



INTERIM FINANCIAL STATEMENTS





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CHAIR AND CEO LETTER



PETER GRIFFITHS
Chair



SIMON MANDER
CEO

In the first six months of FY24, the company experienced a marked change in market momentum in both countries of the Group's operations but particularly in New Zealand.

The growing challenges facing the New Zealand economy reduced construction activity sooner than was predicted. Residential consenting levels in New Zealand came off their historical highs to 40,408 in the 12 months to September 2023. Consequently, demand for glass for new housing declined which impacted revenue and profitability. In Australia, the market has softened also, but later and to a lesser degree. Despite this Australian Glass Group (AGG) has succeeded in growing revenue and profitability.

The board and management team continue to focus their efforts to position the company with lower costs for the period of cyclic decline in building activity and the opportunity to leverage changes to building regulations.

Financial performance

In summary, the Group revenue for the six months to 30 September 2023 of \$130.2 million was 6% lower than the prior year, impacted by a 13% softer revenue in New Zealand partially offset by 13% growth in AGG.

Pleasingly, gross profit margins recovered despite lower demand supported by less supply chain disruptions, input costs easing, and a growing demand for higher-value double-glazing products in New Zealand and Australia, as new regulations embed.

Group EBIT¹ before significant items was \$7.5 million. This result was 33% greater than the prior year and in line with guidance provided in August 2023.

Net debt decreased by 11%, or \$6.3 million, to \$52.8 million at 30 September 2023 compared to the prior year, also in line with August 2023 guidance. The reduction was driven by reduced working capital in the form of inventory as supply chain reliability improved. Debtor and creditor profiles reduced also as a direct result of the softer trading conditions.

Positioning for the cycle in New Zealand

The financial benefits of the cost-out programme initiated last year continue to flow through, along with further structural changes and reduced overhead cost initiatives completed in the first half of FY24. As a result, the New Zealand business has 16% lower headcount from one year ago.

The company continues to monitor the trading environment closely and might consider further initiatives to ensure that it is appropriately positioned for the cycle and is able to capture future opportunities.

Targeted furnace capacity and capability investments in Auckland and Christchurch in the last financial year have delivered processing efficiencies and enabled the launch of a new distribution route through the central North Island.

It is clear that the New Zealand business has experienced a slowdown in activity driven by persistent inflation and higher interest rates. These are expected to subdue demand for some time.

Australian Glass Group performs to plan

AGG delivered solid operating and financial performance in a period of cost inflation. Revenue growth of 13% to \$43.2 million is underpinned by the high-performing double-glazing market which appears to be holding firmer than the emerging general market softness.

This further period of positive performance confirms the successful turnaround of the business with a consistent operational and financial stability and a solid customer base. AGG remains focused on maintaining its profitability and optimising working capital.

In the first six months, the business installed a series of equipment upgrades in New South Wales and increased double-glazing capacity in Victoria, by redeploying equipment from the Mount Maunganui plant in New Zealand.

Capital management

Net debt decreased by \$6.3 million to \$52.8 million compared with 30 September 2022, driven by a 10% reduction in working capital since 31 March 2023. The net debt to EBITDA² ratio improved to 2.69x at 30 September 2023 from 3.8x at 30 September 2022.

Good progress has been made in reducing debt; however, the current period of softer market activity creates further challenge. It is the board's view that cash flows from operations alone, particularly in a downturn, cannot reduce debt rapidly enough and other alternatives need to be considered.

In February 2023 Metroglass announced a sale process for AGG which continues to advance, the board is targeting an announcement in the near future. If a suitable deal can be concluded the board will bring the offer to shareholders at an extraordinary meeting in the new year.

Market outlook

In New Zealand the 12-month rolling residential consents have declined and while they are still above long-term trends, glass demand has fallen significantly.

Demand for construction materials decreased across the sector and forecasts remain uncertain for FY24. It is the company's view that these conditions are likely to continue until inflation pressures and interest rates ease.

While ensuring we deliver quality products, safely and with excellent customer service, the company is resizing itself to ensure it is efficient for the changing market demand.

As a consequence of the forecasted lower construction activity, a review of the carrying values of Metroglass' assets resulted in a \$9.1 million impairment on New Zealand goodwill, which initially arose from acquisitions completed in 2012 (prior to the Initial Public Offering-IPO). This non-cash charge has no impact on the company's bank covenants and is presented as a significant item in the financial statements.

With current market volatility it is difficult to forecast New Zealand earnings for the balance of the year, however it is anticipated that the New Zealand business will continue to be operating cash positive.

In Australia the number of detached dwelling commencements declined in all states. However, the increasing use of double-glazing in residential buildings is expected to partially offset the declines in residential construction activity.

As previously announced, for the 12 months to 31 March 2024, management forecasts are for AGG to achieve revenue, EBITDA and EBIT³ of approximately AUD 79.0 million, AUD 11.5 million, AUD 7.5 million respectively.

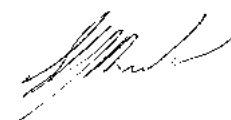
Metroglass' strategy is to be the leader in glass solutions, and this is underpinned by significant depth in expertise, proven and world-class technology, and a dedication to delivering to our customers.

We'd like to acknowledge the 3 Directors that have left the board in the last 6 months. Each provided valuable contributions to the company over their tenure. Shawn Beck joined the board in November and brings significant commercial and strategic expertise to the board.

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



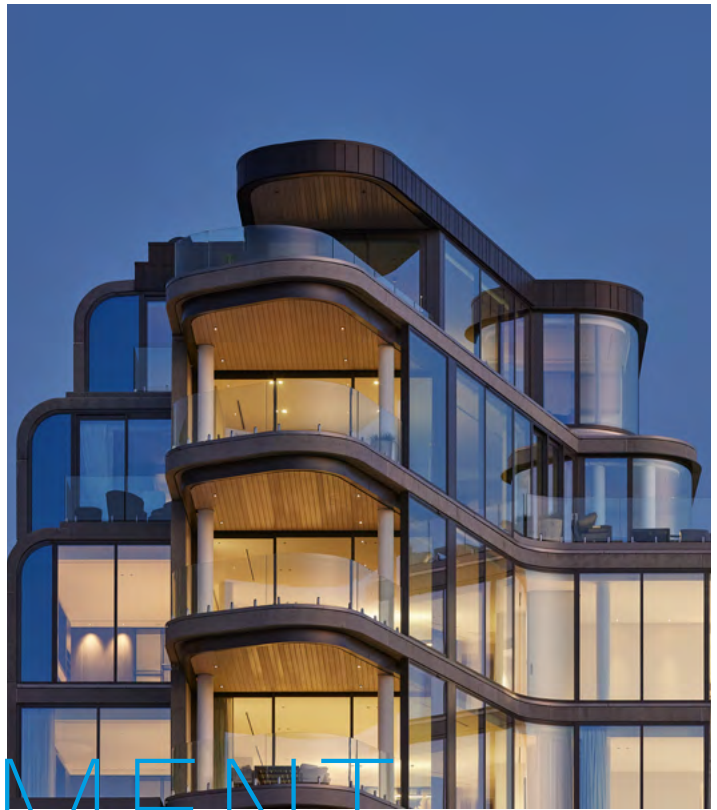
PETER GRIFFITHS
Metro Performance Glass
Chair



SIMON MANDER
Metro Performance Glass
Chief Executive Officer



2. Earnings before interest, tax, depreciation and amortisation
3. Excluding \$0.5 management fee, and before significant items



The sonata. Photo courtesy of Location Group and Buchan

MANAGEMENT SUMMARY

The Group delivered an EBIT⁴ result in line with August 2023 guidance supported by increased LowE sales, easing supply chain costs, and the cost-out programme in New Zealand, and solid AGG earnings.

Group revenue of \$130.2 million was 6% lower than the prior comparable period and Group EBIT¹ increased 33% to \$7.5 million. Reported net profit after tax (NPAT) was below the prior year and a loss of \$(9.2) million.

The anticipated softening of the New Zealand market resulted in the square metres of glass processed being 25% lower in the first half of FY24 compared to the prior year. However, a progressive increase of higher-value Low E glass in the sales mix partially offset the volume decline with revenue 13% lower. AGG delivered 13% revenue growth driven by solid demand in Victoria and New South Wales, partially offset by a softer Tasmanian market.

International supply chains improved significantly through 2023 and has allowed the company to reduce inventory and make meaningful reductions in working capital. At 30 September 2023, working capital was 3% lower than the prior year, and had declined by 10% from 31 March 2023. As a result, net debt reduced \$6.3 million, to \$52.8 million in line with August guidance.

Our operations teams continue to drive advances in reliability, quality and service performance to our customers. During the first half of FY24, we scaled up glass processing output from the Auckland plant and introduced a regional distribution route to better service the central North Island.

In November 2023 the company conducted its twice-yearly customer survey. The New Zealand business achieved 7.9/10⁵, an improved rating from our May 2023 survey and reflected the targeted improvements achieved in our customer experience. AGG achieved 8.3/10, reflecting the positive relationship and service it delivers to our customers.

The safety of our teams is paramount and underlines our efforts to ensure our people are staying safe and living well. Our multi-year safety and wellbeing programme continues to make good progress. Lead and lag indicators continue to trend positively, supported by being proactive in managing risk, ongoing compliance to systems and quality record management.

4. Earnings before interest, tax and before significant items.

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

New Zealand

The New Zealand business delivered revenue of \$87.0 million, 13% lower than the prior comparable period. Improved pricing and supportive sales mix partially offset the impact of a softer market.

This is a significant shift in the mix of high-performing Low E double glazing as consents issued at the new H1 standard begin to reach glass installation. In the first half of FY24 Low E glass represented 43% of all double glazing processed compared with just 28% in the first half of FY23.

Gross profit percentage increased to 44.5% in the six months to 30 September 2023.

In the highly competitive residential channel, revenue of \$54.8 million was 16% below the prior year primarily as lower activity was partially offset by increased LowE glass sales. The commercial glazing channel was steady with revenue flat on the prior year at \$19.0 million, however the time

between tender and project acceptance has extended. The business unit continues to have a small number of legacy contracts at pre-price increase rates, which has impacted profit margins. Retrofit revenue declined 16% to \$13.2 million as cost-of-living and interest rate pressures deferred consumer spending with many customers opting for partial house retrofit rather than full house.

EBIT⁶ of \$3.2 million was down 9% largely as a result of lower revenue partially offset by improved gross profit percentage. Successful execution of the cost-out programme delivered cost savings in distribution, glazing and administration.

NEW ZEALAND SEGMENTAL REVIEW

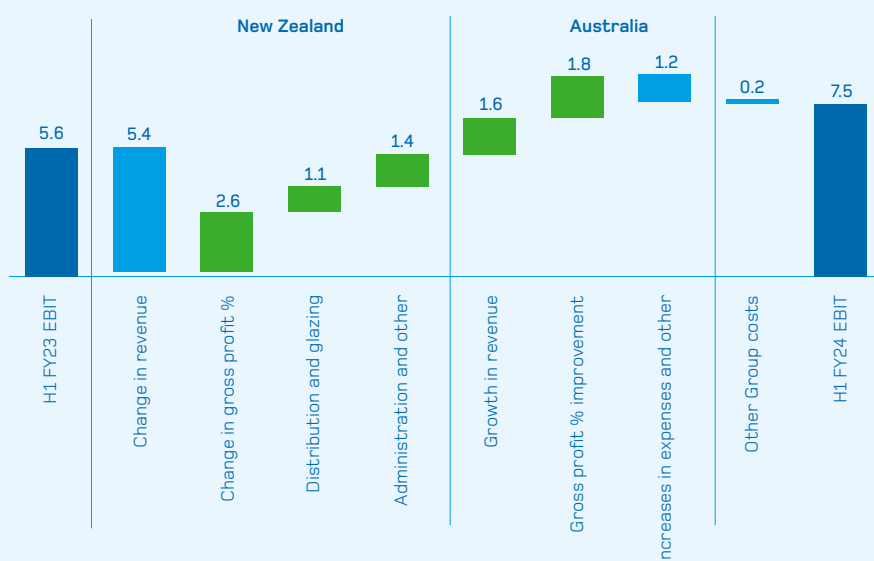
Revenue

\$87.0m -13%

EBIT⁶

\$3.2m -9%

Group EBIT⁶



6. Earnings before interest, tax and before significant items

Australia Glass Group

Marked improvements in market pricing offset inflationary pressures, while continued demand for high-performing double glazing in the Australian market saw revenue growth of 13.0% to \$43.2 million, despite some softness across the wider sector.

Gross profit margin increased to 37.3% in the first half of FY24 from 33.1% in the prior comparable period.

EBIT¹ of \$4.6 million is an increase of 79% on the prior year supported by the rise in revenue and gross profit margin, partially offset by an increase in variable costs to service the greater demand.

Good profitability and working capital requirements have allowed AGG to generate good operating cash flows for the Group. The business remains focused on optimising volume and pricing as a result of the slowing residential market.

In the first half of FY24, AGG has commissioned a second double-glazing line in Victoria and equipment upgrades in New South Wales, which have provided an uplift in quality and capacity availability for a growing market for doubled glazed units. The equipment was redeployed from the Mount Maunganui plant.

Customers are pleased with AGG's performance, and its reputation as a specialised high-performance double-glazing processor continues to strengthen.

AUSTRALIA GLASS GROUP REVIEW

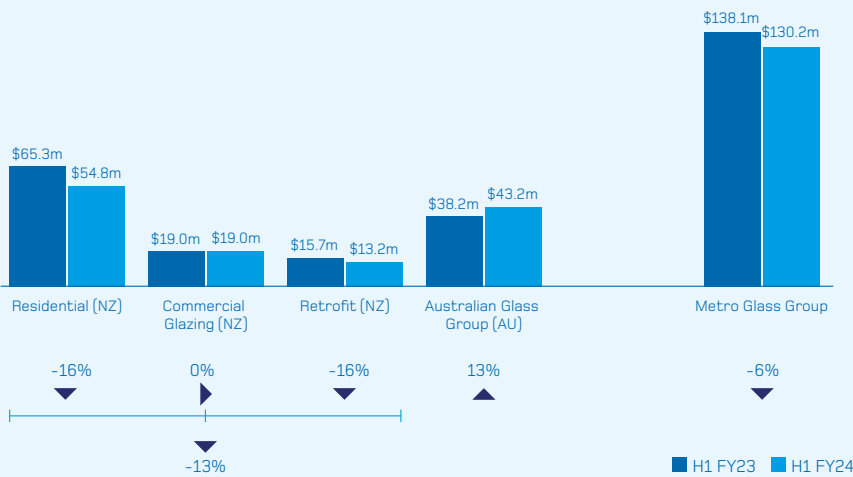
Revenue

\$43.2m +13%

EBIT¹

\$4.6m +79%

Group revenue by segment





Consolidated Interim Statement of Comprehensive Income

for the half year ended 30 September 2023 (unaudited)

	NOTES	CONSOLIDATED	CONSOLIDATED
		Sep-23 \$'000	Sep-22 \$'000
Sales revenue	2.1	130,196	138,132
Cost of sales		(75,314)	(83,931)
Gross profit	2.1	54,882	54,201
Distribution and glazing-related expenses		(24,262)	(24,905)
Selling and marketing expenses		(6,716)	(6,716)
Administration expenses		(16,811)	(17,284)
Share of profits of associate		254	222
Other income and gains		149	98
Profit before significant items, interest and tax		7,496	5,616
Significant items	2.2	(11,313)	–
Profit before interest and tax		(3,817)	5,616
Finance expense		(5,663)	(5,058)
Finance income		46	–
Profit/(loss) before income taxation		(9,434)	558
Income tax benefit		205	76
Profit/(loss) for the period		(9,229)	634
Other comprehensive income			
Items that may be reclassified to profit or loss in the future:			
Exchange differences on translation of foreign operations		291	2,391
Change in fair value of hedging instruments (net of tax)		(187)	922
Total comprehensive income for the period attributable to shareholders		(9,125)	3,947
Earnings per share			
Basic and diluted earnings per share (cents per share)		(5.0)	0.3

The Board of Directors authorised these financial statements for issue on 29 November 2023.

For and on behalf of the board:



Peter Griffiths
Chair



Julia Mayne
Director

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

Consolidated Interim Statement of Financial Position

at 30 September 2023 (unaudited)

	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED
	Sep-23	(AUDITED) Mar-23	Sep-22
	\$'000	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	6,709	7,300	12,015
Trade receivables	37,113	38,083	42,827
Current income tax asset	1	1	146
Inventories	28,744	31,826	32,691
Derivative financial instruments	47	251	1,706
Other current assets	3,387	3,237	3,691
Total current assets	76,001	80,698	93,076
Non-current assets			
Property, plant and equipment	48,357	50,674	54,334
Right-of-use assets	62,256	65,335	68,708
Deferred tax assets	10,707	10,398	10,571
Investment in associate	2,765	2,512	2,320
Intangible assets	35,234	44,336	55,913
Other non-current assets	541	650	737
Total non-current assets	159,860	173,905	192,583
Total assets	235,861	254,603	285,659
LIABILITIES			
Current liabilities			
Trade and other payables	27,221	27,208	35,852
Deferred income	2,485	2,054	2,742
Derivative financial instruments	51	107	16
Lease liabilities	7,705	7,452	7,034
Provisions	646	633	1,816
Total current liabilities	38,108	37,454	47,460
Non-current liabilities			
Interest-bearing liabilities	59,494	67,370	71,067
Lease liabilities	67,854	70,432	73,514
Provisions	3,908	3,880	3,980
Total non-current liabilities	131,256	141,682	148,561
Total liabilities	169,364	179,136	196,021
Net assets	66,497	75,467	89,638
Equity			
Contributed equity	307,198	307,198	307,198
Accumulated losses	(70,493)	(61,901)	(50,720)
Group reorganisation reserve	(170,665)	(170,665)	(170,665)
Share-based payments reserve	876	1,358	1,147
Foreign currency translation reserve	(92)	(383)	2,432
Hedge reserve	(327)	(140)	246
Total equity	66,497	75,467	89,638

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

Consolidated Interim Statement of Changes in Equity

for the half year ended 30 September 2023 (unaudited)

CONSOLIDATED				
	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000
Opening balance at 1 April 2022	307,198	(169,934)	(51,735)	85,529
Profit for the period	–	–	634	634
Movement in foreign currency translation reserve	–	2,391	–	2,391
Other comprehensive income for the period	–	922	–	922
Total comprehensive income for the period	–	3,313	634	3,947
Expiry of share-based payments	–	(382)	382	–
Movement in share-based payments reserve	–	163	–	163
Total transactions with owners, recognised directly in equity	–	(219)	382	163
Unaudited closing balance at 30 September 2022	307,198	(166,840)	(50,720)	89,638
	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000
Opening balance at 1 October 2022	307,198	(166,840)	(50,720)	89,638
Loss for the period	–	–	(11,181)	(11,181)
Movement in foreign currency translation reserve	–	(2,815)	–	(2,815)
Other comprehensive loss for the period	–	(386)	–	(386)
Total comprehensive loss for the period	–	(3,201)	(11,181)	(14,382)
Expiry of share-based payments	–	–	–	–
Movement in share-based payments reserve	–	211	–	211
Total transactions with owners, recognised directly in equity	–	211	–	211
Audited closing balance at 31 March 2023	307,198	(169,830)	(61,901)	75,467
	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000
Opening balance at 1 April 2023	307,198	(169,830)	(61,901)	75,467
Loss for the period	–	–	(9,229)	(9,229)
Movement in foreign currency translation reserve	–	291	–	291
Other comprehensive loss for the period	–	(187)	–	(187)
Total comprehensive income for the period	–	104	(9,229)	(9,125)
Expiry of share-based payments	–	(637)	637	–
Movement in share-based payments reserve	–	155	–	155
Total transactions with owners, recognised directly in equity	–	(482)	637	155
Unaudited closing balance at 30 September 2023	307,198	(170,208)	(70,493)	66,497

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

Consolidated Interim Statement of Cash Flows

for the half year ended 30 September 2023 (unaudited)

	CONSOLIDATED	CONSOLIDATED
	Sep-23 \$'000	Sep-22 \$'000
Cash flows from operating activities		
Receipts from customers	130,672	130,099
Payments to suppliers and employees	(112,135)	(123,373)
Government wage subsidy and grants received	110	99
Interest received	82	–
Interest paid	(2,978)	(2,437)
Interest paid on leases	(2,355)	(2,383)
Income taxes paid	–	(242)
Net cash inflow from operating activities	13,396	1,763
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	–	194
Payments for property, plant and equipment	(1,999)	(4,893)
Payments for intangible assets	–	(68)
Net cash outflow from investing activities	(1,999)	(4,767)
Cash flows from financing activities		
Lease liabilities principal payments	(3,713)	(3,284)
Drawdown/(repayment) of borrowings (net)	(8,000)	4,500
Repayment of other financing	(282)	(461)
Net cash inflow/(outflow) from financing activities	(11,995)	755
Net decrease in cash and cash equivalents	(598)	(2,249)
Cash and cash equivalents at the beginning of the period	7,300	13,064
Effects of exchange rate changes on cash and cash equivalents	7	1,200
Cash and cash equivalents at the end of the period	6,709	12,015

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

Notes to the Consolidated Interim Financial Statements (unaudited)

1 BASIS OF PREPARATION

Reporting entity

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

Statutory base

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

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

The comparative trading results presented encompass the six-month period from 1 April 2022 to 30 September 2022.

Basis of preparation

These consolidated interim financial statements have been approved for issue by the Board of Directors on 29 November 2023.

The Group's unaudited condensed consolidated interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with the requirements of International Accounting Standard (IAS) 34 *Interim Financial Reporting* and with New Zealand Equivalent to International Accounting Standard (NZ IAS) 34 *Interim Financial Reporting*.

These consolidated interim financial statements are presented in New Zealand dollars and rounded to the nearest thousand dollars. These condensed financial statements do not include all the information required for full financial statements, and consequently should be read in conjunction with the full financial statements of the Group for the year ended 31 March 2024. The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's audited financial statements for the year ended 31 March 2023.

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

The Group's revenue and profitability follow a seasonal pattern with lower sales and net profits typically achieved in the second half of the financial year as a result of lower sales generated during the Christmas shutdown period.

Historical cost convention

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

Principles of consolidation

The consolidated interim financial statements incorporate the assets and liabilities of all subsidiaries of Metro Performance Glass Limited ('the company' or 'the parent entity') as at 30 September 2023 and the results of all subsidiaries for the period then ended.

Subsidiaries are all entities over which the Group has control. A subsidiary is a controlled entity of Metro Performance Glass if Metro Performance Glass is exposed and has a right to variable returns from the entity and is able to use its power over the entity to affect those returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

Notes to the Consolidated Interim Financial Statements (unaudited)

(continued)

Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in New Zealand dollars, which is the Company's functional and presentation currency and rounded where necessary to the nearest thousand dollars.

Transactions and balances

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.
- on consolidation, exchange differences arising from the translation of any net investment in foreign entities, and the borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goods and services tax (GST)

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

Standards, amendments and interpretations to existing Standards that are not yet effective

There are no published new or amended standards or interpretations that become effective on or after 1 October 2023 that would have a material impact on the Group's consolidated interim financial statements.

Going concern

The net debt decreased from \$60.1 million at 31 March 2023 to \$52.8 million at 30 September 2023.

The directors have considered the forecast cash flows and covenant compliance for the foreseeable future while acknowledging the uncertainties around forecasting in the current environment, the directors consider these uncertainties do not represent material uncertainties affecting the going concern position of the Group. Accordingly, the financial statements are prepared on a going concern basis.

Notes to the Consolidated Interim Financial Statements (unaudited)

(continued)

2 FINANCIAL PERFORMANCE

2.1 Segment information

Operating segments of the Group at 30 September 2023 have been determined based on financial information that is regularly reviewed by the board in conjunction with the Chief Executive Officer and Chief Financial Officer, collectively known as the Chief Operating Decision-Maker for the purpose of allocating resources, assessing performance and making strategic decisions.

Substantially all of the Group's revenue is derived from the sale of glass and related products and services. This revenue is split by channel only at the revenue level into Commercial Glazing, Residential and Retrofit. Commercial glazing revenue reflects sales through four specific commercial glazing operations in New Zealand. Retrofit revenue reflects sales through four specific retrofit operations in New Zealand and the retrofit channel sales from all (Metro Direct) branches across New Zealand. Residential revenue reflects all other sales channels. The allocation of sales between residential and commercial can be difficult as the Group does not always know the end-use application. Following the acquisition of Australian Glass Group Pty Ltd (AGG) on 1 September 2016 the Group operates in two geographic segments, New Zealand and Australia.

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

	SEP-23			
	New Zealand \$'000	Australia \$'000	Eliminations and other \$'000	Group \$'000
Commercial Glazing	18,992	–	–	18,992
Residential	54,849	43,151	–	98,000
Retrofit	13,204	–	–	13,204
Total revenue	87,045	43,151	–	130,196
Gross profit	38,777	16,105	–	54,882
Segmental EBITDA before significant items	9,882	6,974	–	16,856
Group costs	–	–	(366)	(366)
Group EBITDA before significant items				16,492
Depreciation and amortisation	(6,655)	(2,339)	–	(8,994)
EBIT before significant items	3,227	4,635	(366)	7,496
Significant items	(10,193)	(1,120)	–	(11,313)
EBIT	(6,966)	3,515	(366)	(3,817)
Segment assets	298,312	70,569	(133,020)	235,861
Segment non-current assets (excluding deferred tax assets)	110,938	47,360	–	158,298
Segment liabilities	87,972	25,315	56,076	169,364

	SEP-22			
	New Zealand \$'000	Australia \$'000	Eliminations and other \$'000	Group \$'000
Commercial Glazing	18,997	–	–	18,997
Residential	65,298	38,166	–	103,464
Retrofit	15,671	–	–	15,671
Total revenue	99,966	38,166	–	138,132
Gross profit	41,584	12,617	–	54,201
Segmental EBITDA	10,339	5,252	–	15,591
Group costs	–	–	(531)	(531)
Group EBITDA				15,060
Depreciation and amortisation	(6,788)	(2,656)	–	(9,444)
EBIT before significant items	3,551	2,596	(531)	5,616
Significant items	–	–	–	–
EBIT	3,551	2,596	(531)	5,616
Segment assets	332,180	74,522	(121,043)	285,659
Segment non-current assets (excluding deferred tax assets)	132,636	49,376	–	182,012
Segment liabilities	102,094	27,010	66,917	196,021

Notes to the Consolidated Interim Financial Statements (unaudited)

(continued)

2.2 Significant items

	CONSOLIDATED	CONSOLIDATED
	Sep-23 \$'000	Sep-22 \$'000
Impairment of New Zealand intangible assets	9,145	–
Restructure of the New Zealand operations	1,042	–
Australian divestment	1,126	–
Total significant items before taxation	11,313	–
Tax benefit on above items	(629)	–
Total significant items after taxation	10,684	–

Accounting policy

Significant items are a non-GAAP measure and are based on the Group's internal policy as follows. Transactions considered for classification as significant items are material restructuring costs, acquisition and disposal costs, impairment or reversal of impairment of assets, business integration, and transactions or events outside of the Group's ongoing operations that have a significant impact on reported profit. The Australian divestment costs include those professional service costs incurred for the investigation of the sale process undertaken in the period ended 30 September 2023.

The Australian divestment costs include those professional service costs incurred for the investigation of the sale process undertaken in the period ended 30 September 2023. As noted in the FY23 annual report, the Group disclosed a cost out programme to ensure that the business capacity and resources are appropriate to service demand as the construction sector cycle changes, including a comprehensive review of its organisational structure and manufacturing footprint. This review culminated in the closure of the manufacturing facility in Bay of Plenty in December 2022, closure of the hardware procurement function, and other staff restructuring costs. The costs of this programme that were incurred in the period ended 30 September 2023 are included in the 'Restructure of NZ operations' significant item. The nature of the costs incurred include costs incurred transporting and re-commissioning assets from the Bay of Plenty manufacturing facility closure, and additionally, the redundancy costs incurred for the closure of a shift at the Wellington manufacturing facility.

3 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2023, the Group acquired assets with a total cost of \$2.0 million (September 2022: \$4.1 million) and disposed of assets with a total book value of \$0.07 million (September 2022: \$0.2 million). There have been no material changes in the estimated useful life of key items of plant and machinery. The depreciation expense for the six months ended 30 September 2023 was \$4.4 million (September 2022: \$4.9 million).

4 FINANCIAL INSTRUMENTS

Interest rate swaps and forward exchange contracts

These financial instruments were measured at fair value based on valuations provided by Westpac Banking Corporation and ASB Bank Limited. All significant inputs were based on observable market data and accordingly have been categorised as level 2. At balance date, the fair value of interest rate swaps is \$0.0 million asset (March 2023: \$0.2 million liability) and the fair value of forward exchange contracts is \$0.0 million liability (March 2023: \$1.5 million liability).

The movements in fair value are disclosed in cash flow hedges (net of tax) through other comprehensive income, with a gain recognised on forward exchange contracts of \$0.0 million (30 September 2022: \$1.2 million gain), a loss of \$0.1 million (30 September 2022: \$0.4 million gain) on interest rate swaps, and a loss of \$0.1 million on the net investment hedge (30 September 2022: \$0.6 million).

5 INTANGIBLE ASSETS

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

	CONSOLIDATED	CONSOLIDATED
	Sep-23 \$'000	(Audited) Mar-23 \$'000
New Zealand	11,734	20,879
Australia	23,327	23,167
	35,061	44,046

Notes to the Consolidated Interim Financial Statements (unaudited)

(continued)

To ensure that the intangible assets are not carried at above their recoverable amounts, impairment testing for both Cash Generating Units (CGUs) is completed at least annually for goodwill with indefinite lives, and where there is an indication that the assets may be impaired. Impairment tests are performed by assessing the recoverable amount of each individual asset or CGU. The recoverable amount is determined as the higher amount calculated under a value-in-use (VIU) or a fair value less costs of disposal (FVLCD) calculation. Both methods utilise pre-tax cash flow projections based on financial projections approved by the directors.

The impairment testing used pre-tax cash flow projections based on financial projections approved by the directors covering a three-year period. Directors considered the views of several economic forecasters, observable market data points (including building consents), feedback from customers, analysis of forward work, anticipated customer wins and/or losses and other competitive dynamics.

Australian CGU

The Australian CGU has continued to improve its performance and the business is well placed for continued growth as the penetration of double-glazing increases supported by changing construction codes and consumer preferences. It is the Directors view that there are no impairment indicators in relation to the Australian CGU and, therefore, no impairment test has been performed at 30 September 2023.

New Zealand CGU

The New Zealand construction industry is now expected to face lower activity levels for the coming 12 to 36 months. In response to the current challenges for the New Zealand CGU, management has prepared upside, base, and two downside case scenarios. Each scenario included three-years of cash flow projections with cash flows beyond that point extrapolated using estimated long-term growth rates. The final VIU and FVLCD calculations apply an assessed probability-weighting to the four scenarios. The probability and sensitivities around these scenarios will continue to be reviewed.

Impairment testing for the New Zealand CGU was completed using both the VIU and FVLCD methods. The FVLCD showed a lower impairment. The FVLCD test used the same assumptions as the VIU test, apart from some cash flow benefits from actions that a market participant may take, which can be included in the FVLCD test. The FVLCD calculation has been determined using level three in terms of the fair value hierarchies in NZ IFRS 13.

NEW ZEALAND SCENARIOS				
	Downside case 1	Downside case 2	Base case	Upside case
Assessed probability of this scenario occurring	15%	20%	60%	5%
		Continues to increase	Status quo	Some capacity consolidation
Level of competitive intensity	Status quo			
Volume change (terminal year vs FY24 H1 actual)	-30%	-20%	-13%	8%
Resulting 3-year compound annual revenue growth	-14%	-7%	-6%	-2%

Key assumptions in the 30 September 2023 impairment assessment (VIU and FVLCD) calculations (and the equivalent assumptions in the 31 March 2023 calculations) are as follows:

	CONSOLIDATED	CONSOLIDATED
	Sep-23 New Zealand (Weighted case)	(Audited) Mar-23 New Zealand
Compound annual revenue growth – 3 years	(7.3%)	(4.9%)
Long-term growth rate	2.0%	2.0%
Discount rate (pre-tax, post IFRS 16)	15.3%	14.6%
Discount rate (post-tax, post IFRS 16)	11.0%	10.5%

Long-term growth rate

Cash flows beyond the three-year period are extrapolated using an estimated long-term growth rate. The long-term growth rate for the New Zealand CGU reflects the long-term inflation expectation at 2%, being the mid-point of the Reserve Bank of New Zealand (RBNZ) target range and based on historical inflation rates.

Discount rate

The discount rate (post tax) represents the current market assessment of the risks specific to the CGU, taking into account the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the CGU and its operating segments and is derived from its weighted average costs of capital (WACC).

Notes to the Consolidated Interim Financial Statements (unaudited)

(continued)

The discount rates used are supported by independent third-party expert advice. The discount rates at 30 September 2023 were higher than the rates used at 31 March 2023 reflecting the market increases in interest rates (risk-free rates) and the consideration of market-specific risks.

Sensitivity to changes in key assumptions

New Zealand CGU impairment test	Impairment \$'000	Variance to base assumption \$'000
Base assumption	(9,145)	
+0.5% Discount rate	(12,362)	(3,216)
-0.5% Discount rate	(5,558)	3,588
+0.25% Long-term growth rate	(7,531)	1,615
-0.25% Long-term growth rate	(10,673)	(1,527)

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

Whilst acknowledging the current heightened uncertainties around forecasting, it is the considered view of the directors that the forecast revenue assumptions and resulting outcome are reasonable. This is based on their understanding of the market, supplemented by third-party forecasts, and a consensus of the reasonably foreseeable range of expected market trajectories considered. The FVLCD approach results in a recoverable amount of \$73.0 million, compared to the carrying amount of the CGU's net operating assets of \$82.1 million. Therefore, an impairment to the goodwill balance of \$9.1 million has been recognised at 30 September 2023.

Market capitalisation comparison

The Group compares the carrying amount of net assets with the market capitalisation value at each balance date. The share price at 30 September 2023 was \$0.155 equating to a market capitalisation of \$28.7 million. The carrying amount of the Group's net assets at 30 September 2023 was \$66.5 million (\$0.36 per share). This market value excludes any control premium. Management and the directors have considered the reasons for this difference and concluded all relevant factors had been allowed for in their VIU and FVLCD models.

6 INTEREST-BEARING LIABILITIES

	SEP-23	MAR-23	SEP-22
	\$'000	\$'000	\$'000
Bank borrowings – non-current	57,491	65,172	67,802
Less: cash and cash equivalents	(6,709)	(7,300)	(12,015)
Net bank debt	50,782	57,872	55,787
Other financing – current	–	–	–
Other financing – non-current	2,003	2,198	3,265
Net debt	52,785	60,070	59,052

7 RELATED-PARTY TRANSACTIONS

5R Solutions Limited (an associate) provides glass waste removal and recycling services to the Group. 5R Solutions Limited charged the Group \$0.6 million for services in the period ended 30 September 2023 (30 September 2022: \$0.6 million).

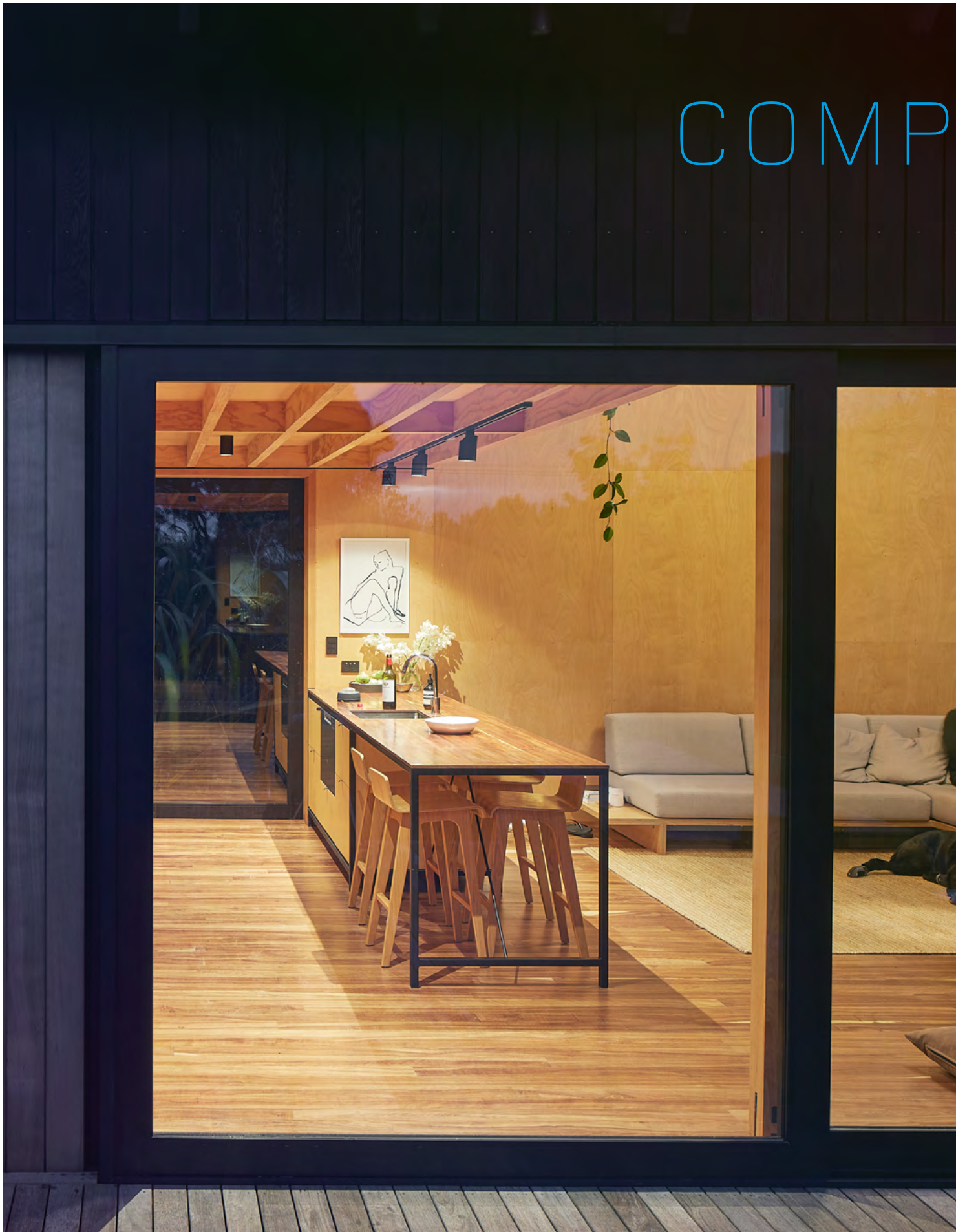
The payables balance in relate to services from 5R Solutions Limited was \$0.007 million at 30 September 2023 (30 September 2022: \$0.06 million).

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

8 EVENTS AFTER BALANCE DATE

There are no significant subsequent events.

COMP



ANY DIRECTORY

Registered Office

5 Lady Fisher Place
East Tamaki
Auckland 2013
New Zealand
Email: glass@metroglass.co.nz
Phone: +64 927 3000

Board of Directors

Peter Griffiths – Non-Executive Chair
and Member of the People and Culture Committee

Shawn Beck – Non-Executive Director
and member of the Audit and Risk Committee

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

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

Senior Leadership Team

Simon Mander – Chief Executive Officer

Tony Candy – Chief Financial Officer

Ruben Ferguson – GM Market Strategy

Robyn Gibbard – GM Upper North Island

Nick Hardy-Jones – GM South Island

Amandeep Kaur – Group Safety and Wellbeing Manager

Andreas Paxie – GM Lower North Island

Dayna Roberts – Human Resources Director

Auditor

PricewaterhouseCoopers
15 Customs Street West
Auckland 1010
New Zealand

Lawyers

Bell Gully
Vero Centre
48 Shortland Street
Auckland 1140
New Zealand

Bankers

ASB Bank Limited
Westpac New Zealand Limited
Westpac Banking Corporation

Share Registrar

Link Market Services
Level 30, PwC Tower
15 Customs Street West
Auckland 1010
PO Box 91976
Auckland 1142
New Zealand

Further Information Online

This Interim Report, all our core governance documents (our constitution, some of our key policies and charters), our investor relations policies and all our announcements can be viewed on our website:

www.metroglass.co.nz/investor-centre/





