engagements (New Zealand) (ISAE (NZ)) 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued in New Zealand. The standard requires that we comply with ethical requirements, including independence requirements, and plan and perform our procedures to obtain reasonable assurance that, in all material respects, so far as the accounting policies and calculations are concerned, the prospective financial statements and pro forma prospective financial information have been properly compiled on the footing of the assumptions made or adopted by the Directors and are presented on a basis consistent with the accounting policies normally adopted or which are intended to be adopted by the Group.

The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the prospective financial information for the Group, whether due to fraud or error.

In making those risks assessments, we have considered internal controls relevant to the preparation and presentation of the prospective financial information in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the company's internal control over the preparation and presentation of the prospective financial information.

We have no relationship with, or interests in, Metroglass, or any of its subsidiaries, other than in our capacity as auditors and and providers of assurance, tax and advisory services. These services have not impaired our independence as auditors of the Company and the Group.

pwc

Opinion on Metroglass Holding Limited Group's Financial Statements

In our opinion, the financial statements for the year ended 31 March 2014 on pages 160 to 192:

(i) comply with generally accepted accounting practice in New Zealand;

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company and the Group as at 31 March 2014, and their financial performance and cash flows for the year then ended.

We also report in accordance with clauses 28(1)(d) and (e) of Schedule 1 of the Securities Regulations and sections 16 (1)(d) and (e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2014:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by Metroglass Holding Limited Group as far as appears from an examination of those records.

Opinion on Metroglass Holding Limited Group's Summary Financial Statements

In our opinion, and pursuant to clause 28(1)(h) of Schedule 1 of the Securities Regulations 2009, the summary financial statements and applicable disclosures on pages 152 to 155 of the Prospectus and taken from the audited financial statements of Metroglass Holding Limited Group for the periods ended 31 March 2012, 31 March 2013 and 31 March 2014:

- are consistent, in all material respects, with those audited financial statements; and
- have been correctly taken from the audited financial statements of the Metroglass Holding Limited Group for those periods from which they were extracted.

Opinion on the Metro Performance Glass Limited Group's Prospective Financial Statements

In our opinion, the prospective financial statements for the eight month period ending 31 March 2015 and the six month period ending 30 September 2015 and pro forma prospective financial information for the year ending 31 March 2015 on pages 90 to 93 of the Prospectus, so far as the accounting policies and calculations are concerned, have been properly compiled on the footing of the assumptions made or adopted by the Directors of Metroglass as set out in section 9 of this Prospectus and are presented on a basis consistent with the accounting policies normally adopted by Metroglass Holding Limited Group.

Actual results are likely to be different from the prospective financial statements since anticipated events frequently do not occur as expected and the variation could be material. Accordingly, we express no opinion as to whether the results reported in the prospective financial statements will be achieved.

pwc

Restriction on Use

This report has been prepared for inclusion in the Prospectus for the purpose of clause 28 of Schedule 1 to the Securities Regulations 2009. We disclaim any responsibility for reliance on this report or the amounts included in the financial statements, the summary financial statements, the prospective financial statements and the pro forma prospective financial information for any purpose other than that for which they were prepared. In addition, we take no responsibility for, nor do we report on, any part of the Prospectus not specifically mentioned in this report.

Yours faithfully

PricewaterhouseCoopers.

Chartered Accountants | Auckland

7 July 2014

pwc

The Directors
Metro Performance Glass Limited
24 Lady Ruby Drive, East Tamaki
Auckland 2013
New Zealand

7 July 2014

Investigating Accountant's Limited Assurance Report on Prospective Financial Information

We have prepared this investigating accountant's limited assurance report (Report) in accordance with the terms of our engagement letter dated 31 May 2014, on certain prospective financial information of Metro Performance Glass Limited ("Metroglass") and its subsidiaries (together "Metroglass Group"), for inclusion in a prospectus dated 7th July 2014 (the Prospectus) relating to the Initial Public Offering of ordinary shares in offer of Metro Performance Glass Limited (the Offer). Expressions defined in the Prospectus have the same meaning in this Report. This Report is an independent limited assurance report, the scope of which is set out below.

Directors' responsibilities for the Prospective Financial Information

The Directors are responsible for the preparation and presentation of the Prospective Financial Information, including the assumptions based on best information that are reasonable and supportable (as required in FRS-42 Prospective Financial Information issued in New Zealand), on which the Prospective Financial Information is based.

Our responsibility

You have requested PricewaterhouseCoopers to prepare this Report which covers the prospective financial information of the Metroglass Group for the eight months ending 31 March 2015 and the six months ending 30 September 2015, including notes and assumptions thereto, on pages 89 to 101, referred to as the "Prospective Financial Information".

Our responsibility is to express a conclusion as a result of our limited assurance engagement on the Prospective Financial Information in accordance with International Standard on Assurance Engagements (New Zealand) 3000, issued by the External Reporting Board, applicable to assurance engagements other than audits or reviews of historical financial information.

Our procedures consisted primarily of enquiry, discussion and comparison and other such analytical review procedures we considered necessary so as to form an opinion as to whether anything has come to our attention which causes us to believe that in all material respects:

a) the Directors' assumptions based on best information do not provide a reasonable and supportable basis (as defined by FRS-42) for the Prospective Financial Information;

b) the Prospective Financial Information was not properly prepared on the basis of the assumptions based on our understanding; and

c) the Prospective Financial Information is not presented fairly in accordance with the recognition and measurement principles prescribed in New Zealand Accounting Standards and other mandatory professional reporting requirements in New Zealand, and the accounting policies adopted by Metroglass Group disclosed in the financial statements of Metroglass Holdings Limited as at and for the year ended 31 March 2014 on pages 160 to 192 of the Prospectus.

The Prospective Financial Information has been prepared by the Directors to provide investors with a guide to Metroglass Group's potential future financial performance based upon the achievement of certain economic, operating, development and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of the Prospective Financial Information. Actual results may vary materially from the Prospective Financial Information and the variation may be materially positive or negative. Accordingly, investors should have regard to the risk factors set out in Section 8 – What are my risks.

The scope of this engagement has not extended to performing any procedures by way of audit, review or verification of the underlying records or other sources from which the amounts included in the Prospective Financial Information were extracted. The procedures performed do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Prospective Financial Information.

Conclusion on the Prospective Financial Information

Based on our limited assurance the procedures on the Prospective Financial Information and the Director's assumptions, which is not an audit, nothing has come to our attention which causes us to believe that, in any material respect:

a) the Directors' assumptions based on best information set out in the Prospective Financial Information section of the Prospectus, and subject to the risks set out elsewhere in the Prospectus, do not provide a reasonable and supportable basis (as defined by FRS-42) for the Prospective Financial Information;

b) the Prospective Financial Information was not properly prepared on the basis of the assumptions based on best information; and

c) the Prospective Financial Information is not presented fairly in accordance with the recognition and measurement principles prescribed in accounting standards and other mandatory professional reporting requirements in New Zealand, and the accounting policies adopted by the Metroglass Group disclosed in the financial statements of Metroglass Holdings Limited as at and for the year ended 31 March 2014 on pages 160 to 192 of the Prospectus.

The assumptions set out in the Prospective Financial Information section of the Prospectus which form the basis of the Prospective Financial Information are subject to significant uncertainties and contingencies, which are often outside the control of Metroglass Group. If events do not occur as assumed, actual results and distributions achieved by Metroglass Group may vary significantly from the Prospective Financial Information. Accordingly, we do not confirm or guarantee the achievement of the Prospective Financial Information, as future events, by their very nature, are not capable of independent substantiation.

Independence or disclosure of interest

PricewaterhouseCoopers does not have any interest in the outcome of the Offer other than the preparation of this Report and participation in due diligence in connection with the Prospectus for which normal professional fees will be received. We have no relationship with or interests in any member of the Metroglass Group other than in our capacities as auditor, investigating accountant, tax advisor and providers of other advisory and assurance services. These services have not impaired our independence as investigating accountant of Metroglass Group.

Restrictions on use of our Report

This report is made solely to the directors of Metroglass for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Prospective Financial Information to which this Report relates for any purpose other than the purpose for which it was prepared. This Report should be read in conjunction with the Prospectus. However, we take no responsibility for, nor do we report on, any part of the Prospectus not specifically mentioned in this report. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the directors of Metroglass for the conclusions that we have formed.

Yours faithfully

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants
Auckland

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Details of the offer

10.1 THE OFFER

The Offer is made by Metroglass on the terms, and is subject to the conditions, set out in this Prospectus and the Investment Statement. The Offer is fully underwritten in accordance with the terms of the Underwriting Agreement. (See Section 12.7 *Material Contracts* for a summary of the terms of the Underwriting Agreement).

The Offer is an offer of 143.7 million Offer Shares[27] to be issued by Metroglass. The Offer Shares will be offered to Retail Investors and Institutional Investors at the Offer Price of $1.70 per Offer Share. On allotment, all Offer Shares will be fully-paid ordinary shares which rank equally with each other and all other Shares.

Size of the Offer

The Offer comprises an offer by Metroglass of 143.7 million Offer Shares. The gross proceeds from the Offer will be $244.2 million.

In addition, 41.4 million Consideration Shares[27] will be issued by Metroglass to the Selling Shareholders and Senior Management in connection with the Acquisition.

Upon completion of the Transaction, there will be 185.0 million Shares on issue.

Structure of the Offer

The Offer comprises:

- the Retail Offer, which consists of:
  - the Broker Firm Offer which is available only to:
    - New Zealand resident clients of NZX Firms who have received an allocation from that NZX Firm; and
    - Australian resident clients of Brokers who have received an allocation from that Broker; and
  - the Employee Offer which is available to Eligible Employees and Directors (or their nominees), up to a maximum of 0.6 million Offer Shares[28]; and
- the Institutional Offer, which consists of an invitation to bid for Offer Shares made to selected Institutional Investors in New Zealand, Australia and certain overseas jurisdictions (excluding the United States and any persons who are, or are acting for the account of or benefit of, US Persons).

There is no general public offer. Members of the public wishing to subscribe for Offer Shares under the Offer must do so through a NZX Firm (or, if in Australia, through a Broker) with a Firm Allocation.

The allocation of Offer Shares between the Institutional Offer and the Retail Offer (and, within the Retail Offer, between the Broker Firm Offer and Employee Offer) will be determined by Metroglass, having consulted with the Joint Lead Managers and having regard to the allocation policies outlined under the headings "Allocation Policy under the Broker Firm Offer", "Allocation Policy under the Employee Offer" and "Allocation Policy under the Institutional Offer" below.

Offer Price

You will pay the Offer Price in full, being $1.70 per Offer Share.

The Application Form requires that you apply for a specified number of Offer Shares at the Offer Price.

The minimum Application amount for the Retail Offer is 1,176 Offer Shares, which equates to a minimum aggregate subscription amount of $2,000. Metroglass reserves the right to accept Applications for less than $2,000.

Refunds and rounding

If the Offer or any part of it is withdrawn, then the relevant Application Monies will be refunded without interest to the relevant Applicant by no later than five Business Days after the decision to withdraw the Offer is announced.

If an Application is rejected, all of the relevant Application Monies will be refunded without interest to the relevant Applicant by no later than five Business Days after the Allotment Date or a decision to withdraw the Offer is announced (as the case may be).

If the total dollar amount of the Offer Shares you apply for and the value (based on the Offer Price) of the Offer Shares you receive differs by more than the Offer Price due to scaling of your Application, this difference will be refunded to you (without interest) no later than five Business Days after the Allotment Date without interest. If this difference is less than the Offer Price, it will be retained by Metroglass.

If you apply for a total Application amount that is not a multiple of the Offer Price, your Application will be rounded down to the nearest multiple of the Offer Price and any difference will be retained by Metroglass.

Refunds will be paid in the manner you elect any future dividend payments to be paid on the Application Form.

Purpose of the Offer and use of proceeds

The purpose of the Offer is to enable Metroglass to purchase all of the shares on issue in Metroglass Holdings from the Selling Shareholders and Senior Management, providing an opportunity for such persons to realise all or a portion of their investment in Metroglass Holdings.

The Offer and Listing will also:

- provide Metroglass with access to capital markets;
- provide an opportunity for others to invest in Shares in Metroglass;
- allow Metroglass to pay down some existing bank debt;
- provide the broader Metroglass business with the benefits of an increased profile that arises from being a listed entity; and
- provide funds to pay the expenses of the Offer.

[27] For the purposes of NZX Listing Rule 7.1.8 this represents 22.4% of the total Shares that Metroglass will have on issue following the Offer.

[28] For the purposes of NZX Listing Rule 7.1.8 this represents a maximum of 0.3% of the total Shares that Metroglass will have on issue following the Offer, which have been reserved for any person resident in New Zealand who Metroglass determines is an Eligible Employee or is a Director (or their nominees).

10.2 SOURCES AND USES OF FUNDS

The gross proceeds of the Offer will total $244.2 million. Those proceeds will be applied to the following:

Source of Funds	$ million	%	Use of Funds	$ million	%
Selling Shareholder equity rolled	58.3	15.5	Total equity rolled	70.3	18.7
Senior Management equity rolled	12.0	3.2	Repayment of existing debt	64.0	17.0
Total equity rolled	**70.3**	**18.7**	Payment for the Acquisition of Metroglass Holdings (received by Selling Shareholders and Senior Management)	230.5	61.3
New Banking Facilities	55.0	14.6	Offer expenses	10.9	2.9
Offer Proceeds	244.2	65.0			
Total new money	**299.2**	**79.6**			
Surplus cash	6.2	1.6			
Total sources	**375.7**	**100.0%**	**Total uses**	**375.7**	**100.0%**

SOURCES OF FUNDS

The amount of $244.2 million in respect of cash proceeds received for Offer Shares under the Offer represents the cash that Metroglass expects to receive on completion of the Offer (based on $143.7 million Offer Shares at an Offer Price of $1.70 per Offer Share). Metroglass will also draw down $55 million in cash under the New Banking Facilities.

USES OF FUNDS

Key payments to be made by Metroglass at completion of the Offer include:

- $230.5 million to the Selling Shareholders and Senior Management, as partial consideration for the acquisition of Metroglass Holdings;
- $64.0 million to pay down some existing debt; and
- $10.9 million in respect of the costs of the Offer, comprising estimates of fees payable to legal, accounting and tax advisers and to the Joint Lead Managers and the Underwriters under the Underwriting Agreement and the Joint Lead Manager engagement letter of $6.7 million, with the remaining $4.2 million to cover other estimated costs of the Offer, including Prospectus and Investment Statement design, advertising, marketing, Listing and administrative fees and share registry expenses.

10.3 SHAREHOLDING STRUCTURE – BEFORE AND AFTER THE OFFER

Acquisition

The Selling Shareholders and Senior Management have agreed to sell 100% of Metroglass Holdings to Metroglass in accordance with the terms of the Acquisition Agreements (as more fully described under the heading "Material Contracts" in Section 12 *Statutory Information* of this Prospectus).

Metroglass was incorporated on 30 May 2014 to undertake the Offer and as at the date of this Prospectus has not carried on any business other than in preparation for the Offer. It has one Share on issue, which is held by Nathanial Thomson, an existing Director of Metroglass Holdings. That Share will be repurchased by Metroglass on the Allotment Date.

Upon allotment of the Offer Shares on the Allotment Date, Metroglass will acquire Metroglass Holdings from the Selling Shareholders and Senior Management for $307.5 million. The consideration will be payable by Metroglass as follows:

- $291.5 million to Selling Shareholders, payable partly in cash from the proceeds of the Offer and partly by the issue of 34.3 million Consideration Shares; and
- $16.0 million to Senior Management, payable partly in cash from the proceeds of the Offer and partly by the issue of 7.1 million Consideration Shares.

In addition, the Senior Notes held by certain of the Selling Shareholders will be repaid at settlement of the Offer, using funds drawn under the New Bank Facility entered into by Metroglass - see Note 11, Financing, in Section 9.4 *Prospective Financial Information* for further details on this bank facility.

Further details about the Acquisition are set out under the heading "Acquisition of business or subsidiary" in Section 12 *Statutory information* of this Prospectus.

Current shareholding

The Selling Shareholders and Senior Management presently hold 100% of the shares in Metroglass Holdings.

Each of the Selling Shareholders is intending to realise a portion of their investment in Metroglass in connection with the Offer. The consideration payable to such remaining Selling Shareholders in connection with the Acquisition will be payable partly in cash from the proceeds of the Offer and partly by the issue of Consideration Shares. The consideration split between cash and Consideration Shares for each such Selling Shareholder has been determined under the Selling Shareholder Acquisition Agreement.

Senior Management are intending to realise 25% of their investment in Metroglass through the Acquisition. The consideration payable to Senior Management in connection with the Acquisition will be payable partly in cash from the proceeds of the Offer and partly by the issue of 7.1 million Consideration Shares.

The Selling Shareholders will collectively hold an interest of approximately 18.5% in Metroglass immediately following completion of the Transaction.

Senior Management will collectively hold an interest of approximately 3.8% in Metroglass immediately following completion of the Transaction.

Ownership structure

As a consequence of the above, following completion of the Offer and the Acquisition:

- the sole shareholder of Metroglass Holdings will be Metroglass;
- the Selling Shareholders and Senior Management will cease to hold any shares in Metroglass Holdings;
- the Shareholders of Metroglass will be:
  - – investors who subscribe for Offer Shares under the Institutional Offer and the Broker Firm Offer;
  - – Eligible Employees and Directors (or their nominees) who subscribe for Offer Shares under the Employee Offer; and
  - – Selling Shareholders and Senior Management who are issued Consideration Shares under the Acquisition.

On completion of the Offer, the Selling Shareholders will have no shareholders' agreement or other arrangements between them in respect of the Shares they hold.

The following structure diagrams show the shareholding structure of the Metroglass Group before and after the Offer (ownership interests are 100% unless marked).

The table below illustrates the ownership structure of the Group immediately prior to the Offer and upon completion of the Transaction (following allotment of the Offer Shares and the Consideration Shares).

	Ownership of Metroglass Holdings immediately prior to completion		Indicative Ownership of Metroglass following completion[3]	
Shareholder	**Shares (millions)**	**%**	**Shares (millions)**	**%**
Selling Shareholders				
Crescent Capital Partners Management Pty Limited as trustee for Crescent Capital Partners Trust IIIA	18.5[1]	16.3%	5.9	3.2%
Crescent Capital Partners Management Pty Limited as trustee for Crescent Capital Partners Trust IIIB	18.5[1]	16.3%	5.9	3.2%
Crescent Capital Partners III (Belgium) BVBA	11.3[1]	9.9%	3.6	1.9%
Sankaty Credit Opportunities III, L.P.	4.2	3.7%	1.3	0.7%
Sankaty Credit Opportunities IV, L.P.	3.4	3.0%	1.1	0.6%
Sankaty Credit Opportunities (Offshore Master) IV, L.P.	4.4	3.8%	1.4	0.7%
Deutsche Bank AG, London Branch	2.1	1.9%	0.7	0.4%
J.P. Morgan Special Opportunities (Delaware) II LLC	12.4	10.9%	3.9	2.1%
Portigon AG	11.9	10.5%	3.8	2.0%
AIO Finance (Ireland) Limited	15.7	13.8%	5.0	2.7%
AIO II Finance (Ireland) Limited	5.2	4.6%	1.7	0.9%
AIO III Finance (Ireland) Limited	0.6	0.5%	0.2	0.1%
Senior Management				
Nigel Rigby	4.0[2]	3.5%	5.1	2.8%
David Carr	1.0[2]	0.9%	1.3	0.7%
Geoff Rasmussen	0.5[2]	0.4%	0.6	0.3%
Other shares issued				
New Shareholders pursuant to the Offer	-	-%	143.7	77.6%
Total	**113.8**	**100.0%**	**185.0**	**100.0%**

Note 1: These entities currently hold a combination of ordinary shares and "B shares" in Metroglass Holdings. The B shares will convert into ordinary shares in Metroglass Holdings pursuant to a formula set out in a shareholders' agreement between the Selling Shareholders before the allotment of Offer Shares pursuant to the Offer. To allow for ease of comparison, this table reflects the position as if this conversion had already taken place.
Note 2: These Senior Managers currently hold "C shares" in Metroglass Holdings. The C shares will convert into ordinary shares in Metroglass Holdings pursuant to a formula set out in a shareholders' agreement between the Selling Shareholders before the allotment of Offer Shares pursuant to the Offer. To allow for ease of comparison, this table reflects the position as if this conversion had already taken place.
Note 3: Under the Selling Shareholder Acquisition Agreement affiliated shareholder groups (e.g., the three Crescent entities identified in the table above), may allocate Consideration Shares in different numbers as between them, provided that the aggregate shareholdings of each affiliated shareholder group will not be different from that set out above.

None of the persons named above guarantees, or undertakes any liability in respect of, the Offer Shares.

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10.4 RETAIL OFFER

	Broker Firm Offer	Employee Offer
Who may apply	In New Zealand, the Broker Firm Offer is open to persons who have received an allocation from their NZX Firm and who are residents of New Zealand. If you have been offered an allocation by an NZX Firm having a Firm Allocation, you will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. You should contact your NZX Firm to determine whether they may allocate Offer Shares to you under the Broker Firm Offer. In Australia, the Broker Firm Offer is open to persons who have received an allocation from their Broker and who are residents of Australia. If you have been offered an allocation by a Broker having a Firm Allocation, you will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. You should contact your Broker to determine whether they may allocate Offer Shares to you under the Broker Firm Offer.	The Employee Offer is open to Metroglass' Directors and Eligible Employees (or their nominees). For example, an eligible Director or employee can apply through a company or a family trust. Offer Shares will not be allotted to any Applicant under the Employee Offer if that Applicant has given or received notification of termination of employment on or before 5.00pm on the Closing Date. All Applications made under the Employee Offer will be reviewed by Metroglass prior to the Share Registrar accepting such Applications. Up to 0.6 million Offer Shares have been reserved for the Employee Offer. Applicants under the Employee Offer may also apply for Offer Shares under the Broker Firm Offer, in which case a separate Broker Firm Application Form must be completed.
How to apply	Investors who have received an allocation of Offer Shares in the Broker Firm Offer must follow instructions provided by their NZX Firm or Broker. Those Applicants must complete the blue Broker Firm Application Form at the back of this Investment Statement. By making an Application, you declare that you were given a copy of this Investment Statement, together with a Broker Firm Application Form. Please contact your NZX Firm or Broker if you require further instructions. Any Broker Firm Application Form must be stamped by an NZX Firm or Broker so that the correct allocation of Offer Shares is received.	Complete the yellow Employee Offer Application Form provided to you by Metroglass. By making an Application, you declare that you were given a copy of the Investment Statement, together with an Employee Offer Application Form.
Minimum and maximum Application amount	Amounts will be determined by your NZX Firm or Broker. However, the minimum Application amount under the Broker Firm Offer is 1,176 Offer Shares ($2,000). If you apply for a total Application amount that is not a multiple of the Offer Price, your Application will be rounded down to the nearest multiple of the Offer Price and any difference will be retained by Metroglass.	The minimum Application amount under the Employee Offer is 1,176 Offer Shares ($2,000). If you apply for a total Application amount that is not a multiple of the Offer Price, your Application will be rounded down to the nearest multiple of the Offer Price and any difference will be retained by Metroglass. There is no maximum amount that can be applied for by each Eligible Employee or Director applying under the Employee Offer, although a maximum of 0.6 million Offer Shares in total has been reserved for the Employee Offer.
How to pay	Applicants under the Broker Firm Offer should make payments in accordance with the directions of the NZX Firm or Broker from whom you received an allocation.	Application Monies should be paid by cheque drawn on a New Zealand bank. Cheques should be crossed "Not Transferable" and made out to "Metroglass Share Offer". Alternatively, you may pay by direct debit by including your direct debit details on your Employee Offer Application Form.

	Broker Firm Offer	Employee Offer
Address for return of Application Forms and Application Monies	Applicants under the Broker Firm Offer should send their completed Broker Firm Application Form and Application Monies to their NZX Firm or Broker in time to enable forwarding to the Share Registrar by 12.00 noon on the Closing Date. Please confirm with your broker the manner in which you should make your payment. Alternatively, Applications can be lodged with Metroglass, any NZX Firm or Broker, any Joint Lead Manager, or any other channel approved by NZX so as to be received in time to enable forwarding to the Share Registrar by 12.00 noon on the Closing Date.	The details of who the Employee Offer Application Forms should be returned to will be notified to Directors and Eligible Employees separately.
Closing Date for receipt of Applications	The Broker Firm Offer opens at 9.00am on 15 July 2014 and is expected to close at 12.00 noon on 28 July 2014. Metroglass may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants applying for Offer Shares using a paper Broker Firm Application Form are encouraged to submit an Application Form and Application Monies to their NZX Firm or Broker as early as possible in advance of the Closing Date and to allow a sufficient period for mail processing time.	The Employee Offer opens at 9.00am on 15 July 2014 and is expected to close at 5.00pm on 23 July 2014. Metroglass may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer may be closed at any earlier date and time, without further notice. Applicants are encouraged to submit their Applications as early as possible in order to enable processing by the Closing Date.
How to obtain a copy of this Prospectus and Investment Statement	Please contact your NZX Firm or Broker for instructions. You may also obtain a copy of this Prospectus and the Investment Statement as follows: • you can download a copy at www.metroglassoffer.co.nz; or • request a copy from the Share Registrar, Link Market Services by phoning +64 9 375 5998. While you may obtain a copy of these documents as set out above, your Application will not be accepted under the Broker Firm Offer if it is not lodged through your NZX Firm or Broker.	To obtain a copy of this Prospectus and the Investment Statement: • you can download a copy at www.metroglassoffer.co.nz; • request a copy from the Share Registrar, Link Market Services by phoning +64 9 375 5998; or • request a copy from Metroglass.

10.5 FURTHER TERMS OF THE RETAIL OFFER

Availability of funds

You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of the cheque(s), bank draft(s) or direct debit payment(s). If the amount of your cheque(s), bank draft(s) or direct debit payment(s) for Application Monies (or the amount for which those cheque(s), bank draft(s) or direct debit payment(s) clear in time for allocation) is less than the amount of Offer Shares applied for multiplied by the Offer Price, you may be taken to have applied for such lesser number of Offer Shares for which your cleared Application Monies will pay (and to have specified that amount on your Application Form) or your Application may be rejected.

Allocation under the Broker Firm Offer

The allocation of Offer Shares under the Broker Firm Offer to NZX Firms, Brokers or other financial intermediaries approved by the Joint Lead Managers, in each case for the purpose of making Firm Allocations to their New Zealand or Australian resident retail clients, will be decided by Metroglass in its sole discretion, having consulted with the Joint Lead Managers. That decision will be influenced by a number of factors, which may include:

- the price for Offer Shares bid by particular bidders;
- the number of Offer Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders;
- the overall level of demand, including across the Institutional Offer and the Employee Offer;
- an assessment of whether the clients of a particular bidder will be long term Shareholders; and
- any other factors that Metroglass considers appropriate.

Offer Shares which have been allocated under the Broker Firm Offer to NZX Firms, Brokers or other financial intermediaries as a Firm Allocation for allocation to their New Zealand or Australian resident retail clients will be issued to the Applicants nominated by those NZX Firms, Brokers or financial intermediaries.

It will be a matter for the NZX Firm, Broker or financial intermediary to determine how they allocate firm stock among their retail clients, and they (and not Metroglass, the Joint Lead Managers or any other person) will be responsible for ensuring that retail clients who have been allocated Offer Shares receive the relevant Offer Shares. If the Offer is over-subscribed, your Application for Offer Shares in the Broker Firm Offer may be scaled back. This means that the number of Offer Shares you receive may be lower than the number of Offer Shares for which you apply. The NZX Firm or Broker will determine whether your Application will be scaled back.

Allocation under the Employee Offer

The allocation of Offer Shares to Applicants under the Employee Offer will be decided by Metroglass, having consulted with the Joint Lead Managers. It is Metroglass' intention that Applicants under the Employee Offer would be allocated the full amount of any Offer Shares applied for, subject to a maximum of 0.6 million Offer Shares available across all Applicants under the Employee Offer.

Acceptance of Applications

Applicants must apply for a specific number of Offer Shares and pay upon Application the full amount for the Offer Shares applied for in the Application Form based on the Offer Price.

An Application in the Retail Offer is an offer by the Applicant to Metroglass to subscribe for all or any of the number of the Offer Shares specified in the Application Form, at the Offer Price and on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus), the Investment Statement and the Application Form (including the conditions regarding quotation on the NZX and ASX). To the extent permitted by law, the offer by an Applicant is irrevocable. By submitting an Application Form, the Applicant agrees to be bound by these terms and conditions and the Constitution.

An Application may be accepted by Metroglass in respect of the full number of Offer Shares specified in the Application Form or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

10.6 INSTITUTIONAL OFFER

The Institutional Offer consisted of an invitation prior to the date of this Prospectus to certain Institutional Investors in New Zealand, Australia and a number of other eligible jurisdictions (excluding the United States and any persons who are, or are acting for the account or benefit of, US Persons) to apply for Offer Shares. The Joint Lead Managers have separately advised Institutional Investors of the additional terms and conditions, and the Application procedures for the Institutional Offer.

Allocation under the Institutional Offer

The number of Offer Shares to be offered under the Institutional Offer, and the allocation of Offer Shares among Applicants in the Institutional Offer, will be determined by Metroglass in its sole discretion, having consulted with the Joint Lead Managers. Metroglass will have absolute discretion regarding the basis of allocation of Offer Shares among Institutional Investors. Metroglass will retain the ability to scale back allocations to NZX Firms and Brokers following the close of the Offer.

The allocation policy will be influenced by a number of factors, which may include:

- the price for Offer Shares bid by particular bidders;
- the number of Offer Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders;
- Metroglass' desire for an informed and active trading market following Listing on the NZX Main Board and ASX;
- Metroglass' desire to establish a wide spread of institutional Shareholders;
- the overall level of demand, including across the Broker Firm Offer and the Employee Offer;
- the size and type of funds under management of particular bidders;
- an assessment of whether particular bidders will be long term Shareholders; and
- any other factors that Metroglass considers appropriate.

10.7 ABOUT THE SHARES

Each Share confers an equal right on the holder to:

- attend and vote at a meeting of Shareholders, including the right to cast one vote per Share on a poll on any resolution, such as a resolution to:
  - appoint or remove a Director;
  - adopt, revoke or alter the Constitution;
  - approve a major transaction (as that term is defined in the Companies Act);
  - approve the amalgamation of Metroglass under section 221 of the Companies Act; or
  - place Metroglass in liquidation;
- receive an equal share in any distribution, including dividends, if any, authorised by the Board and declared and paid by Metroglass in respect of that Share;
- receive an equal share with other Shareholders in the distribution of surplus assets in any liquidation of Metroglass;
- be sent certain information, including notices of meeting and company reports sent to Shareholders generally; and
- exercise the other rights conferred upon a Shareholder by the Companies Act and the Constitution.

A Shareholder's ability to exercise these rights is subject to restrictions contained in the Constitution, the NZX Listing Rules and the ASX Listing Rules.

Once the Shares are trading, further information about Metroglass will be available at www.nzx.com.

What returns will I get?

Your returns on Shares may be:

- dividends paid and other distributions which may be made in respect of your Shares; and
- any gains you make if you sell or dispose of your Shares for a net price that is greater than the price you paid for them (although the market price of your Shares may also decline, making them worth less than what you paid for them).

No amount of returns is promised in respect of the Shares. The key factors that will determine your returns (if any) are the market price for Shares and the Board's decision in relation to dividends or other distributions. If you sell your Shares, you may be required to pay brokerage or other sale expenses. Tax will also affect your returns from the Shares. You should seek your own tax advice in relation to your Shares.

Metroglass is the person legally liable to pay you any dividends or other distributions declared on your Shares.

If you sell any of your Shares, the purchaser of those Shares will be legally liable to pay you the sale price.

You may cash in your investment by selling your Shares. Any sale of Shares must be made in accordance with the requirements of the Constitution, the NZX Listing Rules, the ASX Listing Rules and any other applicable laws.

Dividend Policy

Dividends and other distributions with respect to the Shares are only made at the discretion of the Board of Metroglass. The payment of dividends is not guaranteed and Metroglass' dividend policy may change. The Board's decisions in relation to the level of reserves and retentions may affect any dividends or distribution you receive from the Shares.

In determining dividends payable to Shareholders, Metroglass must comply with the solvency test specified in the Companies Act.

Factors expected to influence or affect the Board's decision to pay dividends over time include:

- any statutory or regulatory requirements;
- the financial performance of Metroglass;
- 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; and
- any other factors deemed relevant by the Board.

Subject to the above, Metroglass intends to make dividend payments to Shareholders semi-annually, in respect of half years ending 30 September and full years ending 31 March.

The dividend is currently expected to be approximately 55% to 75% of NPATA. However, the actual ratio of dividends paid to NPATA is expected to vary over time reflecting the above factors.

Metroglass intends to weight dividends to the second half, with the first half targeting 40% to 50% of the total expected dividend for the year. However, the split will vary according to actual and forecast NPATA and the factors described above.

It is the Board's intention to attach imputation credits to dividends to the extent they are available.

The first dividend following the Offer is expected to be paid in or around July 2015, in respect of the six month period to 31 March 2015.

Can my investment be altered?

The full terms of the Offer, including the Offer Price and the amounts payable on Application, are set out in this Prospectus and the Investment Statement. Those terms may be altered by Metroglass by lodging an amendment to this Prospectus with the Registrar of Financial Service Providers. However, those terms cannot be altered without an Applicant's consent after an Application has been accepted and Offer Shares allotted to the Applicant.

Metroglass may only amend its Constitution (which sets out the rights attached to Shares) with approval by a special resolution of Shareholders. Metroglass cannot take any action that affects the rights of any interest group of Shareholders without approval by a special resolution of that affected interest group.

A special resolution must be approved by at least 75% of the votes of those Shareholders entitled to vote and who actually vote on that resolution. Under certain circumstances, if your rights are affected by an action approved by a special resolution, you may require Metroglass to purchase your Shares.

Underwriting Agreement

Metroglass and the Underwriters have entered into the Underwriting Agreement under which the Underwriters have agreed, subject to certain conditions, to underwrite the Offer in full, comprising all of the 143.7 million Offer Shares.

The Underwriting Agreement sets out a number of circumstances under which the Underwriters may terminate the Underwriting Agreement and their underwriting obligations.

See "Material Contracts" in Section 12 *Statutory Information* of this Prospectus for further information about the Underwriting Agreement.

10.8 NZX MAIN BOARD LISTING

Metroglass has applied to NZX for permission to list Metroglass and to quote the Shares on the NZX Main Board and all the requirements of NZX relating to the application that can be complied with on or before the date of this Prospectus have been duly complied with. However, NZX accepts no responsibility for any statement in this Prospectus. NZX has authorised NZX Firms to act on the Offer. The NZX Main Board is a registered market operated by NZX, which is a registered exchange, regulated under the Securities Markets Act. Initial quotation of the Shares on the NZX Main Board is expected to occur on 30 July 2014 under the ticker code "MPG".

10.9 ASX – APPLICATION FOR LISTING

An application will be made to ASX after the Investment Statement and this Prospectus have been lodged with ASIC for Metroglass to be admitted to the official list of the ASX and for quotation of the Shares on the ASX. It is anticipated that the ASX stockcode for Metroglass' Shares will be "MPP". Neither ASIC nor ASX takes any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates. The fact that ASX may admit Metroglass to the official list and quote the Shares on the ASX is not to be taken as an indication of the merits, or as an endorsement by ASX, of Metroglass or the Offer Shares. The ASX is not a registered market under the Securities Markets Act. Shares are expected to commence trading on the ASX on a normal settlement basis on 30 July 2014.

10.10 QUOTATION AND TRADING

Initial quotation of the Shares on the NZX Main Board and the ASX is expected to occur on or about 30 July 2014. If you wish to sell your Shares on the NZX Main Board after confirming your allocation, you must contact an NZX Firm. To be eligible to trade Shares on the NZX Main Board you must have an account with an NZX Firm, a CSN and an Authorisation Code (**FIN**). If you do not have an account with a broker you should be aware that opening an account can take a number of days depending on the NZX Firm's new client procedures. If you do not have a CSN, you will be assigned one when you set up an account with an NZX Firm. If you have a broker and have not received a FIN by the date on which you want to trade your Shares, your broker can arrange to obtain your FIN from the Share Registrar.

10.11 FAILURE TO ACHIEVE LISTING

In the event that admission to list the Shares on the NZX Main Board or ASX is denied or the Offer does not proceed for any other reason, all Application Monies will be refunded in full without interest no later than five Business Days after the announcement of the decision not to proceed.

10.12 CONFIRMATION OF ALLOCATION

Applicants will be able to confirm their holding by contacting their NZX Firm or Broker upon commencement of trading of the Shares on the NZX Main Board or ASX.

You should not attempt to sell any Shares until you know whether any, and how many, Offer Shares have been allocated to you. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk. None of Metroglass, the Joint Lead Managers, the Share Registrar or any of their respective directors, officers or employees accepts any liability or responsibility should any person attempt to sell or otherwise deal with Shares before the statements confirming allotments of Shares are received by you or the successful bidders under the Institutional Offer (as applicable).

10.13 CLEARING HOUSE ELECTRONIC SUBREGISTER SYSTEM

Metroglass will apply to participate in ASX's Clearing House Electronic Subregister System (**CHESS**), in accordance with the ASX Settlement Operating Rules. CHESS is an automated transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in a paperless form. When the Shares become CHESS Approved Securities, holdings will be registered in one of two subregisters, an electronic CHESS subregister or a Metroglass-sponsored subregister. The Shares of a Shareholder who is a participant in CHESS or a person sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the Metroglass-sponsored subregister. Following the allotment of Shares, any Shareholder who has elected to have their Shares registered in CHESS will be sent an initial statement of holding that sets out the number of Shares that have been allocated. This statement will provide details of the Shareholder's Holder Identification Number (**HIN**) or, where applicable, the Shareholder Reference Number (**SRN**) for Metroglass-sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholding in Metroglass.

10.14 ESCROW ARRANGEMENTS

Under the Acquistion Agreements the Shares held by the Selling Shareholders and Senior Management subject to the escrow undertakings summarised below, will represent, in aggregate, 22.4% of the Shares on issue immediately following the Offer.

The terms of the Acquistion Agreements provide that (other than with the written approval of NZX, the Company and the Directors who are not interested in the matter as defined in the Companies Act (the **Non-Interested Directors**)):

- the Selling Shareholders cannot sell or otherwise dispose of any Shares subject to the escrow arrangements until the first day after Metroglass' preliminary announcement of its results for the six month period ending 30 September 2015 has been released, subject to potential early release exceptions as set out below; and
- Senior Management cannot sell or otherwise dispose of any Shares subject to the escrow arrangements until the first day after Metroglass' preliminary announcement of its results for the six month period ending 30 September 2015 has been released,

the **Escrow Arrangements**.

Exceptions to Escrow Arrangements Applicable to Selling Shareholders

The following exceptions to the Escrow Arrangements apply in respect of the Selling Shareholders (but not Senior Management):

- Each Selling Shareholder may transfer up to 25% of its Shares that are subject to the Escrow Arrangements (in one or more transactions) to any person or persons at least 10 Business Days after both of the following conditions have been satisfied:
  - (a) the Company has released to NZX its preliminary announcement of the Company's audited financial results in respect of the financial year ending 31 March 2015 (the date of such release being the **FY15 Announcement Date**); and
  - (b) the volume weighted average price of the Company's shares on NZX for each of the 10 consecutive trading days following the FY15 Announcement Date is at least 20% higher than the Offer Price.
- One Selling Shareholder, J.P. Morgan Special Opportunities (Delaware) II LLC (**JPMSO**) may transfer its Shares to a bona fide third party purchaser in a single off-market transfer as part of the existing sales process being conducted in respect of certain of JPMSO's and its affiliates' assets (including JPMSO's investment in the Company), provided that, before any such transfer, the purchaser executes a deed poll for the benefit of the Non-Interested Directors, the Company and NZX, in a form reasonably satisfactory to the Non-Interested Directors and NZX, pursuant to which the purchaser undertakes to comply with any restrictions imposed on, and perform any obligations of, JPMSO pursuant to the Escrow Arrangements.
- If a full or partial takeover offer under the Takeovers Code (a **Takeover Offer**) in relation to the Shares is sent to Shareholders pursuant to Rule 43 of the Takeovers Code; or any information memorandum or other documentation (**Shareholder Materials**) convening a meeting of the Shareholders to vote on any scheme of arrangement or other arrangement, having a substantially similar effect to a Takeover Offer (an **Arrangement**) in relation to the Shares, is sent to Shareholders, then, whether or not the Takeover Offer or Arrangement remains subject to unsatisfied conditions, a Selling Shareholder may transfer all or any of its Shares to any person or persons other than the offeror or the acquirer under the Takeover Offer or the Arrangement, in one or more on-market or off-market transactions during the period commencing on the date the Takeover Offer or the Shareholder Materials are sent to Shareholders and ending on the date that the transaction lapses, is withdrawn or completes.

The table below sets out the number and percentage of Shares on issue that are subject to the Escrow Arrangements:

	Shares held following the Offer		Shares subject to Escrow Arrangements	
Shareholder	**Shares (millions)**	**%**	**Shares (millions)**	**%**
Selling Shareholders				
Crescent Capital Partners Management Pty Limited as trustee for Crescent Capital Partners Trust IIIA	5.9	3.2%	5.9	3.2%
Crescent Capital Partners Management Pty Limited as trustee for Crescent Capital Partners Trust IIIB	5.9	3.2%	5.9	3.2%
Crescent Capital Partners III (Belgium) BVBA	3.6	1.9%	3.6	1.9%
Sankaty Credit Opportunities III, L.P.	1.3	0.7%	1.3	0.7%
Sankaty Credit Opportunities IV, L.P.	1.1	0.6%	1.1	0.6%
Sankaty Credit Opportunities (Offshore Master) IV, L.P.	1.4	0.7%	1.4	0.7%
Deutsche Bank AG, London Branch	0.7	0.4%	0.7	0.4%
J.P. Morgan Special Opportunities (Delaware) II LLC	3.9	2.1%	3.9	2.1%
Portigon AG	3.8	2.0%	3.8	2.0%
AIO Finance (Ireland) Limited	5.0	2.7%	5.0	2.7%
AIO II Finance (Ireland) Limited	1.7	0.9%	1.7	0.9%
AIO III Finance (Ireland) Limited	0.2	0.1%	0.2	0.1%
Senior Management				
Nigel Rigby	5.1	2.8%	5.1	2.8%
David Carr	1.3	0.7%	1.3	0.7%
Geoff Rasmussen	0.6	0.3%	0.6	0.3%

General Exceptions to Escrow Arrangements Applicable to both Selling Shareholders or Senior Management

The restrictions set out in the Escrow Arrangements do not apply to either Selling Shareholders or Senior Management in the following additional circumstances:

- an escrowed Shareholder may grant a security interest in respect of it's Shares in favour of a lender to that holder if the lender has agreed to be bound by the relevant Escrow Arrangements;
- an escrowed Shareholder that is a trustee may transfer any Shares subject to the Escrow Arrangements to a replacement trustee, provided the new trustee accedes to the relevant Escrow Arrangements;
- an escrowed Shareholder may transfer any Shares subject to the Escrow Arrangements to an Associated Person (as defined in the NZX Listing Rules) with the prior written approval of the Non-Interested Directors, provided that that person accedes to the relevant Escrow Arrangements; and
- an escrowed Shareholder may transfer all or any of its Shares by way of acceptance of a Takeover Offer (including pursuant to a pre-bid agreement, or lock-up agreement) or pursuant to an Arrangement.

10.15 BROKERAGE

You are not required to pay any brokerage or commission for Offer Shares under the Offer. See Section 12 *Statutory Information* of this Prospectus under the heading "Preliminary and issue expenses" for details of the brokerage payable by Metroglass to brokers.

10.16 DISCRETION REGARDING THE OFFER

Metroglass may withdraw the Offer, or any part of it, at any time before the allotment of Offer Shares to successful Applicants in the applicable part of the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest) within five Business Days of the Directors of Metroglass having made that decision. No interest will be paid on unsuccessful Applications.

Metroglass also reserves the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Offer Shares than applied or bid for.

If the Company amends the Closing Date, any such amendment will be announced through NZX.

10.17 SELLING RESTRICTIONS

This document does not constitute an offer of securities in any jurisdiction in which it would be unlawful. Shares may not be offered or sold in any country outside Australia or New Zealand except to the extent permitted below.

United States

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 (as amended) and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

China

The information in this document does not constitute a public offer of the Shares, whether by way of sale or subscription, in the People's Republic of China (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). The Shares may not be offered or sold directly or indirectly in the PRC to legal or natural persons other than directly to "qualified domestic institutional investors".

European Economic Area - Belgium, Denmark, Germany, Luxembourg and Netherlands

The information in this document has been prepared on the basis that all offers of Shares will be made pursuant to an exemption under the Directive 2003/71/EC (**Prospectus Directive**), as amended and implemented in Member States of the European Economic Area (each, a **Relevant Member State**), from the requirement to produce a prospectus for offers of securities.

An offer to the public of Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- to any legal entity that is authorised or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000; and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "MiFID"); or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID.

France

This document is not being distributed in the context of a public offering of financial securities (offre au public de titres financiers) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (Code monétaire et financier) and Articles 211-1 et seq. of the General Regulation of the French Autorité des marchés financiers (**AMF**). The Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

This document and any other offering material relating to the Shares have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed (directly or indirectly) to the public in France. Such offers, sales and distributions have been and shall only be made in France to qualified investors (investisseurs qualifiés) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2, D.411-1, L.533-16, L.533-20, D.533-11, D.533-13, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation.

Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that the Shares cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

Hong Kong

This document has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (the **Companies Ordinance**), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the **SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Ireland

The information in this document does not constitute a prospectus under any Irish laws or regulations and this document has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the **Prospectus Regulations**). The Shares have not been offered or sold, and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering, except to "qualified investors" as defined in Regulation 2(l) of the Prospectus Regulations.

Italy

The offering of the Shares in the Republic of Italy has not been authorized by the Italian Securities and Exchange Commission (*Commissione Nazionale per le Società e la Borsa*, **CONSOB**) pursuant to the Italian securities legislation and, accordingly, no offering material relating to the Shares may be distributed in Italy and the Shares may not be offered or sold in Italy in a public offer within the meaning of Article 1.1(t) of Legislative Decree No. 58 of 24 February 1998, as amended (**Decree No. 58**), other than:

- to qualified investors (**Qualified Investors**), as defined in Article 100 of Decree No. 58 by reference to Article 34-ter of CONSOB Regulation no. 11971 of 14 May 1999, as amended (**Regulation No. 11971**); and
- in other circumstances that are exempt from the rules on public offer pursuant to Article 100 of Decree No. 58 and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Shares or distribution of any offer document relating to the Shares in Italy (excluding placements where a Qualified Investor solicits an offer from the issuer) under the paragraphs above must be:

- made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993 (as amended), Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007 (as amended) and any other applicable laws; and
- in compliance with all relevant Italian securities, tax and exchange controls and any other applicable laws.

Any subsequent distribution of the Shares in Italy must be made in compliance with the public offer and prospectus requirement rules provided under Decree No. 58 and the Regulation No. 11971, unless an exception from those rules applies. Failure to comply with such rules may result in the sale of such Shares being declared null and void and in the liability of the entity transferring the Shares for any damages suffered by the investors.

Japan

The Shares have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the **FIEL**) pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires Shares may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of Shares is conditional upon the execution of an agreement to that effect.

Malaysia

No approval from the Securities Commission of Malaysia has been or will be obtained in relation to any offer of Shares. The Shares may not be offered or sold in Malaysia except pursuant to an exemption from the prospectus requirements under the Malaysian Capital Markets and Services Act.

Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in Norwegian Securities Regulation of 29 June 2007, no. 876, and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).

Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

United Arab Emirates

Neither this document nor the Shares have been approved, disapproved or passed on in any way by the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates, nor has the Company received authorisation or licensing from the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates to market or sell the Shares within the United Arab Emirates. No marketing of any financial products or services may be made from within the United Arab Emirates and no subscription to any financial products or services may be consummated within the United Arab Emirates.

This document does not constitute and may not be used for the purpose of an offer or invitation. No services relating to the Shares, including the receipt of applications and/or the allotment or redemption of Shares, may be rendered within the United Arab Emirates by the Company.

No offer or invitation to subscribe for Shares is valid in, or permitted from any person in, the Dubai International Financial Centre.

United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the Shares. This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of FSMA) in the United Kingdom, and the Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together **relevant persons**). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

General foreign selling restrictions

The offer of Shares under this Prospectus does not constitute a public offer in any jurisdiction outside New Zealand or Australia. This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to permit otherwise a public offering of the Shares in any jurisdiction outside New Zealand and Australia. The distribution of this Prospectus outside New Zealand and

Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

10.18 TAKEOVERS CODE

The Takeovers Code prohibits, amongst other things, any person (together with its "associates" (as defined in the Takeovers Code)) from becoming the holder or controller of 20% or more of the voting rights in Metroglass other than in compliance with the requirements of the Takeovers Code. Investors are advised to seek legal advice in relation to any act, omission or circumstance which may result in that investor breaching any provision of the Takeovers Code. Metroglass will not be a code company prior to the Offer but will be a code company after completion of the Offer.

Taxation summary

11.1 NEW ZEALAND TAXATION IMPLICATIONS

In this section, 'you' refers to the person who acquires the Shares.

Tax will affect your return from the Shares.

The following comments are of a general nature. They are based on the law at the date of this Prospectus and do not deal with your specific circumstances.

You should seek your own tax advice in relation to your Shares.

Are You Tax Resident in New Zealand?

Your tax residence status will affect how New Zealand taxes apply to your return on the Shares.

You will be a New Zealand tax resident if you are a natural person and you:

- have a permanent place of abode in New Zealand; and/or
- have been present in New Zealand for more than 183 days in a 12-month period.

If you have been present in New Zealand for more than 183 days in a 12-month period, but do not have a permanent place of abode in New Zealand, and are subsequently absent from New Zealand for more than 325 days in a 12-month period, you stop being a New Zealand resident from the first day of absence.

A company is tax resident in New Zealand if it is incorporated in New Zealand, if it has its head office or centre of management in New Zealand or if its directors exercise control of the company in New Zealand.

Generally, Shares held by a trust will be treated as held by a New Zealand tax resident if a New Zealand tax resident has contributed to the trust.

If you are a New Zealand tax resident and are also tax resident in another country, the following summary applying to New Zealand tax residents may not apply to you, and you should seek your own tax advice.

Metroglass will assume you are a New Zealand tax resident unless you notify Metroglass otherwise.

New Zealand Tax Implications for New Zealand Tax Resident Shareholders

The following is a summary of the New Zealand tax implications of investing in the Shares if you are tax resident in New Zealand.

Distributions you receive from Metroglass

Distributions you receive from Metroglass will generally be taxable dividends for New Zealand tax purposes. Some distributions you receive from Metroglass may not be taxable dividends (for example, non-taxable bonus issues and certain returns of capital).

New Zealand operates an imputation regime under which income tax paid by Metroglass gives rise to credits, known as imputation credits, which may be attached to dividends it pays. Imputation credits attached to dividends may be used by New Zealand tax-resident Shareholders as a credit against their tax liability in respect of the dividends. The maximum ratio at which Metroglass can attach imputation credits to dividends is 28:72 (that is, $28 of imputation credits to $72 of cash dividend).

Metroglass will generally be required to deduct resident withholding tax (**RWT**) from dividends it pays to you. Currently, the rate of RWT on dividends is 33%, less the amount of imputation credits attached to the dividend. Accordingly, where imputation credits are attached to dividends at the maximum permitted ratio (that is, the dividends are fully imputed) RWT equal to 5% of the gross dividend (that is, cash plus imputation credits) will be deducted. Where dividends are partially imputed, the amount of RWT deducted will be greater than 5% of the gross dividend. You will also be entitled to a credit against your income tax liability for the amount of RWT deducted. Metroglass will not deduct RWT from dividends you receive if you hold a current RWT exemption certificate and have provided a copy of that certificate to Metroglass before the dividend is paid to you.

Example of a Fully Imputed Taxable Dividend

The following is an illustrative example of a fully imputed cash dividend of $72 paid to a New Zealand tax-resident Shareholder that does not have a RWT exemption certificate:

	Cash dividend	$72	A fully imputed cash dividend of $72 will have $28 of imputation credits attached, giving a gross dividend of $100. The gross dividend is taxable income to the recipient.
Plus	Imputation credits attached	$28	
	Gross dividend	$100	
	RWT at 33%	$33	The RWT deducted by Metroglass will be 33% of the gross dividend less the amount of imputation credits attached.
Less	Imputation credits attached	($28)	
	RWT deducted	$5	
	Cash dividend	$72	After RWT is deducted, the recipient will receive a net cash dividend of $67. The recipient will be entitled to a credit against their personal income tax liability for the imputation credits attached to the dividend and the RWT deducted. Therefore, a recipient on a 33% marginal tax rate will not have any further tax to pay in respect of the dividend. A recipient on a marginal tax rate lower than 33% may be able to use excess tax credits to satisfy a tax liability on other income or obtain a refund of tax.
Less	RWT deducted	($5)	
	Net cash dividend received	$67	

Filing an income tax return

If you are not otherwise required to file an income tax return, receiving dividends from Metroglass will not change that generally. If you are on a tax rate of less than 33% you may be able to reduce your other tax liabilities, or receive a refund of some or all of the RWT deducted from dividends paid to you, by filing a tax return.

If you file a tax return, you must include in your taxable income not only the cash dividend you receive, but also the imputation credits attached to, and RWT deducted from, your Metroglass dividend. This total amount included in your taxable income is referred to as the gross dividend. You will be able to use attached imputation credits and a credit for RWT deducted to satisfy (or partially satisfy) your tax liability on the gross dividend. If the attached imputation credits and RWT deducted exceed the amount of tax on the gross dividend, your tax liability on other income you earn may be reduced as a result of receiving the Metroglass dividend.

Tax on sale or disposal of Shares

Although New Zealand does not have a general capital gains tax, there are instances where you will be subject to New Zealand tax on gains you make on the sale or disposal of your Shares or be allowed a deduction for any loss you make. You must consider your individual circumstances to determine whether any gain on the sale or disposal of your Shares will be taxable (or loss deductible).

Generally, you will be subject to tax on any gain (or allowed to deduct any loss) arising from the sale or disposal of your Shares if you:

- are in the business of dealing in shares;
- acquire your Shares as part of a profit-making undertaking or scheme; or
- acquire your Shares with the dominant purpose of selling them.

Your taxable gain (or tax-deductible loss) will be the difference between the cost of your Shares and the amount received for their sale or disposal. If you have a taxable gain, you will likely be required to include that gain in a tax return for the tax year in which the sale occurs. You will need to pay any tax owing in respect of that gain at your marginal tax rate.

New Zealand Tax Implications for Non-Resident Shareholders

The following is a summary of the New Zealand tax implications of investing in the Shares if you are not tax resident in New Zealand and hold less than 10% of the voting interests in Metroglass.

Distributions you receive on your Shares

Metroglass will deduct non-resident withholding tax (**NRWT**) from taxable dividends paid to you. Most distributions by Metroglass will be taxable dividends, but non-taxable bonus issues and certain returns of capital will not be taxable dividends. A 15% rate of NRWT will apply:

- to the extent the dividend is fully imputed; or
- if you are resident in a country with which New Zealand has a double taxation agreement that provides for such a rate,

otherwise a 30% rate of NRWT will apply.

If Metroglass pays a fully imputed dividend, then Metroglass may pay you an additional supplementary dividend which effectively offsets the NRWT on the dividend. If Metroglass pays a partially imputed dividend, the amount of supplementary dividend will be reduced on a pro rata basis so that it will effectively offset the NRWT on part of the dividend only.

Sale or disposal of Shares

Although New Zealand does not have a general capital gains tax, there are instances where you will be subject to New Zealand tax on gains you make on the sale or disposal of your Shares (or allowed a deduction for any loss you make). You must consider your individual circumstances to determine whether any gain on the sale or disposal of your Shares will be taxable (or loss deductible).

Generally, you will be subject to tax on any gain (or be allowed to deduct any loss) arising from the sale or disposal of your Shares where you:

- are in the business of dealing in shares;
- acquire your Shares as part of a profit-making undertaking or scheme; or
- acquire your Shares with the dominant purpose of selling them.

Your taxable gain (or tax-deductible loss) will be the difference between the cost of your Shares and the amount received for their sale or disposal.

If you are a resident of a country which has a double taxation agreement with New Zealand, subject to the particular provisions of the relevant double taxation agreement, any New Zealand tax liability on any income you derive from the sale of shares in New Zealand companies generally may be relieved under the terms of the relevant double taxation agreement unless you have a permanent establishment in New Zealand through which the shares are held.

If you derive a taxable gain on the sale or disposal of your Shares and the New Zealand tax liability is not relieved under a double taxation agreement you will be required to include that gain in a New Zealand tax return for the tax year in which the sale occurred and pay tax on the gain in New Zealand at your applicable rate.

No Stamp Duty or GST

New Zealand does not have stamp duty. New Zealand GST should not apply to your investment in the Shares.

Statutory information

The information in this section is included in accordance with the requirements of Schedule 1 to the Securities Regulations.

12.1 MAIN TERMS OF OFFER

The issuer of the Offer Shares for the purposes of the Securities Act is Metro Performance Glass Limited. Its registered office is set out in the Directory.

Offer Shares

The securities being offered under the Offer are ordinary shares in the Company, which will be fully paid on allotment. A summary of the Shares being offered is set out under the heading "About the Shares" in Section 10 *Details of the Offer* of this Prospectus.

The maximum number of Offer Shares being offered under the Offer is 143.7 million Shares.

In addition, in connection with the Acquisition:

- 34.3 million Consideration Shares will be issued to the Selling Shareholders in accordance with the terms of the Selling Shareholder Acquisition Agreement; and
- 7.1 million Consideration Shares will be issued to Senior Management in accordance with the terms of the Senior Management Acquisition Agreement.

The issue of the Consideration Shares does not form part of the Offer.

The Offer Price for the Offer Shares under the Offer is $1.70, payable in full upon Application.

12.2 NAME AND ADDRESS OF OFFEROR

Metroglass is the issuer of Shares under the Offer. There is no offeror as referred to in clause 2 of Schedule 1 to the Securities Regulations.

12.3 DETAILS OF INCORPORATION OF ISSUER

Metroglass was incorporated in New Zealand on 30 May 2014 under the Companies Act. Metroglass' registration number is 526 7882.

Metroglass was registered as a foreign company under the Corporations Act on 3 July 2014. Metroglass' Australian Registered Business Number (**ARBN**) is 600 486 646.

The public register relating to Metroglass is available for inspection on the Companies Office website at www.business.govt.nz/companies.

12.4 PRINCIPAL SUBSIDIARIES OF ISSUER

As at the date of this Prospectus, Metroglass does not have any subsidiaries.

After the Acquisition, the principal subsidiaries of Metroglass, each of which are directly or indirectly 100% owned by Metroglass, will be the Group Companies.

12.5 NAMES, ADDRESSES AND OTHER INFORMATION

Directors

The Directors of Metroglass, and their principal residences, at the date of this Prospectus are Sir John Goulter KNZM, JP (Chairman) (Auckland, New Zealand), Russell Chenu (Sydney, Australia), Bill Roest (Auckland, New Zealand), Neville Buch (Sydney, Australia) and Nigel Rigby (Auckland, New Zealand).

The Directors can be contacted through Metroglass at its registered office set out in the Directory.

Nigel Rigby is the only Director who is also an employee of Metroglass. He is also a director of each of the Group Companies. Nigel is Metroglass' Chief Executive Officer.

David Carr, Metroglass' Chief Financial Officer, is a director of Metroglass Finance Limited and Metropolitan Glass & Glazing Limited (each such Group Company being an associated person of Metroglass).

Promoter

Crescent Capital Partners Management Pty Limited (**Crescent**) is a promoter of the Offer. It's registered office is set out in the Directory.

The directors of Crescent who are not also a directors of Metroglass are also promoters of the Offer. The names and principal residences of those directors are Michael Alscher (Sydney, Australia), Tim Martin (Sydney, Australia), Nathanial Thomson (Sydney, Australia), Peter Lyon-Mercado (Sydney, Australia) and David Mortimer AO (Sydney, Australia).

The directors of Crescent can be contacted at its registered office as set out in the Directory.

No bankruptcy or insolvency

None of Metroglass, the directors of Metroglass or Crescent has been adjudged bankrupt or insolvent, convicted of a crime involving dishonesty, prohibited from acting as a director of a company, or placed in statutory management, voluntary administration, liquidation or receivership during the five year period preceding the date of this Prospectus. Neville Buch, a Director of Metroglass and a director of Crescent, and Michael Alscher, a director of Crescent, were nominee directors of Crescent to the board of directors of one of Crescent's investee companies, Rosella Food HoldCo Pty Limited. This company and other Rosella group companies voluntarily entered into external administration due to insolvencies during the time that Mr Buch and Mr Alscher were directors.

Auditor

The auditor of Metroglass is PricewaterhouseCoopers. The contact address of the auditor is set out in the Directory.

Share Registrar

Metroglass' share registrar is Link Market Services Limited. The contact address of the Share Registrar is set out in the Directory.

Advisers

The names and addresses of each of the financial advisers to Metroglass, the solicitors and other professional advisers who have been involved in the preparation of this Prospectus are set out in the Directory.

Experts

The Investigating Accountant's Report is set out in Section 9 *Financial Information* of this Prospectus.

PricewaterhouseCoopers, Chartered Accountants, has given and not withdrawn its consent, before the delivery of this Prospectus for registration under section 41 of the Securities Act, to the distribution of this Prospectus with the inclusion of the Investigating Accountants' Report in this Prospectus in the form and context in which it is included.

The registered address of PricewaterhouseCoopers is set out in the Directory.

Neither PricewaterhouseCoopers nor any director, officer or employee of it, is or is intended to be, a director, officer or employee of Metroglass. However, PricewaterhouseCoopers has provided, and may in the future provide, professional advisory services to the Group.

Underwriters

The Offer of the Offer Shares is underwritten by the Underwriters in accordance with the terms of the Underwriting Agreement. The contact addresses of the Underwriters are set out in the Directory.

12.6 RESTRICTIONS ON DIRECTORS' POWERS

The Constitution incorporates by reference the requirements of the NZX Listing Rules and the ASX Listing Rules and requires Metroglass to comply with the NZX Listing Rules and the ASX Listing Rules once it is listed on those exchanges. The Constitution has been adopted by Metroglass and will be effective subject to capital Listing occurring.

The principal restrictions on the powers of the Board imposed by the Constitution (including the requirements of the NZX Listing Rules and the ASX Listing Rules incorporated into the Constitution) are as follows:

- Metroglass may not issue or acquire any equity securities except in accordance with the provisions of the Companies Act, Constitution and the NZX Listing Rules and the ASX Listing Rules;
- Metroglass may not give financial assistance for the purpose of, or in connection with, the acquisition of equity securities issued or to be issued by Metroglass, except in accordance with the provisions of the Companies Act, Constitution, the NZX Listing Rules and the ASX Listing Rules;
- the Board may not cause Metroglass to enter into any transaction or series of linked or related transactions to acquire, sell, lease, exchange or otherwise dispose of (otherwise than by way of charge) assets of Metroglass which would change the essential nature of the business of Metroglass or in respect of which the gross value is in excess of 50% of the average market capitalisation of Metroglass, without the prior approval of an ordinary resolution of Shareholders in accordance with the Constitution, the NZX Listing Rules and the ASX Listing Rules; and
- the Board may not allow Metroglass to enter into certain material transactions if a related party of Metroglass is, or is likely to become, a direct or indirect party to the material transaction without the prior approval of an ordinary resolution of disinterested Shareholders in accordance with the Constitution, the NZX Listing Rules and the ASX Listing Rules.

In addition, a Director may not vote on any matter in which he or she is interested, unless permitted by the Companies Act and NZX Listing Rules, where he or she has complied with the relevant provisions and signed a certificate in respect of the matter.

The Companies Act contains a number of other provisions that could have the effect, in certain circumstances, of imposing restrictions on the powers of the Board.
For example, Directors cannot allow Metroglass to:

- enter into a major transaction (as that term is defined in the Companies Act) without the prior approval of a special resolution of Shareholders; and
- take any action which affects the rights attaching to the Shares without the prior approval of a special resolution of each interest group (being a group of Shareholders with similar or identical rights).

These provisions apply to any company registered under the Companies Act.

12.7 SUBSTANTIAL EQUITY SECURITY HOLDERS OF ISSUER

Metroglass

The sole shareholder of Metro Performance Glass Limited on the date of this Prospectus is Nathanial Thomson, who is the legal and beneficial owner of the one ordinary share that was issued on incorporation for nil consideration. That one share will be bought back for nil consideration on the allotment of the Offer Shares.

Nathanial Thomson does not guarantee, nor undertake, any liability in respect of, the Shares.

Metroglass Holdings

For the purposes of NZX Listing Rule 7.1.15, set out below are details of the persons who have relevant interests (as defined in the Securities Markets Act 1988) in 5% or more of Metroglass Holdings' ordinary shares or C class shares (being the classes of securities in Metroglass Holdings which have voting rights) as at the date of this Prospectus (based on the information provided to Metroglass by each relevant person).

Ordinary shares

Relevant interest holder	Number of ordinary shares	Percentage of ordinary shares	Nature of relevant interest	Consideration from the registered holder and other terms
Crescent Capital Partners Management Pty Limited Crescent Capital Partners Trust IIIA Crescent Capital Partners Trust IIIB Crescent Capital Partners III (Belgium) BVBA	40,000,000	40.00%	Crescent Capital Partners Management Pty Limited is the investment manager and advisor of the fund named "Crescent Capital Partners III", which comprises: • Crescent Capital Partners Trust IIIA, on behalf of which Crescent Capital Partners Management Pty Limited holds 15,332,670 ordinary shares and 3,833 B class shares as trustee*; • Crescent Capital Partners Trust IIIB, on behalf of which Crescent Capital Partners Management Pty Limited holds 15,332,670 ordinary shares and 3,833 B class shares as trustee*; and • Crescent Capital Partners III (Belgium) BVBA. In that capacity, Crescent Capital Partners Management Pty Limited has the power to exercise the votes, relating to, or dispose of, the shares held by trusts. Crescent Capital Partners III (Belgium) BVBA is the registered holder of 9,334,660 ordinary shares and 2,334 B class shares*.	Received under 2012 recapitalisation as new sponsor (described below)
Anchorage Advisors Management, L.L.C. Anchorage Capital Group, L.L.C. Anthony David Kevin Ulrich	21,540,134	21.54%	Anchorage Advisors Management, L.L.C. is the sole managing member of Anchorage Capital Group, L.L.C., the investment advisor to each of AIO Finance (Ireland) Limited (which is the registered holder of 15,701,796 ordinary shares), AIO Finance II (Ireland) Limited (which is the registered holder of 5,233,932 ordinary shares) and AIO Finance III (Ireland) Limited (which is the registered holder of 604,406 ordinary shares). In that capacity, Anchorage Advisors Management, L.L.C. has the power to exercise, or control the exercise of the votes relating to, or dispose of, the ordinary shares held by those entities. Mr. Davis is the President of Anchorage Capital Group, L.L.C. and a managing member of Anchorage Advisors Management, L.L.C. Mr. Ulrich is the Chief Executive Officer of Anchorage Capital Group, L.L.C. and the other managing member of Anchorage Advisors Management, L.L.C.	Received under 2012 recapitalisation as senior lender (described below)
J.P. Morgan Special Opportunities (Delaware) II LLC	12,446,535	12.45%	Registered holder	Received under 2012 recapitalisation as senior lender (described below)

Relevant interest holder	Number of ordinary shares	Percentage of ordinary shares	Nature of relevant interest	Consideration from the registered holder and other terms
Sankaty Credit Opportunities III, L.P. Sankaty Credit Opportunities Investors III, LLC Sankaty Credit Member, LLC	11,949,065	11.95%	Sankaty Credit Opportunities III, L.P. is the registered holder of 4,214,037 ordinary shares. Sankaty Credit Opportunities Investors III, LLC has a relevant interest in those shares by being the General Partner of Sankaty Credit Opportunities III, L.P. Sankaty Credit Member, LLC also has a relevant interest in those shares by being the Managing Member of Sankaty Credit Opportunities Investors III, LLC.	Received under 2012 recapitalisation as senior lender (described below)
Sankaty Credit Opportunities IV, L.P. Sankaty Credit Opportunities Investors IV, LLC Sankaty Credit Opportunities (Offshore Master) IV, L.P.			Sankaty Credit Opportunities IV, L.P. is the registered holder of 3,380,207 ordinary shares. Sankaty Credit Opportunities Investors IV, LLC has a relevant interest in those shares by being the General Partner of Sankaty Credit Opportunities IV, L.P. Sankaty Credit Member, LLC also has a relevant interest in those shares by being the Managing Member of Sankaty Credit Opportunities Investors IV, LLC	
Sankaty Credit Member II, LLC			Sankaty Credit Opportunities (Offshore Master) IV, L.P. is the registered holder of 4,354,821 ordinary shares. Sankaty Credit Opportunities Investors (Offshore) IV, L.P. has a relevant interest in those shares by being the General Partner of Sankaty Credit Opportunities (Offshore Master) IV, L.P. Sankaty Credit Member II, Ltd. also has a relevant interest in those shares by being the General Partner of Sankaty Credit Opportunities Investors (Offshore) IV, L.P.	
Portigon AG	11,947,794	11.95%	Registered holder.	Received under 2012 recapitalisation as senior lender (described below)

* B class shares do not have voting rights but are referred to for completeness. B class shares will convert to ordinary shares immediately prior to completion of the Offer.

C class shares

Relevant interest holder	Number of C class shares	Percentage of C class shares*	Nature of relevant interest	Consideration and other terms
Nigel James Rigby	4,000,000	72.72%	Registered holder and beneficial owner. Held pursuant to the Rules of the Metroglass Holdings Executive Long Term Incentive Plan.	$4,000,000 (loaned from Metroglass Holdings)
David Joseph Carr	1,000,000	18.18%	Registered holder and beneficial owner. Held pursuant to the Rules of the Metroglass Holdings Executive Long Term Incentive Plan.	$1,000,000 (loaned from Metroglass Holdings)
Geoff Rasmussen	500,000	9.09%	Registered holder and beneficial owner. Held pursuant to the Rules of the Metroglass Holdings Executive Long Term Incentive Plan.	$500,000 (loaned from Metroglass Holdings)

* C class shares automatically become ordinary shares, on a one-for-one basis, upon acquisition by Metroglass at completion of the Offer.

None of the persons named above guarantees, or undertakes any liability in respect of, the Shares.

2012 recapitalisation

Background

In 2006, the Metroglass business was acquired by private equity investors in a transaction, funded with a material amount of debt, through a holding company NZ Glass Holdings Limited (**NZ Glass** and, together with its subsidiaries at the time, the **NZ Glass Group**). Following a period of suppressed economic and industry conditions as result of the global financial crisis, compounded by high debt, the financial performance of the Metroglass business had deteriorated to a point that the NZ Glass Group was in breach of certain financial and other covenants in its facility agreements with its lenders. NZ Glass' audited financial statements for the period to 31 March 2011 show that, as at that date, the NZ Glass Group had total assets of approximately $191.0 million and total liabilities of $317.8 million, giving it negative total equity of $126.4 million.

The breach of covenants by the NZ Glass Group led to the recapitalisation of the Metroglass business pursuant to which the Selling Shareholders (being the then senior lenders to the business and investment entities associated with Crescent Capital Partners Management Pty Limited) took ownership and control of the operating subsidiaries of the Metroglass Group through a new holding company Metroglass Holdings. The debt position of NZ Glass was not assumed by Metroglass Holdings or any of its subsidiaries. As set out in Appendix 1: Metroglass Group Summary Historical Financial Statements of the Prospectus, as at 31 March 2012, the Metroglass Group had total assets of $194.0 million and total liabilities of $94.5 million, giving it total equity of $99.5 million.

As is set out in Section 9.4 *Prospective Financial Information*, on its first balance date after the Listing Date (31 March 2015), Metroglass is forecast to have total assets of $225.6 million and total liabilities of $75.7 million (including $55.0 million of bank debt), giving it total equity of $150.0 million.

Recapitalisation transaction

The Selling Shareholders were issued shares in Metroglass Holdings in connection with a debt and equity restructuring transaction that completed on 31 January 2012. The Selling Shareholders were party to the 2012 recapitalisation as either:

- **Senior Lenders:** being the Selling Shareholders other than Crescent Capital Partners Management Pty Limited (as trustee) and Crescent Capital Partners III (Belgium) BVBA; or
- **New Sponsors:** being Crescent Capital Partners Management Pty Limited (as trustee) and Crescent Capital Partners III (Belgium) BVBA.

The transaction was effected by the Senior Lenders instructing the security trustee to enforce its security interest over the shares in Metropolitan Glass & Glazing Limited and exercise the powers afforded to it under the relevant security documents to sell those shares to Metroglass Finance Limited in consideration for $75,000,000 of senior notes and 60,000,000 new shares in Metroglass Holdings. The security trustee distributed the senior notes and shares in Metroglass Holdings to the Senior Lenders in part satisfaction of the amounts owing to them by the NZ Glass Group. Each Senior Lender received senior notes and shares in proportion to the amount owed to them by the NZ Glass Group. The New Sponsors subscribed for 40,000,000 new shares in Metroglass Holdings for $40,000,000.

At settlement of the Offer the senior notes held by the Senior Lenders will be repaid using funds drawn under the New Bank Facilities. See Section 10.2 *Sources and uses of funds* and see Note 11, Financing, in Section 9.4 *Prospective Financial Information*.

12.8 DESCRIPTION OF ACTIVITIES OF ISSUING GROUP

Metroglass was incorporated on 30 May 2014 to undertake the Offer and, as at the date of this Prospectus, has not carried on any business other than in preparation for the Offer. Following completion of the Transaction, Metroglass will act as the holding company of the Group.

Metroglass has entered into the Acquisition Agreements with the Selling Shareholders and the Senior Management to acquire all of the shares in Metroglass Holdings upon completion of the Transaction.

Metroglass has also entered into the New Banking Facilities For more information on the New Banking Facilities, refer to Note 11 *Financing* in Section 9.4 *Prospective Financial Information.*

Each of the Acquisition Agreements and the Underwriting Agreement are described in more detail under the heading "Material Contracts" in this Section 12 *Statutory Information* of this Prospectus.

Further information in respect of the business activities of the Group is contained in Section 6 *Business Description* of this Prospectus.

Principal Assets

The only assets of Metroglass at the date of this Prospectus are its contingent conditional contractual rights to acquire all of the shares in Metroglass Holdings as set out in the Acquisition Agreement. These assets, which are subject to the terms set out in the Acquisition Agreements, are owned by Metroglass and are not subject to any obligations in favour of another person (who is not a party to the Acquisition Agreements) that modify or restrict Metroglass' ability to deal with it.

12.9 SUMMARY FINANCIAL STATEMENTS

Metroglass was incorporated on 30 May 2014 and, as at the date of this Prospectus, has not carried on any business other than in preparation for the Offer. Accordingly, no financial statements have been prepared in respect of past periods.

12.10 PROSPECTS AND FORECASTS

A statement as to the trading prospects of Metroglass, together with any material information that may be relevant to those prospects, is set out in Section 9 *Financial Information* of this Prospectus. Supporting information material to these prospects and forecasts is set out in the general assumptions and specific assumptions in that section.

Any special trade factors and risks which could materially affect the prospects of Metroglass and which are not likely to be known or anticipated by the general public are set out in Section 8 *What are my risks?* of this Prospectus.

It is not the purpose of the Offer to provide finance for any particular capital project.

12.11 PROVISIONS RELATING TO INITIAL FLOTATIONS AND MINIMUM SUBSCRIPTIONS

Plans of Directors

The plans of the Directors in respect of Metroglass during the 12 month period commencing on the date of this Prospectus are to:

- carry out the Offer; and
- acquire Metroglass Holdings under the terms of the Acquisition Agreements and thereafter to carry on the business operated by Metroglass Holdings, as described in Section 6 *Business Description* of this Prospectus and, to the extent applicable, Section 9.4 *Prospective Financial Information*.

The sources of funds required for these plans will be, in relation to the Offer and the Acquisition, the funds received from the issue of the Offer Shares pursuant to the Offer. The funds for general business operations will be the operating cash flows, working capital and, if required, any borrowings or other financial accommodation considered prudent and appropriate by Metroglass during that year, including under the New Banking Facilities. Further information on the sources and uses of funds is set out under the heading, and, to the extent applicable, Section 9.4 *Prospective Financial Information* "Sources and uses of funds" in Section 10 *Details of the Offer* of this Prospectus.

The use of proceeds of the Offer are described under the heading "Use of Proceeds" in Section 10 *Details of the Offer* of this Prospectus. Notwithstanding the plans of the Directors, and subject to Metroglass' obligations under the Acquisition Agreements, the proceeds from the Offer may be applied towards any other purpose.

Prospective statement of financial position, financial performance and cash flows

A prospective statement of financial position, a prospective statement of comprehensive income, a prospective statement of changes in equity, and a prospective statement of cash flows of the issuing group for the accounting period ending 31 March 2015 and the interim accounting period ending 30 September 2015 are set out in Section 9.4 *Prospective Financial Information* of this Prospectus.

Minimum amount

For the purposes of section 37(2) of the Securities Act, the minimum amount that, in the opinion of the Directors, must be raised in order to provide the sums required to be provided in respect of:

a) the purchase price of any property that is to be met in whole or in part out of the proceeds of the Offer;
b) any preliminary expenses or commissions payable by Metroglass;
c) working capital; and
d) the repayment of any money borrowed in respect of the above,

is $244.2 million, which is the amount that is being underwritten under the Underwriting Agreement.

12.12 ACQUISITION OF BUSINESS OR SUBSIDIARY

Metro Performance Glass Limited was incorporated on 30 May 2014. It has not acquired a business or subsidiary between the date of its incorporation and the date of this Prospectus.

Metroglass has entered into the Acquisition Agreements which relate to the acquisition of all of the issued shares of Metroglass Holdings. Under the Acquisition Agreements, subject to the satisfaction of certain conditions, Metroglass will complete the acquisition of the shares in Metroglass Holdings from the Selling Shareholders and Senior Management upon Allotment of the Offer Shares under the Offer. The consideration of $307.5 million will be payable by Metroglass as follows:

- $291.5 million to Selling Shareholders, payable partly in cash from the proceeds of the Offer and partly by the issue of 34.3 million Consideration Shares at the Offer Price; and
- $16.0 million to Senior Management, payable partly in cash from the proceeds of the Offer and partly by the issue of 7.1 million Consideration Shares at the Offer Price.

Accordingly, the Selling Shareholders will hold approximately 18.5%, and Senior Management will hold approximately 3.8%, of the total number of Shares on issue on completion of the Transaction.

Further information about the Acquisition Agreements is provided under the heading "Material Contracts" in this Section 12 *Statutory Information* of this Prospectus.

Metroglass Holdings was incorporated on 8 November 2011. Since 31 January 2012, Metroglass Holdings has carried on business in New Zealand as the holding company of the Metroglass Group, which carried on the business of a value added processor of glass. Further details in relation to the business carried on by the Metroglass Group are included in Section 6 *Business Description* of this Prospectus.

As required by clause 12(3)(d) of Schedule 1 to the Securities Regulations, summary financial statements for Metroglass Holdings in respect of the three accounting periods preceding the date of this Prospectus that comply with clause 9(2) to (4) of Schedule 1 (with any necessary modifications) are included in this Prospectus in *Appendix 1 Metroglass Group Summary Historical Financial Statements.*

Pursuant to clause 12(3)(f) of Schedule 1 to the Securities Regulations, the net tangible asset backing per Offer Share as at 31 March 2014 is $(0.047). This per Offer Share amount has been calculated in accordance with the assumption that Metroglass Holdings had been acquired by the Company, and all the Offer Shares had been allotted and subscriptions received, before 31 March 2014. Should this calculation be done at 31 March 2015 the net tangible asset backing per Offer Share is forecast to be $0.133.

The most recent financial statements for Metroglass Holdings that comply with, and that will be registered under, the Financial Reporting Act for the accounting period ended 31 March 2014 were filed with the Registrar of Companies on 4 July 2014 and are included in Appendix 2 to this Prospectus.

12.13 SECURITIES PAID UP OTHERWISE THAN IN CASH

Other than the one share issued to Nathanial Thomson on incorporation of Metroglass (see Section 12.7 *Substantial equity security holders of issuer*), Metroglass has not allotted to any person any securities paid up otherwise than in cash within the five years preceding the date of this Prospectus.

As described under the heading "Acquisition of Business or Subsidiary" above, the Selling Shareholders and Senior Management will be issued Shares in partial payment for the acquisition of Metroglass Holdings under the Acquisition.

12.14 OPTIONS TO SUBSCRIBE FOR SECURITIES OF THE ISSUING GROUP

Not applicable.

12.15 APPOINTMENT AND REMOVAL OF DIRECTORS

On the Listing Date, Metroglass will be a party to listing agreements with NZX (a registered exchange) and the ASX (also a registered exchange), and except as set out below, the method by which Directors of Metroglass may be appointed to, or be removed from, or otherwise vacate, office is the same as that set out in the NZX Listing Rules and the ASX Listing Rules. No person (other than the Shareholders of Metroglass in a general meeting or the Directors acting as a Board to fill a casual vacancy) has the right to appoint any Director.

Each Director has the power to appoint any person as an alternate Director, provided that person has not been disqualified under the Companies Act from holding the position of a director of a company, and provided that person is approved by a majority of the other Directors.

12.16 INTERESTED PERSONS

For the purposes of the information set out under this heading, "specified person" means:

a) a Director or proposed director of Metroglass or an associated person of them; and

b) a Promoter and an associated person of it.

Under the Constitution, every Director shall be indemnified by Metroglass for any costs referred to in section 162(3) of the Companies Act and any liability or costs referred to in section 162(4) of the Companies Act, with the amounts and terms and conditions to be determined by the Board in accordance with those sections without other limitations. In addition, under the Constitution, Metroglass may indemnify and insure a Director to the maximum extent permitted by the Companies Act and Constitution, with the amounts and terms and conditions of such indemnities and insurance to be determined by the Board.

Subject to the Companies Act, the Constitution and the NZX Listing Rules, the Board may, without limit, authorise special remuneration to any Director who is or has been engaged by Metroglass to carry out any work or perform any services which is not in the capacity of a director of Metroglass or a subsidiary and in such amounts as the Board may determine.

Each Director is entitled, without limit, to be paid by Metroglass for all reasonable travelling, accommodation and other expenses incurred by the Director in connection with the Director's attendance at meetings or otherwise in connection with Metroglass' business. In addition, Directors are entitled to recover a daily expenses fee at rates of $200 to $300 per hour (based on a 10 hour day) from Metroglass in connection with the preparation for the Listing.

A fee of A$500,000 (exclusive of GST) will be payable by Metropolitan Glass & Glazing Limited, a Group Company, to Crescent Capital Management Partners Pty Limited, a promoter of the Offer, upon the Listing occurring in accordance with the terms of an Advisory Services Agreement dated 31 January 2012.

In connection with the Listing, Metroglass has effected insurance cover in respect of any potential liability as a result of certain claims or proceedings brought or threatened against a Director or other parties in respect of the Offer.

The following additional disclosure is made in respect of the following specified persons:

a) Nigel Rigby is a Director of Metroglass and each of the Group Companies. He is employed by Metroglass as the Chief Executive Officer and receives remuneration for services performed in that role. The remuneration he receives from Metroglass for these services is limited to such amount as may be agreed by Metroglass. Nigel is also a party to the Senior Management Acquisition Agreement and that agreement is material to him and to Metroglass. From Allotment Date, Nigel will hold 5.1 million Shares, two thirds of which will be subject to Metroglass' Senior Management Shareholder Plan as described in Section 7.7 *Executive Remuneration.*
b) Nathanial Thomson is the sole Shareholder of Metroglass (holding one Share). Except as described below, Nathanial is not entitled to any remuneration or expenses for services performed in respect of Metroglass or any Group Company. Except as described below, Nathanial Thomson will cease to be a Shareholder upon completion of the Offer.
c) Each of Nathanial Thomson and Neville Buch, who are directors of Crescent Capital Partners Management Pty Ltd (**Crescent**), are directors of Metroglass Holdings and receive directors' fees in that capacity.
d) Nathanial Thomson, Neville Buch, Michael Alscher, Tim Martin, Peter Lyon-Mercado and David Mortimer AO are all directors of Crescent. Neville Buch is a Director of Metroglass and Metroglass Holdings. Nathanial Thomson was a Director of Metroglass upon its incorporation on 30 May 2014. However, he ceased to be a director upon the Directors being appointed on 5 July 2014. No such person is entitled to any remuneration or expenses (other than Directors' fees in the case of Neville Buch) for services performed in respect of Metroglass or any Group Company.
e) Crescent, a promoter of the Offer, is one of the Selling Shareholders (as trustee for each of Crescent Capital Partners Trust IIIA and Crescent Capital Partners Trust IIIB) under the Selling Shareholder Acquisition Agreement. Accordingly, Crescent is a shareholder of Metroglass Holdings as at the date of this Prospectus and will be a Shareholder of Metroglass upon completion of the Transaction. See the table in Section 10.3 *Shareholding structure – before and after the Offer* under the heading "Indicative ownership structure". The Selling Shareholder Acquisition Agreement is material to Crescent and to Metroglass.
f) Each of Crescent Capital Partners Trust IIIA, Crescent Capital Partners Trust IIIB and Crescent Capital Partners III (Belgium) BVBA are associated persons of Crescent and are also Selling Shareholders under the Selling Shareholder Acquisition Agreement. Such entities are shareholders of Metroglass Holdings as at the date of this Prospectus and will be Shareholders of Metroglass upon completion of the Transaction. These entities hold a combination of ordinary shares and "B shares" in Metroglass Holdings. The "B shares" will convert into ordinary shares prior to the allotment of Shares pursuant to the Offer. The conversion formula is set out in an agreement between the Selling Shareholders. Crescent Capital Partners III (Belgium) BVBA holds, and will hold, such shares in Metroglass Holdings and then Metroglass directly, and Crescent holds, and will hold, such shares in Metroglass Holdings and then Metroglass as trustee for each of Crescent Capital Partners Trust IIIA and Crescent Capital Partners Trust IIIB. See the table in Section 10.3 *Shareholding structure – before and after the Offer* under the heading "Indicative ownership structure". The Selling Shareholder Acquisition Agreement is material to each of Crescent Capital Partners Trust IIIA, Crescent Capital Partners Trust IIIB and Crescent Capital Partners III (Belgium) BVBA and to Metroglass. None of Crescent Capital Partners Trust IIIA, Crescent Capital Partners Trust IIIB or Crescent Capital Partners III (Belgium) BVBA is entitled to any remuneration or expenses for services performed in respect of Metroglass or any Group Company.

None of the persons named above guarantees, or undertakes any liability in respect of, the Offer Shares.

Except as set out above, no specified person has, or has had at any time during the five years preceding the date of this Prospectus, any direct or indirect material interest in Metroglass, or in any contract or arrangement entered into on behalf or in respect of Metroglass, that is material to either or both of the person(s) who has the interest and Metroglass.

12.17 MATERIAL CONTRACTS

Metroglass has entered into the following material contracts in the previous two years (not being contracts entered into in the ordinary course of business):

Acquisition Agreements

Metroglass has entered into the Selling Shareholder Acquisition Agreement with the Selling Shareholders dated 26 June 2014 and has entered into the Senior Management Acquisition Agreement with the Senior Management dated 3 July 2014. Under the terms of the Acquisition Agreements, the Selling Shareholders and Senior Management agreed to sell 100% of the issued shares in Metroglass Holdings to Metroglass. The Acquisition and the Offer are inter-conditional. On settlement of the Offer, Metroglass will acquire Metroglass Holdings from the Selling Shareholders and Senior Management for $307.5 million, with consideration to be paid to the Selling Shareholders and Senior Management on the Allotment Date. The consideration will be payable by Metroglass as follows:

- $291.5 million to Selling Shareholders, payable partly in cash from the proceeds of the Offer and partly by the issue of 34.3 million Consideration Shares; and
- $16.0 million to Senior Management, payable partly in cash from the proceeds of the Offer and partly by the issue of 7.1 million Consideration Shares.

Completion of the Acquisition Agreements is conditional upon satisfaction of certain conditions, including Metroglass being able to issue the Offer Shares under the Offer.

The Consideration Shares received by the Selling Shareholders and Senior Management will be subject to the escrow restrictions described in Section 10.14 *Escrow arrangements*.

Underwriting Agreement

Metroglass, Metroglass Holdings and the Underwriters have entered into the Underwriting Agreement in connection with the Offer. Pursuant to the terms of the Underwriting Agreement:

- Metroglass has agreed, subject to certain conditions, to allot and issue the Offer Shares;
- the Underwriters have agreed, subject to certain conditions (including receipt of various regulatory rulings/approvals, registration of this Prospectus, and the receipt by the Underwriters of various due diligence reports, opinions and sign-offs), to underwrite the Offer in full on a several basis according to agreed proportions;
- Metroglass has given certain customary contractual protections to the Underwriters in connection with the Underwriting Agreement, including warranties and indemnities. Each Underwriter has also provided a limited number of representations and warranties to Metroglass and Metroglass Holdings;
- Metroglass undertakes not to make any allotments of Shares or other equity securities for a period of 180 days following completion of the Offer, other than pursuant to the Offer, certain limited exceptions or with the Underwriters' consent;
- The Underwriters may terminate the Underwriting Agreement and their underwriting obligations in certain circumstances, including where on or before allotment of the Offer Shares:
  - the Offer is withdrawn by Metroglass;
  - any information or statement in this Prospectus or the Investment Statement is or becomes untrue, inaccurate, misleading or deceptive or likely to mislead or deceive in a material respect or a material matter is omitted;
  - NZX or ASX listing approval is withdrawn;
  - the NZX 50 index declines by a specified percentage over a prescribed time period;
  - a material adverse change in the Group Companies occurs;
  - particular disruptions occur in certain major financial markets*;
  - a representation or warranty provided by Metroglass or Metroglass Holdings contained in the Underwriting Agreement is not true or correct*;
  - any breach of any obligations occurs under the Underwriting Agreement by Metroglass or Metroglass Holdings*.

Where certain termination circumstances, including those above marked with an asterisk, occur the Underwriters cannot terminate the Underwriting Agreement unless, in the reasonable opinion of the Underwriters:

- that event is likely to materially adverse effect on the likely price that the Offer Shares will trade once quoted on the NZX Main Board;
- the ability of Institutional Investors to comply with their settlement obligations;
- the outcome or settlement of the Offer;
- the ability of the Underwriters to market or settle the Offer;
- the event is likely to:
  - have a materially adverse impact on the Underwriters' ability to perform their settlement and underwriting obligations or ability to enforce contracts to purchase the Offer Shares; or
  - give rise to a liability for an Underwriter or a contravention of applicable law by an Underwriter.

The Underwriters will be paid the fees and expenses detailed under the heading "Preliminary and issue expenses" in this Section 12 *Statutory Information* of this Prospectus.

Indemnity

Metroglass has entered into a deed of indemnity and insurance by deed poll (**Indemnity**). Under the Indemnity, Metroglass must indemnify its past, present and future directors (and those of subsidiaries of Metroglass) and certain employees (and those of subsidiaries of Metroglass) (each an **Indemnified Person**), against:

- the Indemnified Person's costs incurred in any proceeding that relates to liability as a director or employee of Metroglass (or a subsidiary of Metroglass), but only if judgment is given in the Indemnified Person's favour, or in which the Indemnified Person is acquitted, or if the proceeding is discontinued; and
- liability (other than criminal liability or liability arising out of wilful default or fraud, or liability in respect of a breach, in the case of a director, of the duty specified in section 131 of the Companies Act or, in the case of an employee, of any fiduciary duty owed to Metroglass (or a subsidiary of Metroglass) to any third party for acts or omissions as a Director or employee of Metroglass (or a subsidiary of Metroglass), and against the Indemnified Person's costs in defending or settling any related claim.

Under the Indemnity, Metroglass must also effect insurance cover with a reputable insurer for the Indemnified Persons, in respect of:

- any liability, not being criminal liability, for any act done or omission made by that Indemnified Person in that capacity;
- costs incurred in defending or settling any claim or proceeding referred to above; and
- costs incurred in defending criminal proceedings in which the Indemnified Person is acquitted.

The insurance must cover Indemnified Persons for seven years from the date that they have resigned or ceased to hold office at Metroglass or a subsidiary and be on terms no less favourable in any material respect than the insurance policy in place at the date they ceased to hold office at Metroglass or a subsidiary. If the Indemnified Person has an insurance policy that expressly covers his or her liability as a director or employee of Metroglass (or a subsidiary of Metroglass), the Indemnified Person must make a claim under that policy for any liability that the Indemnified Person may be able to claim under the Indemnity.

The Indemnity excludes certain claims, such as claims resulting from liability for which an indemnity is prohibited by law. Metroglass must also not effect insurance for liability and costs not permitted by the Companies Act and Securities Act.

12.18 PENDING PROCEEDINGS

There are no legal proceedings or arbitrations pending as at the date of registration of this Prospectus that may have a material adverse effect on Metroglass.

12.19 PRELIMINARY AND ISSUE EXPENSES

Preliminary and issue expenses (including regulatory fees, brokerage, commissions, management fees, share registry expenses, legal fees, investment advisory fees, accounting fees, advertising costs, printing costs and postage and courier costs relating to this Offer) are estimated to amount to an aggregate of $10.9 million.

Brokerage

NZX Firms and Brokers will be paid a brokerage fee of 1.5% of the gross proceeds in respect of Offer Shares allotted pursuant to valid Applications for a Firm Allocation in the Broker Firm Offer. This brokerage fee will be payable by the Joint Lead Managers out of proceeds of the brokerage fees detailed below. No brokerage will be payable on Applications received under the Broker Firm Offer that do not bear an NZX Firm or Broker stamp.

Underwriters and Joint Lead Managers

Under the terms of the Underwriting Agreement, Metroglass has agreed to pay the Joint Lead Managers and Underwriters the following commissions:

- a joint lead management fee of 1.25% of the gross proceeds of all Offer Shares issued under the Offer;
- an incentive fee of 0.50% of the gross proceeds of all Offer Shares issued under the Offer, which is payable at the sole discretion of Metroglass or its delegate;
- the following brokerage fees:
  - an international institutional brokerage fee of 1.50% of the gross proceeds of all Offer Shares issued under the Offer that are allocated to institutional investors outside of New Zealand, split equally between Macquarie Securities (NZ) Limited, and UBS New Zealand Limited;
  - an international retail brokerage fee of 1.50% of the gross proceeds of all Offer Shares issued under the Offer that are allocated to retail investors in Australia, split between the Joint Lead Managers in accordance with their respective allocations;
  - a domestic retail brokerage fee of 1.50% of the gross proceeds of all Offer Shares issued under the Offer that are allocated to retail investors in New Zealand, split between the Joint Lead Managers in proportion to the numbers of such Offer Shares allocated by each of the Joint Lead Managers; and
  - a domestic institutional brokerage fee of 1.50% of the gross proceeds of all Offer Shares issued under the Offer that are allocated to institutional investors in New Zealand, split equally between all of the Joint Lead Managers.

12.20 RESTRICTIONS ON ISSUING GROUP

Under the New Banking Facilities, each of Metroglass and its subsidiaries have agreed to a number of covenants which restrict its ability to take certain actions, including, but not limited to, the following:

- **Distributions:** Distributions are restricted while an event of default, potential event of default or event of review (as defined in the New Banking Facilities) is continuing or will occur as a result of the making of the distribution;
- **Negative pledge:** Security interests can only be granted in favour of ANZ subject to certain agreed exceptions;
- **Disposals:** Disposals are restricted subject to certain agreed exceptions;
- **Loans:** Loans and financial accommodation (including the giving of guarantees) are restricted subject to certain agreed exceptions;
- **Indebtedness:** Financial indebtedness is restricted subject to certain agreed exceptions;
- **Transactions with Related Persons:** Transactions with related persons are restricted subject to certain agreed exceptions;
- **Change of Business:** Changing the nature or scope of business in any material way is prohibited;
- **Shares:** Metroglass may acquire its own shares provided no event of default, potential event of default or event review (as defined in the New Banking Facilities) has occurred under the New Banking Facilities or would occur as a result of the acquisition of Shares; and
- **Amalgamation:** Amalgamations, consolidations, mergers, demergers, reconstructions or the like are restricted subject to certain agreed exceptions.

For further discussion of the terms of the New Banking Facilities see Note 11, Financing, in Section 9.4 *Prospective Financial Information*.

12.21 OTHER TERMS OF OFFER AND SECURITIES

All of the terms of the Offer and all of the terms of the Shares are set out in this Prospectus and the Investment Statement, other than any terms implied by law or any terms set out in a document that has been registered with a public official, and is available for public inspection and is referred to in this Prospectus.

12.22 FINANCIAL STATEMENTS

As at the date of this Prospectus, Metroglass has not commenced business and acquired an asset or incurred a debt. Accordingly, no financial statements of Metroglass have been prepared.

12.23 ADDITIONAL INTERIM FINANCIAL STATEMENTS

Not applicable.

12.24 PLACES OF INSPECTION OF DOCUMENTS

The Constitution and copies of the material contracts referred to above under the heading *"Material Contracts"* may be inspected (without charge) until the Closing Date during normal business hours at the registered office of Metroglass as set out in the Directory.

Copies of those documents are also available for public inspection on the Companies Office website at www.business.govt.nz/companies.

12.25 OTHER MATERIAL MATTERS

There are no material matters relating to the Offer, other than those set out in this Prospectus (including below), the financial statements or in contracts entered into in the ordinary course of business of a member of the Group.

Securities Act exemption

By virtue of the Securities Act (Metro Performance Glass Limited) Exemption Notice 2014, Metroglass has been exempted from regulations 19(1) and 21(1) of the Securities Regulations, which relate to the content of the Investment Statement.

Australian Stock Exchange waivers

Metroglass has applied for waivers and confirmations from the ASX that are standard for a New Zealand company listed on the ASX (including confirmation that Metroglass may prepare and publish its financial information in accordance with New Zealand financial standards).

Australian Securities and Investments Commission Relief

ASIC has granted a declaration that the Offer is a recognised offer within the meaning of subsection 1200B(1) of the Corporations Act, notwithstanding that Metroglass may not give the notice and lodge the documents referred to in section 1200C(5) of the Corporations Act 14 days before the Offer is made in Australia, and to allow Metroglass to satisfy the requirements of section 1200C(5) of the Corporations Act seven days before the Offer is first made in Australia to align with the requirements in New Zealand.

12.26 DIRECTORS' STATEMENT

The Directors of Metroglass, after due inquiry by them, are of the opinion that none of the following has materially and adversely changed during the period between incorporation and the date of registration of this Prospectus:

- the trading or profitability of the issuing group;
- the value of the issuing group's assets; or
- the ability of the issuing group to pay its liabilities due within the next 12 months.

The Directors consider that Metroglass has sufficient working capital to carry on its stated objectives.

12.27 AUDITOR'S REPORT

The Auditor's report required by clause 28 of Schedule 1 to the Securities Regulations is set out in Section 9.5 *Statutory Auditor's report* of this Prospectus.

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Signatures required by the Securities Act

The copy of this Prospectus delivered to the Registrar of Financial Service Providers for registration in accordance with section 42 of the Securities Act has been signed by the Directors of both Metroglass and each promoter (or their agent authorised in writing).

Signed by each Director of Metro Performance Glass Limited

Sir John Goulter KNZM, JP (Chairman)

Neville Buch

Russell Langtry Chenu

Nigel James Rigby

Willem Jan Roest

Signed by each director of Crescent Capital Partners Management Pty Limited who are not also directors of Metro Performance Glass Limited

Michael Thomas Alscher

Peter Lyon-Mercado

Tim Martin

David Mortimer AO

Nathanial Jonothan Thomson

Signed on behalf of Crescent Capital Partners Management Pty Limited

Nathanial Jonothan Thomson

Glossary

Acquisition
The acquisition of 100% of the shares in Metroglass Holdings by Metroglass under the Acquisition Agreements

Acquisition Agreements
The Selling Shareholder Acquisition Agreement and the Senior Management Acquisition Agreement

Allotment Date
29 July 2014, unless brought forward or extended by Metroglass

Applicant
An investor who makes an application for Offer Shares under the Offer

Application
An application to subscribe for Offer Shares offered under the Offer

Application Form
A Broker Firm Application Form or an Employee Offer Application Form

Application Monies
The amount payable on Application

ASIC
Australian Securities and Investments Commission

ASX
ASX Limited, or the financial market operated by ASX Limited, as the context requires, also known as the Australian Securities Exchange

ASX Listing Rules
The official listing rules of the ASX

Auckland Housing Accord
An agreement between the Auckland City Council and the New Zealand Government which is intended to result in increased housing supply and improved housing affordability in Auckland in the interim period until the Proposed Auckland Unitary Plan becomes operative

Auditor
PricewaterhouseCoopers

Board or **Board of Directors**
The board of Directors of Metroglass

BRANZ
Building Research Association of New Zealand

Broker
Any company, firm, organisation or corporation designated as a market participant by ASX

Broker Firm Application Form
An application form to subscribe for Offer Shares under the Broker Firm Offer included in or accompanying the Investment Statement

Broker Firm Offer
The offer of Offer Shares under this Prospectus to New Zealand resident Retail Investors to apply for an allocation of Offer Shares from an NZX Firm that has received a Firm Allocation and to Australian resident Retail Investors to apply for an allocation of Offer Shares from a Broker that has received a Firm Allocation

Business Day
A day on which the NZX Main Board is open for trading

CAGR
The compound annual growth rate or CAGR is the rate at which something (for example, revenue) grows over a period of years, taking into account the effect of annual compounding

Closing Date
28 July 2014

Company
Metro Performance Glass Limited

Consideration Shares
The 41.4 million Shares to be issued to the Selling Shareholders and Senior Management in connection with the Acquisition

Constitution
The constitution of the Company

CSN
Common Shareholder Number

Directors
The directors of the Company

Directory
The directory set out on the final page of this Prospectus

DPS
Dividend per share

EBITDA
Earnings before interest, tax, depreciation and amortisation

Eligible Employees
A person who Metroglass determines is a full or part time employee of one of the Group Companies at the Opening Date and who is a resident of New Zealand and who has not given or received notice of termination of employment on or before 5.00 p.m. on the Closing Date

Employee Offer
The offer of Offer Shares under this Prospectus to Eligible Employees and Directors (or their nominees)

Employee Offer Application Form
An application form to subscribe for Offer Shares under the Employee Offer

EPS
Earnings per share

Firm Allocation
Offer Shares reserved for subscription by clients of the Joint Lead Manager, NZX Firms, Brokers and Institutional Investors as determined by Metroglass

GAAP
Generally Accepted Accounting Principles

GDP
Gross Domestic Product as defined by Statistics New Zealand

Glossary
This glossary of key terms

Group Companies

Metro Performance Glass Limited (following the Acquisition), Metroglass Holdings Limited, Metroglass Finance Limited, Metropolitan Glass & Glazing Limited, Canterbury Glass & Glazing Limited, Christchurch Glass & Glazing Limited, Hawkes Bay Glass & Glazing Limited, Taranaki Glass & Glazing Limited and IGM Software Limited

GST
Goods and Services Tax

Institutional Investor
An investor to whom offers in respect of securities can be made without the need for a lodged prospectus (or other formality, other than a formality which Metroglass is willing to comply with), including in New Zealand persons to whom offers or invitations can be made without the need for a registered prospectus under the Securities Act

Institutional Offer
The invitation to Institutional Investors under this Prospectus, as described in Section 10 *Details of the Offer* of this Prospectus

Investigating Accountant
PricewaterhouseCoopers

Investment Statement
The Investment Statement relating to the Offer dated 7 July 2014 (as amended on 15 July 2014)

James Hardie
James Hardie Building Products Inc.

Joint Lead Managers
Forsyth Barr Limited, Macquarie Capital (New Zealand) Limited and UBS New Zealand Limited

Listing Date and **Listing**
The date on which Metroglass is listed, and the Shares quoted on the NZX Main Board (or on market in substitution for that market) in force from time to time

Metroglass
As the context requires, either Metro Performance Glass Limited or the value added glass processing business carried on by the Metroglass Group

Metroglass Group
Refers to (a) the Company and each of its direct or indirect wholly-owned subsidiaries immediately following completion of the Acquisition and (b) Metroglass Holdings Limited and each of its wholly-owned subsidiaries immediately prior to the Acquisition

Metroglass Holdings
Metroglass Holdings Limited

New Banking Facilities
The multi option facility agreement to be entered into between Metroglass Finance Limited, certain parties named therein as initial borrowers, certain parties named therein as initial guarantors and ANZ Bank New Zealand Limited on or about the Allotment Date

NRWT
Non-resident Withholding Tax

NZD, NZ$ or $
New Zealand Dollars

NZX
NZX Limited

NZX Firm
Any company, firm, organisation or corporation designated or approved as a Primary Market Participant from time to time by NZX, see www.NZX.com/investing/find_a_participant for a list

NZX Listing Rules
The listing rules applying to the NZX Main Board, as amended from time to time

NZX Main Board
The main board equity security market operated by NZX

Offer
The offer of Offer Shares under this Prospectus to Retail Investors in New Zealand and Australia and Institutional Investors in New Zealand, Australia and certain other jurisdictions where lawfully permitted (excluding the United States and any persons who are, or are acting for the account or benefit of, US Persons)

Offer Price
$1.70 per Offer Share

Offer Shares
The 143.7 million new Shares being offered by Metroglass under the Offer

Opening Date
15 July 2014

Partners in Performance
Partners in Performance International Pty Limited and Partners in Performance Global Solutions

Partners in Performance Report
Market research report prepared by Partners in Performance dated 6 June 2014

PFI
Prospective Financial Information

Pro Forma
Means adjusted financial information that is different from Metroglass' statutory financial information, as described under the heading "Pro Forma adjustments" in Section 9 *Financial Information*

Promoter
Crescent Capital Partners Management Pty Limited and its directors who are not also Directors of the Company

Proposed Auckland Unitary Plan
The proposed plan to replace the existing district and regional plans in the Auckland region (excluding the Hauraki and Gulf Islands)

Prospective Period
The period from 1 April 2014 to 30 September 2015

Prospectus
This prospectus relating to the Offer dated 7 July 2014 (as amended by an instrument to amend dated 15 July 2014)

RBNZ
Reserve Bank of New Zealand

Retail Investors
Applicants who are not Institutional Investors

Retail Offer
The offer of Offer Shares under this Prospectus to Retail Investors in New Zealand and Australia under the Broker Firm Offer and the Employee Offer

R-Value
Measure of thermal resistance

RWT
Resident withholding tax

Selling Shareholder Acquisition Agreement
The agreement entered into between Metroglass, the Selling Shareholders and others dated 26 June 2014 as more fully described under the heading “Material Contracts” in Section 12 *Statutory Information* of this Prospectus

Selling Shareholders
The existing shareholders of Metroglass Holdings, other than Senior Management, who will sell their shares in Metroglass Holdings to Metroglass under the Acquisition Agreement. A list of the Selling Shareholders is set out in the table under the heading “Indicative Ownership Structure” in Section 10 *Details of the Offer* of this Prospectus

Senior Management
Nigel Rigby (Chief Executive Officer), David Carr (Chief Financial Officer) and Geoff Rasmussen (General Manager Operations)

Senior Management Acquisition Agreement
The agreement entered into between Metroglass, Senior Management and Metroglass Holdings dated 3 July 2014 as more fully described under the heading “Material Contracts” in Section 12 *Statutory Information* of this Prospectus

Share
A fully paid ordinary share in the Company

Shareholder
A holder of one or more Shares

Share Registrar
Link Market Services Limited

Transaction
The Offer, Listing and Acquisition

Underwriters
Forsyth Barr Group Limited, Macquarie Securities (NZ) Limited and UBS New Zealand Limited

Underwriting Agreement
The underwriting agreement between Metroglass and the Underwriters dated 5 July 2014, as more fully described under the heading “Material Contracts” in Section 12 *Statutory Information* of this Prospectus

US Person
The meaning given to such term by Regulation S under the United States Securities Act of 1933, as amended

ADDITIONAL DEFINITIONS FOR THE KEY OFFER STATISTICS AND KEY INVESTMENT METRICS

Market capitalisation / NPATA

Market capitalisation divided by NPATA for the respective forecast financial year. This is a valuation metric that enables comparison with industry competitors and stock market peers.

Enterprise Value / EBITDA

EV divided by EBITDA for the respective forecast financial year. This is a valuation metric that enables comparison with industry competitors and stock market peers.

Enterprise Value / EBITA

EV divided by EBITA for the respective forecast financial year. This is a valuation metric that enables comparison with industry competitors and stock market peers.

Cash Dividend Yield

DPS for the respective prospective financial year divided by the Offer Price. Based on the cash cost to Metroglass, not necessarily the cash received by investors which will depend on individual investor tax rates and the assumption that the investor holds Shares over the full year.

Gross Dividend Yield

DPS for the respective prospective financial year, grossed up for imputation credits expected to be attached to the dividend (calculated at a tax rate of 28%) divided by the Offer Price. This metric is used to approximate the return to the average investor on a pre-tax basis.

Indicative enterprise value (EV)

The implied market capitalisation less Prospective Net Cash as at completion of the Offer.

Net debt on completion of the Offer

The forecast value of cash and cash equivalents less current and non-current borrowings at Allotment Date.

Indicative market capitalisation

The number of Shares on issue following the Offer multiplied by the Offer Price.


DEMA


METRO

Appendix 1

METROGLASS GROUP SUMMARY HISTORICAL FINANCIAL STATEMENTS

As Metro Performance Glass Limited is yet to commence trading, no historical financial information is presented.

The summary financial statements for Metroglass Holdings, as required by clauses 12(3)(d) of Schedule 1 of the Securities Regulations, are set out below.

The summary financial statements have been prepared in accordance with New Zealand Financial Reporting Standard No. 43.

The summary financial statements have been extracted from the full financial statements.

The full financial statements for 31 March 2012, 31 March 2013 and 31 March 2014 are in accordance with NZ IFRS.

The summary financial statements for the years ended 31 March 2010 and 31 March 2011 are unable to be presented as Metroglass Holdings was incorporated on 8 November 2011. Therefore, financial information for Metroglass Holdings prior to this date does not exist.

The summary financial statements were authorised for issue on 4 July 2014 by the Board of Metroglass Holdings. The Board of Metroglass Holdings has authorised the issue of the full financial statements on the following dates:

- Period ended 31 March 2012: 23 August 2012
- Year ended 31 March 2013: 27 June 2013
- Year ended 31 March 2014: 4 July 2014

The summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements. Copies of the full financial statements can be obtained from the public register at the Companies Office of the Ministry of Business. The audited financial statements for Metroglass Holdings for the year ended 31 March 2014 are provided in Appendix 2 *Audited Financial Statements for the year ended 31 March 2014*. The financial statements for the periods ending 31 March 2012, 31 March 2013 and 31 March 2014 were audited by PricewaterhouseCoopers and all received unqualified audit opinions.

SUMMARY STATEMENT OF COMPREHENSIVE INCOME FOR PERIODS ENDED 31 MARCH

$000s	**FY12**	**FY13**	**FY14**
	12 months ended 31 March 2012	**12 months ended 31 March 2013**	**12 months ended 31 March 2014**
Sales	**21,543**	**135,612**	**155,374**
Cost of goods sold		69,986	79,348
Gross Margin		**65,626**	**76,026**
Distribution and glazing related expenses		24,524	26,731
Selling and marketing expenses		6,711	7,378
Administration expenses		17,553	20,065
Operating Profit		**16,838**	**21,852**
Interest expense		5,750	5,079
Interest income		(214)	(229)
Earnings (loss) before income taxation	**(640)**	**11,302**	**17,002**
Income taxation expense (benefit)	(181)	3,039	5,051
Earnings (loss) for the year	**(459)**	**8,263**	**11,951**
Items that may be subsequently reclassified to profit or loss			
Cash Flow Hedges		(251)	(1,227)
Total comprehensive income/(loss) for the year attributable to shareholders	**(459)**	**8,012**	**10,724**

Note 1: the financial statements for FY14 were reformatted, and as such certain information on a consistent basis with FY14 categories is unable to be extracted from the audited financial statements for FY12.

Note 2: no financial information exists for FY10 or FY11 as Metroglass Holdings was incorporated on 8 November 2011. As a result FY12 represents only the part year between incorporation on 8 November 2011 and the year end at 31 March 2012.

SUMMARY STATEMENTS OF FINANCIAL POSITION FOR PERIODS ENDED 31 MARCH

$000s	As at 31 March 2012	As at 31 March 2013	As at 31 March 2014
Assets			
Current Assets			
Cash and cash equivalents	7,002	7,971	9,948
Receivables	21,416	21,297	22,163
Inventories	12,795	10,927	12,804
Derivative financial instruments	-	-	681
Other current assets	1,140	2,899	5,728
Total current assets	**42,353**	**43,094**	**51,324**
Property, plant and equipment	22,477	24,426	26,404
Deferred tax asset	-	-	878
Intangibles	129,187	128,645	127,030
Total non-current assets	**151,664**	**153,071**	**154,312**
Total Assets	**194,017**	**196,165**	**205,636**
Liabilities			
Current Liabilities			
Trade and Other Payables	12,296	16,091	16,562
Income tax liability	118	1,610	632
Derivative financial instruments	52	251	2,053
Provisions	375	405	3,359
Total current liabilities	**12,841**	**18,357**	**22,606**
Non-current liabilities			
Advances from subsidiaries	-	-	-
Deferred tax liabilities	1,635	255	-
Interest bearing liabilities	80,000	70,000	64,000
Total non-current liabilities	**81,635**	**70,255**	**64,000**
Total liabilities	**94,476**	**88,612**	**86,606**
Net assets	**99,541**	**107,553**	**119,030**
Equity			
Contributed equity	100,000	100,000	100,000
Retained Earnings/(Accumulated losses)	(459)	7,804	19,755
Share based payment reserve	-	-	753
Cash flow hedge reserve	-	(251)	(1,478)
Total equity	**99,541**	**107,553**	**119,030**

SUMMARY STATEMENTS OF CHANGES IN EQUITY FOR PERIODS ENDED 31 MARCH

$000s	Contributed Equity	Reserves	Retained Earnings	Total
Balance as at 1 April 2011	-	-	-	-
Total Comprehensive income (loss) attributable to shareholders	-	-	(459)	(459)
Issue of share capital	100,000	-	-	100,000
Balance as at 31 March 2012	**100,000**	**-**	**(459)**	**99,541**
Balance as at 1 April 2012	100,000	-	(459)	99,541
Profit for the year			8,263	8,263
Other comprehensive income (loss) for the year		(251)		(251)
Total comprehensive income (loss) for the year	**-**	**(251)**	**8,263**	**8,012**
Balance as at 31 March 2013	**100,000**	**(251)**	**7,804**	**107,553**
Balance as at 1 April 2013	100,000	(251)	7,804	107,553
Profit for the year	-	-	11,951	11,951
Other comprehensive income (loss) for the year	-	(1,227)	-	(1,227)
Total comprehensive income (loss) for the year	**-**	**(1,227)**	**11,951**	**10,724**
Issue of share capital	-	-		-
Share based payment	-	753	-	753
Total transactions with owners, recognised directly in equity	**-**	**753**	**-**	**753**
Balance as at 31 March 2014	**100,000**	**(725)**	**19,755**	**119,030**

SUMMARY STATEMENTS OF CASH FLOW FOR PERIODS ENDED 31 MARCH

$000s	FY12	FY13	FY14
	12 months ended 31 March 2012	**12 months ended 31 March 2013**	**12 months ended 31 March 2014**
Cash flows from operating activities			
Receipts from customers	17,091	134,539	154,043
Payments to suppliers and employees	(13,784)	(110,319)	(128,225)
Interest received	23	218	229
Interest paid	(981)	(4,499)	(3,666)
Income taxes received / (paid)	-	(2,549)	(6,587)
Net cash inflow / (outflow) from operating activities	**2,349**	**17,390**	**15,794**
Cash flows from investing activities			
Payments for property, plant & equipment, and intangibles	(398)	(6,421)	(7,817)
Aquisition of susidiaries	(181,505)	-	-
Net cash inflow / (outflow) from investing activities	**(181,903)**	**(6,421)**	**(7,817)**
Cash flows from financing activities			
Advances and loans (to) from subsidiaries	-	-	-
(Repayment) / drawdown of borrowings	80,000	(10,000)	(6,000)
Ordinary shares issued	100,000	-	-
Net cash inflow / (outflow) from financing activities	**180,000**	**(10,000)**	**(6,000)**
Net increase / (decrease) in cash and cash equivalents	**446**	**969**	**1,977**
Cash and cash equivalents at the beginning of the year	-	7,002	7,971
Cash acquired	6,556	-	-
Cash and cash equivalents at end of year	**7,002**	**7,971**	**9,948**

Appendix 2

Independent Auditors' Report
to the shareholders of Metroglass Holdings Limited

Report on the Financial Statements
We have audited the financial statements of Metroglass Holdings Limited ("the Company") on pages 160 to 192, which comprise the statements of financial position as at 31 March 2014, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 March 2014 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements
The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

We have no relationship with, or interests in, Metroglass Holdings Limited or any of its subsidiaries other than in our capacities as auditors and providers of assurance, taxation and advisory services. These services have not impaired our independence as auditors of the Company and the Group.

PricewaterhouseCoopers, 188 Quay Street, Private Bag 92162, Auckland 1142, New Zealand
T: +64 9 355 8000, F: +64 9 355 8001, pwc.co.nz

pwc

Independent Auditors' Report
Metroglass Holdings Limited

Opinion
In our opinion, the financial statements on pages 160 to 192:

(i) comply with generally accepted accounting practice in New Zealand; and

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company and the Group as at 31 March 2014, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements
We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2014:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Use of our Report
This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit 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 an auditors' 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.

PricewaterhouseCoopers.

Chartered Accountants
4 July 2014

Auckland

STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Consolidated 2014 $'000	Consolidated 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Sales revenue		155,374	135,612	-	-
Cost of sales	5	(79,348)	(69,986)	-	-
Gross Margin		**76,026**	**65,626**	**-**	**-**
Distribution and glazing related expenses	5	(26,731)	(24,524)	-	-
Selling and marketing expenses	5	(7,378)	(6,711)	-	-
Administration expenses	5	(20,065)	(17,553)	(548)	(855)
Operating profit		**21,852**	**16,838**	**(548)**	**(855)**
Interest expense	7	(5,079)	(5,750)	-	-
Interest income		229	214	-	-
Profit (loss) before income taxation		**17,002**	**11,302**	**(548)**	**(855)**
Income taxation (expense) benefit	8	(5,051)	(3,039)	(55)	198
Profit (loss) for the year		**11,951**	**8,263**	**(603)**	**(657)**
Other Comprehensive Income Items that may be subsequently reclassified to profit or loss:					
Cash flow hedges		(1,227)	(251)	-	-
Total comprehensive income/(loss) for the year attribute to shareholders		**10,724**	**8,012**	**(603)**	**(657)**
Earnings per share					
Basic Earnings per share (cents per share)	9	11.95	8.26		
Diluted Earnings per share (cents per share)	9	11.95	8.26		

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

STATEMENTS OF FINANCIAL POSITION

		Consolidated		Parent	
	Notes	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Assets					
Current assets					
Cash and cash equivalents	10	9,948	7,971	-	-
Trade and other receivables	11	22,163	21,297	-	-
Inventories	12	12,804	10,927	-	-
Derivative financial instruments		681	-	-	-
Other current assets	13	5,728	2,899	-	-
Total current assets		**51,324**	**43,094**	**-**	**-**
Non-current assets					
Property, plant and equipment	14	26,404	24,426	-	-
Deferred tax assets	15	878	-	194	248
Intangible assets	16	127,030	128,645	-	-
Shares in subsidiaries	17	-	-	100,000	100,000
Total non-current assets		**154,312**	**153,071**	**100,194**	**100,248**
Total assets		**205,636**	**196,165**	**100,194**	**100,248**
Liabilities					
Current liabilities					
Trade and other payables	18	16,562	16,091	73	144
Income tax liability		632	1,610	-	-
Derivative financial instruments		2,053	251	-	-
Provisions	19	3,359	405	-	-
Total current liabilities		**22,606**	**18,357**	**73**	**144**
Non-current liabilities					
Advances from subsidiaries		-	-	1,508	888
Deferred tax liabilities	15	-	255	-	-
Interest bearing liabilities	20	64,000	70,000	-	-
Total non-current liabilities		**64,000**	**70,255**	**1,508**	**888**
Total liabilities		**86,606**	**88,612**	**1,581**	**1,032**
Net assets		**119,030**	**107,553**	**98,613**	**99,216**
Equity					
Contributed equity	21	100,000	100,000	100,000	100,000
Retained Earnings/(Accumulated losses)	21	19,755	7,804	(1,387)	(784)
Share based payment reserve	22	753	-	-	-
Cash flow hedge reserve	22	(1,478)	(251)	-	-
Total equity		**119,030**	**107,553**	**98,613**	**99,216**

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

STATEMENTS OF CHANGES IN EQUITY

		Consolidated			
		Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance as at 1 April 2012		100,000	-	(459)	99,541
Profit for the year		-	-	8,263	8,263
Other comprehensive income (loss) for the year		-	(251)	-	(251)
Total comprehensive income (loss) for the year		-	(251)	8,263	8,012
Balance as at 31 March 2013		**100,000**	**(251)**	**7,804**	**107,553**
Balance as at 1 April 2013		100,000	(251)	7,804	107,553
Profit for the year		-	-	11,951	11,951
Other comprehensive income (loss) for the year		-	(1,227)	-	(1,227)
Total comprehensive income (loss) for the year		-	(1,227)	11,951	10,724
Issue of share capital		-	-	-	-
Share based payment		-	753	-	753
Total transactions with owners, recognised directly in equity		-	753	-	753
Balance as at 31 March 2014		**100,000**	**(725)**	**19,755**	**119,030**

		Parent			
		Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance as at 1 April 2012		100,000	-	(127)	99,873
Profit for the year		-	-	(657)	(657)
Other comprehensive income (loss) for the year		-	-	-	-
Total comprehensive income (loss) for the year		-	-	(657)	(657)
Balance as at 31 March 2013		**100,000**	**-**	**(784)**	**99,216**
Balance as at 1 April 2013		100,000	-	(784)	99,216
Profit for the year		-	-	(603)	(603)
Total comprehensive income (loss) for the year		-	-	(603)	(603)
Issue of share capital		-	-	-	
Total transactions with owners, recognised directly in equity		-	-	-	
Balance as at 31 March 2014		**100,000**	**-**	**(1,387)**	**98,613**

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

STATEMENTS OF CASH FLOWS

		Consolidated		Parent	
		2014 $'000	**2013** $'000	**2014** $'000	**2013** $'000
Cash flows from operating activities					
Receipts from customers		154,043	134,539	-	-
Payments to suppliers and employees		(128,225)	(110,319)	(620)	(888)
Interest received		229	218	-	-
Interest paid		(3,666)	(4,499)	-	-
Income taxes received / (paid)		(6,587)	(2,549)	-	-
Net cash inflow / (outflow) from operating activities		**15,794**	**17,390**	**(620)**	**(888)**
Cash flows from investing activities					
Payments for property, plant & equipment, and intangibles		(7,817)	(6,421)	-	-
Net cash outflow from investing activities		**(7,817)**	**(6,421)**	**-**	**-**
Cash flows from financing activities					
Advances from subsidiaries		-	-	620	888
(Repayment) of borrowings		(6,000)	(10,000)	-	-
Net cash (outflow) / inflow from financing activities		**(6,000)**	**(10,000)**	**620**	**888**
Net increase / (decrease) in cash and cash equivalents		**1,977**	**969**	**-**	**-**
Cash and cash equivalents at the beginning of the year		7,971	7,002	-	-
Cash and cash equivalents at end of year		**9,948**	**7,971**	**-**	**-**

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

STATEMENTS OF CASH FLOWS – CONTINUED

		Consolidated		Parent	
		2014 $'000	**2013** $'000	**2014** $'000	**2013** $'000
Reconciliation of profit after income tax to net inflow from operating activities					
Profit (loss) for the year		**11,951**	**8,263**	**(603)**	**(657)**
Items not involving cash flows					
Depreciation expense		5,799	4,339	-	-
Share based payment		753	-	-	-
Intangibles amortisation		1,632	1,724	-	-
Movement in deferred tax		(558)	(1,002)	54	(198)
Movement in doubtful debt provision		(1,054)	121	-	-
Change in market value of currency contracts		-	(52)	-	-
		6,572	**5,130**	**54**	**(198)**
Impact of changes in working capital items					
Accounts receivable and prepayments		(3,322)	(1,761)	-	-
Inventory		(1,877)	1,868	-	-
Trade creditors & employee entitlements		(1,098)	1,623	(71)	(33)
Interest accruals		1,413	1,251	-	-
Warranty provision		-	30	-	-
Onerous lease provision		2,954	-	-	-
Goods & services tax (GST) payable		218	(465)	-	-
Income tax liability		(978)	1,492	-	-
		(2,690)	**4,038**	**(71)**	**(33)**
Items classified as investing activities					
Loss (surplus) on disposal of assets		(39)	(41)	-	-
		(39)	**(41)**	**-**	**-**
Net cash flow from operating activities		**15,794**	**17,390**	**(620)**	**(888)**

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

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

These financial statements are for Metroglass Holdings Limited ('the Company') and its subsidiaries (together, 'the Group'). They supply processed flat glass products primarily to the residential and commercial building trade. The Company has operations and sales in New Zealand.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is C/- Bell Gully, Level 22, Vero Centre, 48 Shortland Street, Auckland.

The incorporation date for Metroglass Holdings Limited was 8 November 2011.

These consolidated financial statements have been approved for issue by the Board of Directors on 4 July 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied during the year, unless otherwise stated.

(a) Basis of preparation of financial statements

The consolidated financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZGAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards, as applicable for profit-oriented entities. The consolidated financial statements also comply with International Financial Reporting Standards ('IFRS').

Transition to NZ IFRS

For the financial year ending 31 March 2012, the Group prepared it's financial statements in accordance with NZ IFRS (Tier 1). For the financial year ending 31 March 2013, the Group was eligible and elected to report in accordance with Tier 2 For-Profit Accounting Standards, NZ IFRS-Reduced Disclosure Regime ('NZ IFRS RDR') on the basis that the Group had no public accountability and was not a large for-profit public sector entity. The Group then stopped applying NZ IFRS, for the accounting year ending 31 March 2013 in order to be able to apply the disclosure concessions available when reporting under NZ IFRS RDR.

For the financial year ending 31 March 2014, the Group has elected to again report in accordance with NZ IFRS and will no longer apply the disclosure concessions available under NZ IFRS RDR. Under External Reporting Board Standard A1 'Accounting Standards Framework (For Profit Entities update)' ('XRB A1') the movement between Tier 2 and Tier 1 means that the Group must apply NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards. ('NZ IFRS 1'). Under NZ IFRS 1 the date of transition to NZ IFRS is 01 April 2012. As the only differences between NZ IFRS RDR and NZ IFRS relate to disclosures, there has been no impact on the opening balance sheet. The reason why the Group has chosen to report in accordance with NZ IFRS (Tier 1), is due to an anticipated initial public offering.

Entities reporting

The financial statements for the parent are for Metroglass Holdings Limited as a separate legal entity.

The consolidated financial statements for the Group are for the economic entity comprising Metroglass Holdings Limited and its subsidiaries.

Statutory base

Metroglass Holdings Limited is a limited liability company registered under the New Zealand Companies Act 1993.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

Historical cost convention

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

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where the assumptions and estimates are significant to the financial statements are disclosed in note 4.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Metroglass Holdings Limited ('company' or 'parent entity') as at 31 March 2014 and the results of all subsidiaries for the year then ended. Metroglass Holdings Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all entities (including structure entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. On an acqusition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised in profit and loss.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control was lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Foreign currency translation

(1) Functional and presentation currency

Items included in the financial statements of each Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated and parent financial statements are presented in New Zealand dollars, which is Metroglass Holdings Limited's functional and presentation currency.

(2) 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 year 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.

(d) Revenue recognition

Revenue comprises the fair value of the consideration received for the sale of goods and services, net of value-added tax (including Goods and Services Tax), rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(1) Sales of goods

The Group operates a network of glass manufacturing and retail branches for the provision and assembly of customised glass products across New Zealand. 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.

Certain products are often sold with a warranty. Accumulated experience is used to estimate and provide for the warranty costs at the time of sale.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

(2) Sales of services

The Group provides nationwide glazing services throughout the Metroglass 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.

(e) Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or subtantively enacted by the statement of financial position date and are expected to apply when the related deferrred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforecable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes 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.

(f) Goods and Services Tax (GST)

The statements of comprehensive income have 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.

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed on a straight-line basis over the period of the lease.

(h) Impairment of non financial assets

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that a debtor will enter bankruptcy or financial reorganisation, and default or delinquincy in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statements of comprehensive income within 'other expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other expenses' in the statements of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

(j) Inventories

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at the initial recognition and re-evaluates this designation at every reporting date.

(1) Financial assets at fair value through profit and loss

This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the statement of financial position date. The Group's financial assets at fair value through profit and loss are comprised of derivatives (interest rate swaps).

(2) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the statement of financial position date which are classified as non current assets. The Group's loans and receivables comprise 'cash and cash equivalents' and 'receivables' in the balance sheet.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date -the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'other (losses)/gains -net' in the period in which they arise.

Changes in fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the acumulated fair value adjustments recognised in equity are included in the profit and loss as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss as part of finance income. Dividends on available-for-sale equity instruments are recognised in the profit and loss as part of other income when the Group's right to receive payments is established.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial performance when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(l) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. The Group has designated forward exchange contracts as cash flow hedge instruments and has not adopted hedge accounting for interest rate swaps.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

(1) Cash flow hedges - forward exchange contracts

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.

On initial designation of a derivative as a cash flow hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction. Documentation includes the nature of the risk being hedged, together with the methods that will be used to assess the hedging instruments effectiveness. The Group also document its assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in cash flows of the respective hedged items.

The effective portion of 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.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in profit or loss.

(2) Other non-trading derivatives - interest rate swaps

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

(m) Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed to the statements of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation of property, plant and equipment is calculated using the diminishing value method to allocate the cost of the assets over their useful lives. The rates are as follows:

Category	Depreciation rate	Depreciation basis
Leasehold improvements	9-48%	DV
Plant & equipment	9-60%	DV
Motor vehicles	18-36%	DV
Furniture, fixtures and fittings	11-60%	DV

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Capital work in progress is not depreciated until commissioned.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within 'operating expenditure' in the statements of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

(n) Intangible assets

(1) Goodwill

Goodwill represents the excess of the consideration transferred of 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. Goodwill 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.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each 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.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. 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.

(2) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that is will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

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.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Amortisation of computer software is calculated using the diminishing value method so as to expense the cost of the assets over their useful lives. The rate is as follows:

Category Computer software Depreciation rate 48-60% Depreciation basis DV

Category	Depreciation rate	Depreciation basis
Computer software	48-60%	DV

(3) Contractual customer relationships

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

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(p) Borrowings

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.

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is defined as an asset that takes longer than 12 months and is over $100,000 to construct. Other borrowing costs are expensed.

(q) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(r) Investments in subsidiaries

Investments in subsidiaries in the parent company financial statements are stated at cost less impairment.

(s) Employee benefits

(1) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non monetary benefits, annual leave and accumulating sick leave are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(2) Bonus plans

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

(t) Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or acquiring its own shares are shown in equity as a deduction, net of tax, from the proceeds.

(u) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

Dividend distribution to the Group shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

(v) Long Term Incentive plan

The long term incentive plan is an equity settled share based payment which provides employees with the opportunity to acquire shares in the Group. The fair value of shares granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the vesting period. The fair value of the plan has been assessed by an independent valuer. Interest free loans are provided to plan participants to finance the share purchases.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

The fair value of the interest free component of the loan has also been assessed by the independent valuer, together with other associated terms of the loan.

(w) Changes in accounting policy and disclosures

New and amended standards adopted by the Group

The following new standards and amendments to standards relevant to the Group have been adopted as of 1 April 2013 and have been applied in the preparation of these financial statements.

Amendment to NZ IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). NZ IAS 1 does not have any significant impact to the Group.

Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. This amendment includes new disclosures to facilitate those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. Amendment to IFRS 7, 'Financial instruments: Disclosures', does not have any significant impact to the Group.

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 does not have any significant impact to the Group.

IFRS 12, 'Disclosure of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. IFRS 12 does not have any significant impact to the Group.

NZ IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across NZ IFRSs. The requirements, which are largely aligned between NZ IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within NZ IFRSs. Adoption of this standard has resulted in a number of additional disclosures in the financial statements but has not resulted in any material measurement changes. NZ IFRS 13 does not have any significant impact to the Group.

New standards and interpretations not yet adopted

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. NZ IFRS 9 was issued in November 2009, December 2010 and December 2013. It replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments and hedge accounting. NZ IFRS 9 requires that financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risks. NZ IFRS 9 is not expected to have any significant impact to the Group.

IFRS 15, Revenue from contracts with customers, effective for annual periods beginning on or after 1 January 2017, addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in IAS 18 Revenue and IAS 11 Construction contracts and is applicable to all entities with revenue. It sets out a 5 step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group has yet to assess IFRS 15's full impact. The Group will apply this standard from 1 April 2017.

(x) Reclassifications of Statements of Comprehensive Income

Following a review by the Directors the Company has changed the classification of the Statement of Comprehensive Income from a "nature of expenses" classification to a "function of expense" classification. The Directors consider that this change in classification presents more relevant and reliable information about the financial performance of the Group and parent as this better reflects current internal and industry reporting. The impact on the Group comparative Statement of Comprehensive Income is to reclassify $70.0 million of operating expenses to "Cost of Sales", $24.5m of operating expenditure to "Distribution and glazing related expenses", $6.7m of operating expenditure to "Selling and marketing expenses" and $17.6m of operating expenditure to "Administration expenses", The impact on the parent comparative Statement of Comprehensive Income is to reclassify $0.9m of operating expenditure to "Administration expenses". The reclassification has not resulted in any impact to Profit/(loss) before income tax or Profit/(loss) for the year or basic and diluted earnings per share.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

3 FINANCIAL RISK MANAGEMENT

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 and price risk), credit risk and liquidity risk. The Group's overall risk management is carried out by a central finance function (the head office finance team) under policies approved by the board of directors. The head office finance team focuses on the unpredictability of financial markets and identifies, evaluates and seeks to hedge financial risks in close co-operation with the Group's operating units to minimise potential adverse effects on the financial performance of the Group.

The board provides 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 to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

(a) Market risk

(1) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and purchases of recognised assets are denominated in a currency that is not NZD (functional currency). Approximately 95% of annual flat sheet glass raw materials are purchased in foreign currencies, being USD, Euro and AUD. In accordance with the Company Treasury policy, foreign exchange rate risk is managed prospectively out over a period of 12 months with allowable limits of coverage declining from 100% over a six month term to 70% over a 12 month term. Where deemed acceptable by the directors, coverage can be extended out over a period of 15 months.

Exposure to foreign exchange risk

			Consolidated		
			AUD NZ $'000	**USD** NZ $'000	**EUR** NZ $'000
31 March 2014			-	-	-
Cash and cash equivalents			104	24	-
Trade receivables			79	-	-
Trade accounts payable			(55)	(1,951)	(268)
Total exposure			**128**	**(1,927)**	**(268)**

			Consolidated		
			AUD NZ $'000	**USD** NZ $'000	**EUR** NZ $'000
31 March 2013					
Cash and cash equivalents			17	1	-
Trade receivables			40	-	-
Trade accounts payable			(145)	(2,791)	(231)
Total exposure			**(88)**	**(2,790)**	**(231)**

Cash flow hedges

The table below details the forward foreign currency contracts outstanding at the end of the reporting period. The cashflow hedges are expected to impact profit or loss in the same period that the cash flows are expected to occur (refer 6).

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

		Consolidated			
		Average exchange rate	**Foreign currency** FC'000	**Notional value** $'000	**Fair value (assets) / liabilities** $'000
31 March 2014					
Buy USD					
3 months		0.7844	3,958	5,043	448
3-6 months		0.7788	2,600	3,340	297
6-12 months		0.7981	10,920	13,651	702
Buy EUR					
3 months		0.5847	800	1,368	97
3-6 months		-	-	-	-
6-12 months		0.5730	4,200	7,349	509
					2,053

		Consolidated			
		Average exchange rate	**Foreign currency** FC'000	**Notional value** $'000	**Fair value (assets) / liabilities** $'000
31 March 2013					
Buy USD					
3 months		0.8138	3,979	4,873	92
3-6 months		0.8235	3,200	3,886	20
6-12 months		0.8071	1,000	1,239	25
Buy EUR					
3 months		0.6262	91	145	6
3-6 months		0.6265	956	1,526	50
6-12 months		0.6128	956	1,560	58
					251

Sensitivity analysis

The following table details the Group's sensitivity to a 10% strengthening/weakening of the New Zealand dollar 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.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

	Consolidated	
	31 March 2014 $'000	**31 March 2013** $'000
Profit or loss		
10% strengthening of the NZ$ against: AUD	(12)	8
USD	175	254
EUR	24	21
10% weakening of the NZ$ against: AUD	14	(10)
USD	(214)	(310)
EUR	(30)	(26)

	Consolidated	
	31 March 2014 $'000	**31 March 2013** $'000
Equity		
10% strengthening of the NZ$ against: USD	(1,871)	(896)
EUR	(737)	(283)
10% weakening of the NZ$ against:		
USD	2,287	1,096
EUR	901	346

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

(2) Commodity price 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 and therefore manages access to supply through close relationships with suppliers. Price is an important variable in the determination of supply, and the Group is clearly exposed to changes in glass prices.

As at 31 March 2014, if the price of float glass had strengthened/weakened by 5% with all other variables held constant, post tax profit for the year and equity would have been $940,000 (2013: $927,000) lower/higher.

(3) Interest rate risk

As the Company has no significant interest bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates on interest bearing financial assets.

Cash flow 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 New Zealand dollars.

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

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

As at 31 March 2014, 94% of the Group's borrowings were covered by an interest rate swap. Due to the relatively stable interest rate in New Zealand a sensitivity of a movement of 0.5% in the interest rate has been performed. If interest rates had been 0.5% higher/lower, with all other variables held constant, post tax profit for the year and equity would have been $481,000 (2013: $481,000) lower/higher from the change in fair value of the interest rate swap and $28,475 (2013: $49,133) lower/higher through increased interest expense on floating rate borrowings.

(5) Credit risk

Credit risk is managed on group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently related parties with a minimum rating of 'A' are accepted.

(6) Liquidity risk

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

In addition to cash reserves, the Group has negotiated working capital and capital expenditure facilities with its banking partners. As at 31 March 2014 the Group had cash of $9.9 million (2013: $8 million). Information in respect of negotiated credit facilities is shown below.

	Consolidated	
	Working Capital Facility at 31 March 2014 $'000	**Working Capital Facility at 31 March 2013** $'000
Committed credit facilities	13,000	8,500
Drawdown at balance date	(1,913)	(3,338)
Available credit facilities	**11,087**	**5,162**

The $1.9 million drawn down at balance date relates to Letters of Credit and bank guarantees (2013: $3.3 million). The parent has no working capital facility.

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.

	Less than 1 year $'000	**Between 1 and 2 years** $'000	**Between 2 and 5 years** $'000	**> 5 years** $'000	**Total** $'000
31 March 2014					
Consolidated					
Bank borrowings	8,014	8,026	64,000	-	80,040
Forward foreign exchange contracts	2,053	-	-	-	2,053
Trade payables	7,294	-	-	-	7,294
Total	**17,361**	**8,026**	**64,000**	**-**	**89,387**
Parent					
Trade payables	73	-	-	-	73
Increase/(decrease)	**73**	**-**	**-**	**-**	**73**

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	> 5 years $'000	Total $'000
31 March 2013					
Consolidated					
Bank borrowings	7,460	15,522	70,000	-	92,982
Forward foreign exchange contracts	251	-	-	-	251
Trade payables	8,210	-	-	-	8,210
Total	**15,921**	**15,522**	**70,000**	**-**	**101,443**
	-	-	-	-	-
Parent					
Trade payables	144	-	-	-	144
Increase/(decrease)	**144**	**-**	**-**	**-**	**144**

(b) Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. At present, the Group's borrowing Facility Agreement entered into by Metroglass Finance Limited restricts the payment of dividends.

The Group monitors capital on the basis of the gearing ratio. The Group gearing ratio at 31 March 2014 was as follows:

	31 March 2014 $'000	31 March 2013 $'000
Bank borrowings	64,000	70,000
Less: cash and cash equivalents	9,948	7,971
Net debt	**54,052**	**62,029**
Equity	**119,030**	**107,553**
Gearing ratio	**31.2%**	**36.6%**

The improvement in gearing ratio during the 2014 financial year arose from the combination of debt repayment and the reinvestment of retained earnings in strategic projects.

(c) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The fair value of the interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swaps at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts and interest rate swaps is determined using applicable forward exchange market rates and market interest rates at the statement of financial position date.

The fair value of intangible assets acquired as part of a business combination is established by using valuation techniques. These include the use of recent arm's length transactions, reference to other assets that are substantially the same and discounted cash flow.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

The fair value of financial liabilities for disclosure purposes is the carrying value.

Financial instruments that are measured at fair value in the statement for financial postion are classified by level of the following fair value measurement hierachy: Quoted prices (unadjusted) in active markets (level 1); Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, prices) or indirectly (that is, derived from prices) (level 2); Inputs for the asset or liability that are based on unobservable inputs (level 3).

At 31 March 2014 all financial instruments measured at fair value (interest rate swaps and forward exchange contracts) were valued using valuation techniques where all significant inputs were based on observable market data. Accordingly they are categorised as level 2.

Specific valuation techniques used to value the Group's financial instruments are as follows:

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- The fair value of interest rate swap contracts is determined using forward interest rates at the balance sheet date, with the resulting value discounted back to present value.

These fair values are based on valuations provided by the ANZ as at 31 March 2014.

(d) Financial instruments by category

		Consolidated			
		Assets at fair value through profit and loss $'000	**Loans and receivables** $'000	**Derivatives used for hedging** $'000	**Total** $'000
31 March 2014					
Assets as per statement of financial position					
Cash and cash equivalents		-	9,948	-	9,948
Derivatives - interest rate swaps		681	-	-	681
Receivables		-	22,163	-	22,163
		681	**32,111**	**-**	**32,792**

		Consolidated			
			Liabilities at amortised cost $'000	**Derivatives used for hedging** $'000	**Total** $'000
31 March 2014					
Liabilities as per statement of financial position					
Trade and other payables excluding non-financial liabilities			7,294	-	7,294
Derivatives - foreign exchange contracts			-	2,053	2,053
Interest bearing liabilities			64,000	-	64,000
			71,294	**2,053**	**73,347**

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

			Parent		
			Liabilities at amortised cost $'000	Derivatives used for hedging $'000	Total $'000
31 March 2014					
Liabilities as per statement of financial position					
Trade and other payables excluding non-financial liabilities			73	-	73
			73	**-**	**73**

		Consolidated			
		Assets at fair value through profit and loss $'000	Loans and receivables $'000	Derivatives used for hedging $'000	Total $'000
31 March 2013					
Assets as per statement of financial position					
Cash and cash equivalents		-	7,971	-	7,971
Derivatives - interest rate swaps		101	-	-	101
Receivables		-	21,297	-	21,297
		101	**29,268**	**-**	**29,369**

			Consolidated		
			Liabilities at amortised cost $'000	Derivatives used for hedging $'000	Total $'000
31 March 2013					
Liabilities as per statement of financial position					
Trade and other payables excluding non-financial liabilities			8,272	-	8,272
Derivatives - foreign exchange contracts				251	251
Interest bearing liabilities			70,000	-	70,000
			78,272	**251**	**78,523**

			Parent		
			Liabilities at amortised cost $'000	Derivatives used for hedging $'000	Total $'000
31 March 2013					
Liabilities as per statement of financial position					
Trade and other payables excluding non-financial liabilities			144	-	144
			144	**-**	**144**

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

4 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 below.

(i) Allowance for doubtful debts

Receivables are reduced by an allowance for amounts that may become uncollectible in the future. Collections and payments from our customers are continuously monitored and a provision for estimated credit losses is maintained based upon our historical experience and any specific customer collection issues that we have identified. The ability to make reasonable and reliable estimates of allowances for doubtful accounts based on significant historical experience has been demonstrated. Refer Note 11.

(ii) Economic lives of intangible assets and property, plant and equipment

Customer relationship intangible assets and property, plant and equipment are long-lived assets that are amortised / depreciated over their useful lives. Useful lives are based on management's estimates of the period over which the assets will generate revenue. Refer Notes 14 and 16.

(iii) Goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with note 2(n). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Refer Note 16.

(iv) Provision for onerous leases

Onerous lease provisions have been calculated on the assumption that the Group will be required to compensate leaseholders in exchange for the early termination of key leases in Auckland. Management has assessed comparable market rates for commercial leases in forming its view. Refer Note 19(b).

5 OPERATING EXPENDITURE

	Notes	Consolidated		Parent	
		2014 $'000	**2013** $'000	**2014** $'000	**2013** $'000
Raw material and consumables used		42,855	40,225	-	-
Employee benefit expense		49,707	43,661	-	161
Subcontractor cost		4,658	4,190	-	-
Depreciation and amortisation		5,910	6,063	-	-
Impairment expense	14	1,522	-	-	-
Transportation and logistics		5,091	5,044	-	-
Operating lease payments		5,741	5,722	-	-
Onerous lease expense		2,954	-	-	-
Advertising		1,615	1,391	-	-
Audit Fees		145	140	-	-
Taxation services provided by auditor		11	48	-	-
Other expenses		13,313	12,290	548	694
Total cost of sales, distribution and glazing related expenses, selling and marketing expenses, and administration expenses		**133,522**	**118,774**	**548**	**855**

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

6 SEGMENT INFORMATION

Operating segments of the Group as at 31 March 2014 have been determined based on separate financial information that is regularly reviewed by the Senior Leadership Team which is the Group's Chief Operating Decision Maker. The Group's operating segments are Upper North Island, Lower North Island and South Island. All operating segments are involved in the distribution and glazing of customised flat glass products.

NZ IFRS 8 Operating Segments permits the aggregation of operating segments into reportable segments. This has been adopted as the operating segments have similar economic characteristics, are also similar in the nature of products and services supplied and they method in which they're produced. Additionally, sales and marketing methods are substantially similar and the customer distribution channels are also similar. Therefore, the Group has one reportable segment.

Substantially all of the Group's revenue is derived from the sale of glass products. All revenue from external customers is attributed to sales in New Zealand. All non current assets (excluding financial instruments and deferred tax assets) are located in New Zealand.

7 FINANCE INCOME AND COSTS

		Consolidated		Parent	
		2014 $'000	**2013** $'000	**2014** $'000	**2013** $'000
Interest expense		5,079	5,750	-	-
Interest income		(229)	(214)	-	-
		4,850	**5,536**	**-**	**-**

Other interest expenditure relates to external interest expense and costs associated with letters of credit

8 INCOME TAXATION

	Notes	Consolidated		Parent	
		2014 $'000	**2013** $'000	**2014** $'000	**2013** $'000
Profit (loss) before income taxation		**17,002**	**11,302**	**(548)**	**(855)**
Income taxation expense at the rate of 28%		4,761	3,165	(153)	(239)
Non deductible items		290	71	-	-
Non assessable income		-	-	-	-
Tax losses transferred to subsidiary		-	-	208	41
Prior year adjustment		-	(197)	-	-
		5,051	**3,039**	**55**	**(198)**
Represented by:					
Current taxation		5,609	4,041	1	-
Deferred taxation	15	(558)	(1,002)	54	(198)
		5,051	**3,039**	**55**	**(198)**

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

9 EARNINGS PER SHARE

Basic

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

	Consolidated	
	2014 $'000	**2013** $'000
Profit after tax	11,951	8,263
Weighted average number of ordinary shares outstanding ('000s)	100,000	100,000
Basic Earnings per share (cents per share)	11.95	8.26
Diluted Earnings per share (cents per share)	11.95	8.26

Diluted

Diluted Earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dillutive potential ordinary shares. There are no options with a dilutive effect as at 31 March 2014 (2013: nil).

10 CASH AND CASH EQUIVALENTS

		Consolidated		Parent	
		2014 $'000	**2013** $'000	**2014** $'000	**2013** $'000
Cash on hand		3	1	-	-
Cash at bank		7,157	2,973	-	-
Short term deposits		2,788	4,997	-	-
		9,948	**7,971**	**-**	**-**

11 TRADE AND OTHER RECEIVABLES

		Consolidated		Parent	
		2014 $'000	**2013** $'000	**2014** $'000	**2013** $'000
Trade receivables		23,512	23,700	-	-
Provision for doubtful trade receivables		(1,349)	(2,403)	-	-
		22,163	**21,297**	**-**	**-**

(a) Bad and doubtful trade receivables

The Group extends credit to its customers based on an assessment of credit worthiness. Terms differ by customer and may extend to 60 days past invoice date. A portion of the Group's receivables are also subject to contractual retentions which can last up to and exceed 12 months. At balance date, a portion of trade receivables were past due but not impaired.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

Trade receivables past due but not impaired is as follows:

	Consolidated		Parent	
	2014 $'000	**2013** $'000	**2014** $'000	**2013** $'000
Current	-	-	-	-
30 - 59 days	-	-	-	-
60 - 89 days	924	877	-	-
90 days and later	3,361	3,200	-	-
	4,285	**4,077**	**-**	**-**

As of 31 March 2014, trade receivables of $4.3m (2013: $4.1m) were past due but not impaired. These relate to a number of independent customers for whom there is no history of default.

Movements in the provision for impairment of receivables as as follows:

	Consolidated		Parent	
	2014 $'000	**2013** $'000	**2014** $'000	**2013** $'000
Opening balance	2,403	2,282	-	-
Acqusition of subsidiary	-	-	-	-
Provision for impairment recognised during the year	694	727	-	-
Receivables written off during the year as uncollectible	(1,748)	(606)	-	-
Balance at end of year	**1,349**	**2,403**	**-**	**-**

The creation and release of the provision for impaired receivables has been included in 'administration expenses' in the Statement of Comprehensive Income. Amounts are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

The ageing profile of impaired trade receivables is as follows:

	Consolidated		Parent	
	2014 $'000	**2013** $'000	**2014** $'000	**2013** $'000
Current	-	-	-	-
30 - 59 days	-	-	-	-
60 - 89 days	-	-	-	-
90 days and later	1,349	2,403	-	-
	1,349	**2,403**	**-**	**-**

As of 31 March 2014, trade receivables of $1.3m (2013: $2.4m) were impaired. The individually impaired receivables mainly relate to customers who are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables as shown above.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

12 INVENTORIES

		Consolidated		Parent	
		2014 $'000	**2013** $'000	**2014** $'000	**2013** $'000
Raw materials, primarily flat glass stock-sheets		11,641	10,072	-	-
Work in progress		1,163	855	-	-
		12,804	**10,927**	**-**	**-**

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to $26.7m. (2013: $24.8m).

13 OTHER CURRENT ASSETS

		Consolidated		Parent	
		2014 $'000	**2013** $'000	**2014** $'000	**2013** $'000
Prepayments		4,796	2,126	-	-
Other assets		932	773	-	-
		5,728	**2,899**	**-**	**-**

14 PROPERTY, PLANT AND EQUIPMENT

		Consolidated			
		Plant & equipment $'000	**Furniture, fittings & equipment** $'000	**Motor Vehicles** $'000	**Total** $'000
Opening balance					
Cost		19,397	1,012	3,434	23,843
Accumulated depreciation		(1,086)	(73)	(207)	(1,366)
Net book value as at 1 April 2012		**18,311**	**939**	**3,227**	**22,477**
2013					
Opening net book value		18,311	939	3,227	22,477
Revision to acquired value		(290)	(113)	304	(99)
Additions		4,157	326	2,587	7,070
Disposals		(332)	(24)	(327)	(683)
Depreciation expense		(2,951)	(286)	(1,102)	(4,339)
Closing net book value		**18,895**	**842**	**4,689**	**24,426**
Represented by:					
Cost		23,395	1,244	6,011	30,650
Accumulated depreciation		(4,500)	(402)	(1,322)	(6,224)
Net book value as at 31 March 2013		**18,895**	**842**	**4,689**	**24,426**

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

14 PROPERTY, PLANT AND EQUIPMENT – CONTINUED

		Consolidated			
		Plant & equipment $'000	Furniture, fittings & equipment $'000	Motor Vehicles $'000	Total $'000
2014					
Opening net book value		18,895	842	4,689	24,426
Impairment		(1,353)	(169)	-	(1,522)
Additions		5,633	473	1,732	7,838
Disposals		-	-	(61)	(61)
Depreciation expense		(2,826)	(274)	(1,177)	(4,277)
Closing net book value		**20,349**	**872**	**5,183**	**26,404**
Represented by:					
Cost		20,855	1,339	7,640	29,834
Accumulated depreciation		(506)	(467)	(2,457)	(3,430)
Net book value as at 31 March 2014		**20,349**	**872**	**5,183**	**26,404**

The parent entitiy has no property, plant and equipment

15 DEFERRED TAXATION

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

	Consolidated					
	2014 Assets $'000	**2013** Assets $'000	**2014** Liabilities $'000	**2013** Liabilities $'000	**2014** Net $'000	**2013** Net $'000
Property, plant & equipment	857	599	-	-	857	599
Inventory and receivables	754	898	-	-	754	898
Cash flow hedge	575	-	-	-	575	-
Intangibles	-	-	(3,174)	(3,416)	(3,174)	(3,416)
Provisions and accruals	1,866	1,664	-	-	1,866	1,664
	4,052	**3,161**	**(3,174)**	**(3,416)**	**878**	**(255)**

Movement in temporary differences during the year:

	Consolidated				
	Balance 1 Apr 2012 $'000	Arising on acquisition $'000	Recognised in profit or loss $'000	Recognised in OCI $'000	Balance 31 Mar 2013 $'000
Property, plant & equipment	350	-	249	-	599
Inventory and receivables	1,047	-	(149)	-	898
Cash flow hedge	-	-	-	-	-
Intangibles	(3,835)	-	419	-	(3,416)
Provisions and accruals	803	378	483	-	1,664
	(1,635)	**378**	**1,002**	**-**	**(255)**

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

15 DEFERRED TAXATION – CONTINUED

		Consolidated			
	Balance 1 Apr 2013 $'000	**Fair value review** $'000	**Recognised in profit or loss** $'000	**Recognised in OCI** $'000	**Balance 31 Mar 2014** $'000
Property, plant & equipment	599	-	258	-	857
Inventory and receivables	898	-	(144)	-	754
Cash flow hedge Intangibles	-	-	-	575	575
Intangibles	(3,416)	-	242	-	(3,174)
Provisions and accruals	1,664	-	202	-	1,866
	(255)	**-**	**558**	**575**	**878**

Parent company deferred tax assets and liabilities are attributable to the following:

			Parent			
	2014 Assets $'000	**2013** Assets $'000	**2014** Liabilities $'000	**2013** Liabilities $'000	**2014** Net $'000	**2013** Net $'000
Tax losses	177	236	-	-	177	236
Provisions and accruals	17	12	-	-	17	12
	194	**248**	**-**	**-**	**194**	**248**

Movement in temporary differences during the year:

		Parent			
		Balance 1 Apr 2012 $'000	**Recognised in income** $'000	**Recognised in equity** $'000	**Balance 31 Mar 2013** $'000
Tax losses		50	186	-	236
Provisions and accruals		-	12	-	12
		50	**198**	**-**	**248**

		Parent			
		Balance 1 Apr 2013 $'000	**Recognised in income** $'000	**Recognised in equity** $'000	**Balance 31 Mar 2013** $'000
Tax losses		236	(59)	-	177
Provisions and accruals		12	5	-	17
		248	**(54)**	**-**	**194**

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

16 INTANGIBLE ASSETS

	Customer relationships	Goodwill on acquisitions	Computer software	Total
	$'000	$'000	$'000	$'000
2013				
Opening net book value	14,258	114,517	412	129,187
Revision to acquired value	-	972	98	1,070
Additions	-	-	112	112
Amortisation expense	(1,450)	-	(274)	(1,724)
Closing net book value	**12,808**	**115,489**	**348**	**128,645**
2014				
Opening net book value	12,808	115,489	348	128,645
Additions	-	-	17	17
Amortisation expense	(1,450)	-	(182)	(1,632)
Closing net book value	**11,358**	**115,489**	**183**	**127,030**

Impairment tests for goodwill

On acquisition the goodwill was allocated to three cash generating units being upper North Island, lower North Island and the South Island. Goodwill is allocated as follows:

	31 March 2014	31 March 2013
	$'000	$'000
Upper North Island	49,429	49,429
Lower North Island	23,444	23,444
South Island	42,615	42,615
	115,489	115,489

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

	31 March 2014	31 March 2013
Compound annual volume growth	7.0% -8.0%	6.3%
Long term growth rate	2.0%	2.0%
Discount rate	12.9%	12.1%

Sensivity analysis performed by management indicate no impairment through reasonable changes to the above assumptions.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

17 INVESTMENTS IN SUBSIDIARIES

			Equity holding	
Name of entity	**Place of principal business / Country of incorporation**	**Principal activities**	**2014** %	**2013** %
Metroglass Holdings Limited	New Zealand	Finance company	**100**	**100**
Metropolitan Glass & Glazing Limited	New Zealand	Glass manufacturing	**100**	**100**
IGM Software Limited	New Zealand	Software development	**100**	**100**
Canterbury Glass & Glazing Limited	New Zealand	Non-trading	100	100
Christchurch Glass & Glazing Limited	New Zealand	Non-trading	100	100
Taranaki Glass & Glazing Limited	New Zealand	Non-trading	100	100
Hawkes Bay Glass & Glazing Limited	New Zealand	Non-trading	100	100

18 TRADE AND OTHER PAYABLES

	Consolidated		Parent	
	2014 $'000	**2013** $'000	**2014** $'000	**2013** $'000
Trade accounts payable	7,294	8,210	73	144
Approved issuer levy	53	25	-	-
Capital expenditure accounts payable	-	62	-	-
Employee entitlements	4,090	4,615	-	-
Goods and services tax payable	647	429	-	-
Other payables and accruals	9	16	-	-
Other interest accruals	2,664	1,251	-	-
Branch profit share	1,805	1,483	-	-
	16,562	**16,091**	**73**	**144**

19 PROVISIONS

	Consolidated		Parent	
	2014 $'000	**2013** $'000	**2014** $'000	**2013** $'000
Warranty provision	405	405	-	-
Onerous lease provision	2,954	-	-	-
	3,359	**405**	**-**	**-**

(a) Service warranties

Provision is made for the estimated warranty claims in respect of products sold which are still under warranty at balance date. These claims are expected to be settled in the next financial year but this may be extended into the following year if claims are made late in the warranty period and are subject to confirmation by suppliers that component parts are defective. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

(b) Onerous lease provision

Provision is made for the estimated costs associated with vacating leases prior to their termination dates. These costs are expected to be settled in the next financial year in the form of payments made to leaseholders in exchange for full release from remaining lease obligations. Management estimates the provision based on reviewing the market rates for commercial leases in the relevant areas and assessing the expected discounts landlords would need to offer to replace tenancies expediently.

(c) Movements in provisions

Movements in warranty provision during the financial year are set out below:

	Warranty provision $'000	Onerous lease provision $'000	Total $'000
31 March 2013			
Opening balance	375	-	375
Charged / (credited) to the income statement	30	-	30
Used during year	-	-	-
Closing net book value	**405**	**-**	**405**
31 March 2014			
Opening balance	405	-	405
Charged / (credited) to the income statement	-	2,954	2,954
Used during year	-	-	-
Closing net book value	**405**	**2,954**	**3,359**

20 INTEREST BEARING LIABILITIES

	Consolidated		Parent	
	2014 $'000	**2013** $'000	**2014** $'000	**2013** $'000
Bank borrowings	64,000	70,000	-	-
	64,000	**70,000**	**-**	**-**

The parent entity has no interest bearing liabilities

Bank borrowings are due for repayment on 30th September 2016 and bear a variable coupon rate of 8.72% annually (2013: 7.21% annually). Bank borrowings are secured by the property, plant and equipment of the Group.

(a) Assets pledged as security

The bank loans are secured under both a General Security Deed and Specific Security Deed which results in registered charges over assets of the Group and positive and negative pledge undertakings.

(b) Fair value

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

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

21 EQUITY

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Issued and paid up capital Ordinary shares				
Balance at beginning of year	100,000	100,000	100,000	100,000
Shares issued during the year	-	-	-	-
Balance at end of year	**100,000**	**100,000**	**100,000**	**100,000**

Ordinary Shares

As at 31 March 2014 there were 100,000,000 issued and fully paid ordinary shares. All ordinary shares rank equally with one vote attached to each fully paid ordinary share. The par value of the shares is $100,000,000.

Ordinary B Class Shares

As at 31 March 2014 there were 10,000 issued and unpaid Ordinary B Class shares. All B Class shares rank equally with one vote attached to each fully paid share.

Ordinary C Class Shares

The Group issued 5,500,000 Ordinary C Class shares as part of the long term incentive plan (refer note 25e). C Class shares have the same rights as ordinary shares with the exception that they are funded through a limited recourse loan arrangement with the Company and are only transferable pursuant to the terms of the long term incentive plan.

No dividends have been declared or paid during the year to 31 March 2014 (2013: $nil)

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Retained earnings				
Balance at beginning of year	7,804	(459)	(784)	(127)
Earnings/(Loss) for the year	11,951	8,263	(603)	(657)
Balance at end of year	**19,755**	**7,804**	**(1,387)**	**(784)**

22 OTHER RESERVES

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Share based payments reserve				
Balance at beginning of year	-	-	-	-
Long term incentive	753	-	-	-
Closing balance	**753**	**-**	**-**	**-**

The Group currently has a long term incentive plan for selected employees (refer note 25). This reserve is used to record the accumulated value of the plan which has been recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

22 OTHER RESERVES – CONTINUED

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Cash flow hedge reserve				
Balance at beginning of year	(251)	-	-	-
Movement in cash flow hedge reserve	(1,802)	(251)	-	-
Deferred tax on movement in cash flow hedge reserve	575	-	-	-
Closing balance	**(1,478)**	**(251)**	**-**	**-**

The reserve records the portion of the gain or loss on a hedging derivative in a cash flow hedge that is determined to be an effective hedge. The cumulative deferred gain or loss on the hedge is recognised in the income statement when the hedged transaction impacts the income statement, or depending on the nature of the hedge, is included in a non-financial hedged item when the hedged event occurs.

23 CONTINGENCIES

As at 31 March 2014 the Group had no contingent liabilities or assets (2013: $nil)

24 COMMITMENTS

Lease commitments: as lessee

Operating leases

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

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Consolidated		Parent	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Within one year	6,310	4,872	-	-
One to two years	7,023	4,730	-	-
Two to five years	16,692	11,214	-	-
Beyond five years	34,262	10,015	-	-
Commitments not recognised in the financial statements	**64,287**	**30,831**	**-**	**-**

At balance date, there were capital expenditure commitments of approximately $9.3m (2013: $19.8m).

25 RELATED PARTY TRANSACTIONS

(a) Parent entities

The ultimate parent entity within the Group is Metroglass Holdings Limited. There is no ultimate controlling shareholder.

(a) Directors

The names of persons who were directors of the Company at any time during the financial year are as follows: Neville Buch, Brent Jones, Craig Mathieson, Nigel Rigby and Nathaniel Thomson. All of these persons were also directors as at 31 March 2013.

Certain properties leased by the Group are owned or controlled by directors of related companies. Consequently, the following is considered a related party: Brent Jones. Refer 25(c).

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

25 RELATED PARTY TRANSACTIONS – CONTINUED

(b) Subsidiaries

Interests in subsidiaries are set out in note 17.

(c) Transactions with related parties

The following transactions occurred with related parties:

The Group leases land and buildings from companies which certain directors have a controlling interest. The leases were negotiated on an 'arms length' basis and as such as considered fair and reasonable to both lessee and lessor. The leases are on market value terms and subject to market rate adjustments, as determined by reference to an independent market value assessment of rentals, over the term of the lease. The related party entity and amounts paid to each during the year are shown below. There were no outstanding amounts owing at balance date (2013: nil).

	Consolidated		Parent	
	2014 $'000	**2013** $'000	**2014** $'000	**2013** $'000
Leasehold land and buildings				
Epoch Chch Limited	1,128	1,108	-	-
Coastal Properties Tauranga Limited	601	417	-	-
	1,729	**1,525**	**-**	**-**

(d) Key management compensation

Key management includes directors (executive and non-executive) and members of the Senior Leadership Team. The compensation paid or payable to key management for employee services is shown below:

	Consolidated	
	2014 $'000	**2013** $'000
Salaries and other short-term employee benefits	2,248	1,958
Management incentive	708	-
Directors fees	550	694
Share-based payments	753	-
	4,259	**2,652**

The following transactions occurred with related parties:

(e) Long Term Incentive Plan

The Company established a long term incentive plan for selected employees. Under the terms of the plan, 5.5 million Ordinary C Shares were issued at an issue price of $1 per share under a limited recourse interest free loan arrangement with the Company. On an initial public offering, the C shares will be exchanged for ordinary shares in the listing vehicle partly funded by a limited recourse interest free loan between the employees and the Company. 50% of the ordinary shares will vest at the time of listing and the remaining 50% will vest 12 months later, and are further subject to escrow arrangements until expiry of the PFI period. The fair value of the plan at the grant date amounts to $1.5 million. The fair value was determined by KPMG Auckland as independent valuers using Black Scholes modelling as applied to the conditions of the plan. The model considered the value of the shares at the grant date, the likely vesting period of the shares, the associated vesting conditions, forecast dividends and the underlying volatility of the shares using comparable company information. The fair value is being recorded as a share based payments expense in the statement of comprehensive income over the vesting period of the plan. The total expense recognised for the year ended 31 March 2014 amounts to $0.8 million.

26 EVENTS SUBSEQUENT TO YEAR END

On 30 May 2014 Metro Performance Glass Limited was incorporated. As part of the proposed initial public offering, subsequent to year end, the Company entered into a conditional sale and purchase agreement for the sale of Metroglass Holdings Limited to Metro Performance Glass Limited for cash and shares in Metro Performance Glass Limited. The sale is conditional on receiving the consent of the Overseas Investment Act 2005 and Overseas Investment Regulations 2005, approval of the initial public offer price by certain shareholders and Metro Performance Glass Limited undertaken the offer of shares.

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