METRO

Interim Financial Statements
For the Half Year ended 30 September 2022

INTERIM FINANCIAL STATEMENTS

CONTENTS

CHAIR AND CEO LETTER

PETER GRIFFITHS
Chair

SIMON MANDER
CEO

In the first six months of FY23, Metro Performance Glass (Metroglass) successfully supported its customers in challenging market conditions.

We adapted our operations to cope with the volatility from global supply chains, improved our customer experience, sourced new products, and increased our production capability ahead of changes to the New Zealand Building Code.

The Building Code's H1 Energy Efficiency changes are significant for the New Zealand residential construction sector. We are pleased with the approach taken, which will require almost universal use of high-performing Low E glass for new homes. As New Zealand's largest glass processor, we are well-positioned for this change.

Financial performance

The Group achieved revenue of $138.1 million for the six months to September 2022, 18% above the prior period. This was a result of strong growth in Australia, no Covid-19 lockdown impacts in New Zealand and a series of price increases to recover material and freight cost movements.

Earnings before interest and tax (EBIT) of $5.6 million was up from $3.1 million (+78%) on the corresponding previous period.

New Zealand began its turnaround in financial performance from quarter 2, with an increased number of trading days in this period due to the Covid-19 lockdowns in 2021. Strong performance by Australian Glass Group (AGG) resulted in a $3.3 million improvement in EBIT to $2.6 million. This is a material improvement from the modest loss in the previous comparable period.

Our resilient operations continue to deliver

While Covid-19 restrictions in both New Zealand and Australia have subsided, our teams have continued to be challenged by the stretched and disrupted supply chain.

Elevated costs of importing flat glass and consumables signalled at the full year have remained in play. The price increases introduced in late FY22 and the first quarter of FY23 are now in place and we expect further margin recovery through the second half. We remain alert to potential future cost increases and freight volatility.

Investing in capability ahead of Building Code changes in New Zealand and Australia

Our key major capital project to install a new furnace at the Highbrook plant, in Auckland, has progressed well and is undergoing its commissioning phase. The new furnace will enhance Highbrook's Low E processing capability in preparation for the H1 changes to the New Zealand Building Code.

In Australia we have implemented a series of process and operational initiatives aimed at ensuring AGG is well-positioned for the upcoming National Construction Code changes to be introduced in the 2023 calendar year. These changes will significantly increase the use of double glazing, particularly in the colder climates of Australia.

Capital management

The Group's net debt position increased to $59.1 million, from $47.8 million in the prior comparable period, primarily as a result of working capital requirements.

Working capital grew by 44% to $39.7 million at 30 September 2022 from the prior comparable period, and up 25%, or $7.9 million, since 31 March 2022. These increases were driven by a higher value of inventory and trade receivables, a greater stock quantity on hand to cover the on going lack of reliability in the supply chain and to meet the working capital requirements of a growing business in AGG.

Metroglass' net debt to EBITDA ratio (EBITDA) was 3.8 at 30 September 2022. Our banking syndicate has continued to be supportive. During the period, the Group extended its borrowing facilities out to October 2024 (previously due for renewal in October 2023).

Taking stock and preparing for the future

A number of economic forecasters are predicting a decline in building activity over the next 12 to 24 months as rising construction costs, declining house prices and cost-of-living pressure from interest rate and inflation increases dampen momentum. We continue to monitor these trends.

We are encouraged by many of our customers citing solid forward books through to the end of the financial year. However, we have seen near-term softness in some of our segments influenced by stock availability and construction site delays.

In light of year on year declines in volume and an expectation that further declines are likely later in the new calendar year, Metroglass has undertaken an organisational review and implemented a series of initiatives across the group to ensure capacity and resources are appropriate to service demand as the cycle changes.

Following recent investments in processing capability and furnace capacity at our larger Auckland and Christchurch plants the business is now in a position to rationalise its production footprint and will cease manufacturing operations in the Bay of Plenty in the new year. Metroglass will continue to have a sales, glazing and Retrofit presence in the important Bay of Plenty market.

The overall cost-out programme, including the Bay of Plenty site rationalisation, is expected to achieve annualised savings, in the New Zealand business, in the range of $8.0 million to $9.0 million with benefits accruing from the second half of FY23. The Group continues to evaluate further cost saving initiatives and is particularly focused on managing working capital.

Market outlook

The number of residential consents in New Zealand has been running at elevated levels and is well above the industry capacity, supporting a stable pipeline of work in the near term. However, we expect that economic headwinds are likely to reduce the number of dwellings actually constructed in the medium term. Updates to the H1 Building Code, applicable to consents from November 2022, will support an uplift in demand for higher-performing Low E glass technology.

In contrast, in Australia any slow-down in construction activity that occurs is likely to be offset by increases in the market penetration of double glazing, which is AGG's core business, and accelerated by upcoming changes to the National Construction Code in 2023.

Notwithstanding the signalled declines in economic conditions, we believe there is opportunity for the Group to continue its performance improvement through cost reductions and the structural changes currently underway.

The board and management remain confident in the strategy, underpinned by Metroglass' compelling range of high-performing quality products, a dedication to customer service, and an adaptable, highly skilled and resilient national network.

Finally, we would like to take the opportunity to thank all of our teams across the Group, suppliers and shareholders, for their continued support and efforts as we navigate these challenging times.

PETER GRIFFITHS
Metro Performance Glass Chair

SIMON MANDER
Metro Performance Glass
Chief Executive Officer

New furnace at Highbrook plant in Auckland, New Zealand

MANAGEMENT SUMMARY

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

External pressures continue to place pressures on the business. Our teams have been agile to manage the volatility from global and domestic disruptions. Unreliable shipping timetables and project delays are amplifying variations to demand and production schedules.

The safety and wellbeing of our people is paramount, and we continue to progress a series of initiatives. Group-wide awareness campaigns, new training modules, and improved processes are all contributing to our people staying safe and living well. These are reflected in a declining trend in the number and severity of injuries that occur right across the business.

This year we launched a safety observation scheme with our senior leaders, aimed at raising awareness of the key safety and wellbeing risks, identifying opportunities to improve safety and celebrate safety success of our teams. In the first six months over 650 interactions were completed.

Operational teams continue to drive our continuous improvement pathway, delivering advances in reliability, quality and service performance. This is demonstrated by the operational resilience within the Highbrook processing plant where the major furnace project has required significant cross-functional planning and co-ordination to ensure plant stability to maintain customer service levels.

Labour availability has been a key focus for the Group in the first half. The availability of skilled labour in New Zealand and Australia has hindered our ability to achieve consistent operational efficiencies, driven by higher-than-normal absenteeism and extended time to recruit skilled people. While we work through these challenges, we are pleased with the internal career advancements and apprentice enrolments that continue to be strong and are an enormous strength for the business. At 30 September Metroglass had 65 apprentices enrolled and a further 7 apprentices qualifying.

Central to our strategy are the connections and relationships we hold with our customers. We are encouraged by the most recent customer survey in May 2022, with our New Zealand business achieving a rating of 7.9/10 and AGG 7.7/10.

Our financial highlights

Financial performance for the Group was supported by increased pricing and no Covid-19 lockdown periods. The overall New Zealand result was impacted by the higher input costs in the first half, with price increases not taking effect until the second quarter. Performance in the first half was supported by revenue growth in AGG.

Group revenue of $138.1 million was an increase of 18% over the prior comparable period and Group EBIT increased 78% to $5.6 million. Reported net profit after tax (NPAT) increased 51% to $0.6 million.

The New Zealand business delivered revenue of $100.0 million, up 14%, primarily as a result of the additional trading days and price increases. EBIT of $3.6 million was down 15%, with the price increases introduced early in FY23 financial year not fully realised in the first half. Cost savings achieved in our administration costs partially offset increases in distribution and glazing expenses.

AGG delivered on its turnaround plan, with stable operating performance and successful pricing strategies contributing to a revenue of $38.2 million, an increase of 32% on the prior comparable period. EBIT of $2.6 million is an improvement of $3.3 million year-on-year supported by the increase in revenue and gross profit margin, offset by an increase in variable costs to service in demand.

GROUP REVIEW

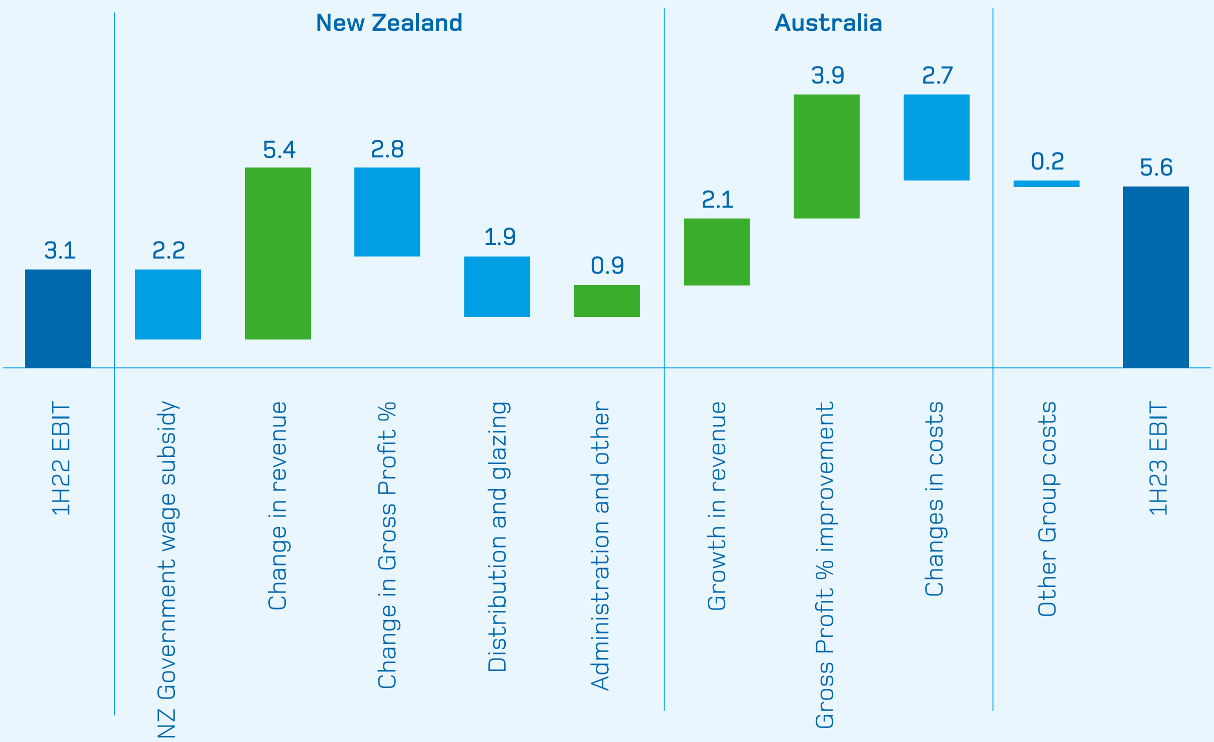
Revenue

$138.1m +18%

EBIT

$5.6m +78%

Group EBIT



New Zealand

In New Zealand, segmental revenue comparatives have improved versus last year with no Covid-19 lockdowns experienced.

Revenue from the residential segment rose 14% to $65.3 million, in a competitive market where construction delays and supply chain disruption have contributed to some softness.

Commercial glazing revenue improved 14% to $19.0 million as construction site disruption began to ease. While we are pleased that there have been no significant project cancellations and that intentions to proceed with projects are positive, the commitment to pre-price-increase contracts has had an impact on segmental margin in the period.

Metroglass' commercial glazing forward book was 9% higher than it was on 30 September 2021.

Revenue in the Retrofit double-glazing segment continued its momentum, increasing a further 11% to $15.7 million. This was driven by a combination of market price increases, a steady level of demand and an increase in trading days. While we are beginning to see the effects of inflation and other cost-of-living pressures on households influencing demand, we are pleased that forward work remains well above pre-covid-19 levels.

Australian Glass Group

In AGG, market conditions have remained steady at the elevated levels and across all states. Revenue and profitability improved significantly in the first six months, buoyed by continued improvements in the base business, a lower level of Covid-19 impacts, and the significant price increases introduced to the market.

AGG's reputation in the south-east Australian market continues to strengthen, and in a highly fragmented market is generating solid demand ahead of the upcoming changes to the National Construction Code in 2023. As operational performance continues to improve and disruptions to supply and resource availability abate, AGG is well positioned.

Group revenue by segment

1 Earnings before interest and tax

NEW ZEALAND REVIEW

Revenue

$100m +14%

EBIT

$3.6m -15%

AUSTRALIA GLASS GROUP REVIEW

Revenue

$38.2m +32%

EBIT

$2.6m +$3.3M

Consolidated Interim Statement of Comprehensive Income

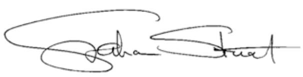
for the half year ended 30 September 2022 (unaudited)

	NOTES	CONSOLIDATED	CONSOLIDATED
		Sep-22 $'000	Sep-21 $'000 (Restated)[1]
Sales revenue		138,132	116,853
Cost of sales		(83,931)	(70,147)
Gross profit		**54,201**	**46,706**
Distribution and glazing-related expenses		(24,905)	(22,447)
Selling and marketing expenses		(6,716)	(6,955)
Administration expenses		(17,284)	(16,588)
Other income and gains and losses	8	320	2,430
Profit before significant items, interest and tax		**5,616**	**3,146**
Significant items		–	–
Profit before interest and tax		**5,616**	**3,146**
Finance expense		(5,058)	(3,436)
Finance income		–	850
Profit before income taxation		**558**	**560**
Income taxation expense		76	(141)
Profit for the period		**634**	**419**
Other comprehensive income			
Items that may be reclassified to profit or loss in the future:			
Exchange differences on translation of foreign operations		2,391	(1,704)
Cash flow hedges (net of tax)		922	903
Total comprehensive income (loss) for the period attributable to shareholders		**3,947**	**(382)**
Earnings per share			
Basic and diluted earnings per share (cents per share)		0.3	0.2

The Board of Directors authorised these financial statements for issue on 29 November 2022.

For and on behalf of the board:

Peter Griffiths
Chair



Graham Stuart
Director

[1] Certain comparative amounts have been restated, refer note 8.

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 2022

	CONSOLIDATED Sep-22 $'000	CONSOLIDATED (AUDITED) Mar-22 $'000	CONSOLIDATED Sep-21 $'000 (Restated)[1]
ASSETS			
Current assets			
Cash and cash equivalents	12,015	13,064	13,711
Trade and other receivables	42,827	34,957	28,035
Tax receivable	146	–	–
Inventories	32,691	27,402	25,857
Derivative financial instruments	1,706	68	527
Other current assets	3,691	2,570	2,334
Total current assets	**93,076**	**78,061**	**70,464**
Non-current assets			
Property, plant and equipment	54,334	54,748	54,618
Right-of-use assets	68,708	70,505	49,336
Deferred tax	10,571	10,965	11,171
Financial assets at fair value through profit or loss	–	2,098	2,576
Investments in Associates and Joint Ventures	2,320	–	–
Intangible assets	55,913	54,710	54,393
Other non-current assets	737	1,051	–
Total non-current assets	**192,583**	**194,077**	**172,094**
Total assets	**285,659**	**272,138**	**242,558**
LIABILITIES			
Current liabilities			
Trade and other payables	35,852	30,626	26,340
Deferred income	2,742	2,608	2,319
Income tax liability	–	518	1,088
Derivative financial instruments	16	274	39
Lease liabilities	7,034	6,535	6,674
Provisions	1,816	1,920	1,838
Total current liabilities	**47,460**	**42,481**	**38,298**
Non-current liabilities			
Interest-bearing liabilities	71,067	65,319	61,521
Derivative financial instruments	–	274	1,034
Lease liabilities	73,514	74,745	53,114
Provisions	3,980	3,790	3,612
Total non-current liabilities	**148,561**	**144,128**	**119,281**
Total liabilities	**196,021**	**186,609**	**157,579**
Net assets	89,638	85,529	84,979
Equity			
Contributed equity	307,198	307,198	307,198
Retained earnings	(50,720)	(51,735)	(51,152)
Group reorganisation reserve	(170,665)	(170,665)	(170,665)
Share-based payments reserve	1,147	1,365	1,172
Foreign currency translation reserve	2,432	42	(1,189)
Cash flow hedge reserve	246	(676)	(385)
Total equity	**89,638**	**85,529**	**84,979**

[1] Certain comparative amounts have been restated, refer note 8.

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 2022 (unaudited)

	CONSOLIDATED			
	Contributed Equity $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Opening balance at 1 April 2021	307,198	(170,226)	(51,571)	85,401
Profit for the period	–	–	419	419
Movement in foreign currency translation reserve	–	(1,704)	–	(1,704)
Other comprehensive income for the period	–	903	–	903
Total comprehensive (loss)/income for the period	**–**	**(801)**	**419**	**(382)**
Expiry of share-based payments	–	–	–	–
Movement in share-based payments reserve	–	(40)	–	(40)
Total transactions with owners, recognised directly in equity	**–**	**(40)**	**–**	**(40)**
Unaudited closing balance at 30 September 2021	**307,198**	**(171,067)**	**(51,152)**	**84,979**

	Contributed Equity $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Opening balance at 1 October 2021	307,198	(171,067)	(51,152)	84,979
Profit for the period	–	–	(878)	(878)
Movement in foreign currency translation reserve	–	1,230	–	1,230
Other comprehensive (loss) for the period	–	(290)	–	(290)
Total comprehensive income/(loss) for the period	**–**	**940**	**(878)**	**62**
Expiry of share-based payments	–	(295)	295	–
Movement in share-based payments reserve	–	488	–	488
Total transactions with owners, recognised directly in equity	**–**	**193**	**295**	**488**
Audited closing balance at 31 March 2022	**307,198**	**(169,934)**	**(51,735)**	**85,529**

	Contributed Equity $'000	Reserves $'000	Retained Earnings $'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**

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 2022 (unaudited)

	CONSOLIDATED	CONSOLIDATED
	2022 $'000	2021 $'000
Cash flows from operating activities		
Receipts from customers	130,099	122,689
Payments to suppliers and employees	(123,373)	(111,266)
Government grants received	99	2,164
Interest received	–	100
Interest paid	(2,437)	(1,619)
Interest paid on leases	(2,383)	(1,524)
Income taxes paid	(242)	(642)
Net cash inflow from operating activities	**1,763**	**9,902**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	194	183
Payments for property, plant and equipment	(4,893)	(7,274)
Payments for intangible assets	(68)	(15)
Net cash (outflow) from investing activities	**(4,767)**	**(7,106)**
Cash flows from financing activities		
Lease liabilities principal payments	(3,284)	(3,294)
Drawdown of borrowings	4,500	7,000
Repayment of other financing	(461)	(378)
Net cash inflow/(outflow) from financing activities	**755**	**3,328**
Net (decrease)/increase in cash and cash equivalents	**(2,249)**	**6,124**
Cash and cash equivalents at the beginning of the period	13,064	7,530
Effects of exchange rate changes on cash and cash equivalents	1,200	57
Cash and cash equivalents at end of the period	**12,015**	**13,711**

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 2021 to 30 September 2021.

Basis of preparation

These consolidated interim financial statements have been approved for issue by the Board of Directors on 29 November 2022.

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*.

The consolidated interim financial statements are unaudited.

These consolidated interim financial statements are presented in New Zealand dollars and rounded to the nearest thousand. 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 2022. 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 2022.

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 follow a seasonal pattern with lower sales 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 consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of 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 2022 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 also eliminated 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 interim financial statements are presented in New Zealand dollars, which is Metro Performance Glass Limited's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss. 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.

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 2022 that would have a material impact on the Group's consolidated interim financial statements.

Future Change in Accounting Policy

There are no published new or amended standards or interpretations that become effective on or after 1 October 2022 that would have a material impact on the Group's consolidated interim financial statements.

Going Concern

The net debt increased from $52.3 million at 31 March 2022 to $59.1 million at 30 September 2022.

The directors have considered the forecast cash flows and covenant compliance for the foreseeable future and note that the Group's loan facilities have been renewed and extended to October 2024.

Taking regard of the above and while acknowledging the uncertainties around forecasting in the current environment, the directors consider that these uncertainties do not represent material uncertainties affecting the going concern position of the Group. Accordingly, the consolidated interim financial statements are prepared on a going concern basis.

Notes to the Consolidated Interim Financial Statements (unaudited) (continued)

2 FINANCIAL PERFORMANCE

Segment information

Operating segments of the Group at 30 September 2022 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, Residential and Retrofit. Commercial revenue reflects sales through four specific commercial glazing operations in New Zealand. The allocation of sales between residential and commercial can be difficult as the Group does not always know the end-use application. Following the acquisition of 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-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 before significant items	**10,339**	**5,252**	**–**	**15,591**
Group costs	–	–	(531)	(531)
Group EBITDA before significant items				**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

	SEP-21			
	New Zealand $'000	Australia $'000	Eliminations and other $'000	Group $'000
Commercial Glazing	16,639	–	–	16,639
Residential	57,119	28,993	–	86,112
Retrofit	14,102	–	–	14,102
Total revenue	**87,860**	**28,993**	**–**	**116,853**
Gross profit	38,987	7,719	–	46,706
Segmental EBITDA	**11,192**	**1,873**	**–**	**13,065**
Group costs	–	–	(316)	(316)
Group EBITDA				**12,749**
Depreciation and amortisation	(7,028)	(2,575)	–	(9,603)
EBIT before significant items	**4,164**	**(702)**	**(316)**	**3,146**
Significant items	**–**	**–**	**–**	**–**
EBIT	**4,164**	**(702)**	**(316)**	**3,146**
Segment assets	282,188	62,944	(102,574)	242,558
Segment non-current assets (excluding deferred tax assets)	180,013	43,986	(63,076)	160,923
Segment liabilities	77,789	21,095	58,695	157,579

Notes to the Consolidated Interim Financial Statements (unaudited) (continued)

3 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2022, the Group acquired assets with a total cost of $4.1 million (September 2021: $7.2 million) and disposed of assets with a total book value of $0.2 million (September 2021: $0.1 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 2022 was $4.9 million (September 2021: $5.1 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 are $0.2 million asset (March 2022: $0.3 million liability) and the fair value of forward exchange contracts are $1.5 million asset (March 2022: $0.2 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 $1.2 million (30 September 2021: $0.5 million gain), income of $0.4 million (30 September 2021: $0.4 million gain) on interest rate swaps, and a loss of $0.6 million on the hedge on an Australian dollar loan.

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-22 $'000	(Audited) Mar-22 $'000
New Zealand	30,879	30,879
Australia	24,624	23,357
	55,503	54,236

Impairment testing for both cash-generating units (CGUs) was completed using the Value in Use (VIU) method.

Key assumptions in the 30 September 2022 impairment assessment (VIU) calculations (and the equivalent assumptions in the 31 March 2022 calculations) are as follows:

	CONSOLIDATED		CONSOLIDATED	
	Sep-22		(AUDITED) Mar-22 $'000	(AUDITED) Mar-22 $'000
	New Zealand	Australia	New Zealand	Australia
Compound annual revenue growth – 3 years	5.5%	14.6%	7.1%	14.3%
Long-term growth rate	1.3%	1.3%	1.3%	1.3%
Discount rate (pre-tax, post IFRS 16)	14.3%	13.1%	13.2%	11.9%
Discount rate (post-tax, post IFRS 16)	10.3%	9.2%	9.5%	8.3%

Cash flow projections

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

The directors have used a single set of cash flow projections in the 30 September 2022 testing, which is consistent with the methodology used at 31 March 2022. The directors have also referenced longer-term independent forecast estimates in a consistent way compared to last financial year.

The value of new homes and non-residential building consents has remained stable in the six months ended 30 September 2022. It is the view of the directors that the future New Zealand consented building activity will reduce from the current levels and this has

Notes to the Consolidated Interim Financial Statements (unaudited) (continued)

been considered within the revenue forecast assumptions. The Ministry of Building, Innovation and Employment (MBIE) has announced changes to the Building Code (H1 Standards) that will require an increase in the thermal properties of window units as part of a suite of changes designed to improve the thermal performance of New Zealand homes. The medium term outlook for the New Zealand CGU is balanced between an expectation that the current consenting levels will decline from the existing level and the positive impact from the change in the H1 Standards which progressively take effect from November 2022.

The Australian CGU has continued to improve its performance and the business is well placed for growth in the coming years as the penetration of double glazing increases alongside changing construction codes and consumer preferences.

Long-term growth rate

Cash flows beyond the three-year period are extrapolated using estimated long-term growth rate. The long-term growth rate assumptions are supported by long-term population growth rates in New Zealand and Australia and the increased use and prevalence of glass products in the Group's markets. The long-term growth rates have been left unchanged in the 30 September 2022 test.

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 into the cash flow estimates. The discount rate calculation is based on the specific circumstances of the CGU and its operating segments and is derived from its weighted average costs of capital (WACC).

The discount rates used are supported by independent third-party expert advice. The discount rates at 30 September 2022 were higher than the rates used at 31 March 2022, reflecting the market increases in interest rates (risk-free rates) and the consideration of market-specific risks. A movement of 230 basis points in WACC would impact the New Zealand CGU headroom. A movement of 260 basis points in WACC would impact the Australian CGU headroom.

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 2022 was $0.20, equating to a market capitalisation of $37.1 million. The carrying amount of the Group's net assets at 30 September 2022 was $89.6 million ($0.48 per share). This market value excludes any control premium. Management and the directors have considered the reasons for this difference and concluded that all relevant factors had been allowed for in their VIU model.

Sensitivity to changes in key assumptions

The impairment assessments confirmed that, for the New Zealand and Australian business units, the recoverable amounts exceed carrying values as at 30 September 2022. The value in use is sensitive to the New Zealand building activity outlook to the extent that any decline in outlook couldn't be mitigated by management action. No reasonably possible change in key assumptions used in the determination of the recoverable value of CGUs would result in a material impairment to the Group.

6 INTEREST-BEARING LIABILITIES

	SEP-22	MAR-22	SEP-21
	$'000	$'000	$'000
Bank borrowings – current	–	–	–
Bank borrowings – non-current	67,802	62,296	58,449
Less: cash and cash equivalents	(12,015)	(13,064)	(13,711)
Net bank debt	**55,787**	**49,232**	**44,738**
Other financing – current	–	–	–
Other financing – non-current	3,265	3,023	3,072
Net debt	**59,052**	**52,255**	**47,810**

7 RELATED-PARTY TRANSACTIONS

From the 1st April 2022 the group changed its relationship with 5R Solutions. The nature of the related-party transactions have not changed, with a cumulative $0.6 million of transactions in the 6 months to 30 September 2022.

Notes to the Consolidated Interim Financial Statements (unaudited) (continued)

8 PRIOR PERIOD COST ADJUSTMENTS

Impact on the Statement of Comprehensive Income for the half year ended 30 September 2021.

	SEP-21			
	Sep-21 as reported $'000	Australian Chart of Accounts Alignment $'000	5R Restatement $'000	Sep-21 Reclassified $'000
Cost of sales	(71,259)	1,112		(70,147)
Gross profit	**45,594**	**1,112**		**46,706**
Distribution and glazing-related expenses	(22,232)	(215)		(22,447)
Administration expenses	(15,691)	(897)		(16,588)
Other income	2,330		100	2,430
Profit before interest and tax	**3,046**		**100**	**3,146**
Finance income	950		(100)	850
Profit before income taxation	**560**			

Impact on the Statement of Financial Position at 30 September 2021

	SEP-21				
	Sep-21 as reported $'000	Intangible Asset Change 1 April 2021 Restated $'000	Spare Parts Reclassific-ation Change $'000	5R 1 April 2021 Restated $'000	Sep-21 Reclassified $'000
Other current assets	6,515		(3,981)	(200)	2,334
Inventories	21,876		3,981		25,857
Total current assets	**70,664**			**(200)**	**70,464**
Financial assets at fair value through profit or loss	–			2,576	2,576
Deferred tax assets	10,774	397			11,171
Intangible assets	55,812	(1,419)			54,393
Total non-current assets	**170,540**	**(1,022)**		**2,576**	**172,094**
Total assets	**241,204**	**(1,022)**		**2,376**	**242,558**
Net assets	83,625	(1,022)		2,376	84,979
Retained earnings	(52,506)	(1,022)		2,376	(51,152)
Total equity	**83,625**	**(1,022)**		**2,376**	**84,979**

9 EVENTS AFTER BALANCE DATE

Closure of Bay of Plenty Manufacturing Plant

On 18 November 2022 the directors announced a review of the New Zealand organisational structure and manufacturing footprint. This review includes the closure of the Bay of Plenty manufacturing plant. The financial impact of the Bay of Plenty manufacturing plant closure is expected to deliver cost savings in the vicinity of $3.5 million to 4.0 million per annum, with estimated one-off cash costs of $0.5 million to $1.0 million. An estimate of the non-cash one-off costs cannot yet be determined. The one-off costs of the plant closure have not been provisioned in the consolidated interim financial statements for the period ended 30 September 2022.


COMP

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and Member of the People and Culture Committee

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

Mark Eglinton – Non-Executive Director
and Chair of the People and Culture Committee

Rhys Jones – Non-Executive Director
and Member of the People and Culture Committee

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

Graham Stuart – Non-Executive Director
and Chair of the Audit and Risk Committee

Senior Leadership Team

Simon Mander – Chief Executive Officer

Brent Mealings – Chief Financial Officer

Ruben Ferguson – GM Market Strategy

Robyn Gibbard – GM Upper North Island

Nick Hardy-Jones – GM South Island

Nick Johnson – Chief Information Officer

Amandeep Kaur – Group Safety and Wellbeing Manager

Andreas Paxie – GM Lower North Island

Dayna Roberts – Human Resources Director

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Westpac Banking Corporation

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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/

insightcreative.co.nz MPG026

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metroglass.co.nz