Metcash Limited
ABN 32 112 073 480
1 Thomas Holt Drive
Macquarie Park
NSW 2113 Australia

6 December 2021

Market Announcements Office
Australian Securities Exchange Limited
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

METCASH LIMITED – FY22 HALF YEAR RESULTS AND FINANCIAL REPORT

In accordance with ASX Listing Rule 4.2A, please find attached the following documents for release to the market:

a) ASX Announcement – Metcash Limited FY22 Half Year Results

b) Appendix 4D and Financial Report (including the Directors' Report and Independent Auditor's Review Report) of Metcash Limited for the half year ended 31 October 2021.

Yours faithfully

Julie D. Hutton

Julie Hutton
Company Secretary

Metcash Limited
ABN 32 112 073 480
1 Thomas Holt Drive
Macquarie Park
NSW 2113 Australia

6 December 2021

ASX Announcement – Metcash Limited FY22 Half Year Results

Metcash Limited (ASX:MTS) today released its financial results for the half year ended October 2021.

Highlights

- Continued growth building on very strong prior comparative period
- Strong sales and earnings in all Pillars buoyed by shift in consumer behaviour and success of MFuture initiatives
- Group revenue up 1.3% to $7.2bn, and including charge-through[1] increased 1.5% (+14.0% v 1H20) to $8.2bn
- Group underlying EBIT up 13.9% to $231.2m
- Underlying profit after tax up 13.1% to $146.6m[2]
- Statutory profit after tax up 3.0% to $128.8m
- Underlying earnings per share up 15.0% to 14.6 cents
- Interim dividend up 31.0% to 10.5 cents per share
- Strategic acquisitions delivered material contributions to Group earnings
- Strong financial position with capacity to fund growth plans
- Strong sales momentum has continued into 2H22

Commentary

Group CEO, Jeff Adams said: "It has been a very pleasing first half for both Metcash and our independent retailers as we continued to build on the very strong prior corresponding half.

"All Pillars again benefitted from the shift in consumer behaviour and improved competitiveness of our retail networks supported by the success of our MFuture program.

"The preference for local neighbourhood shopping and shift from cities to regional areas helped our independent retail networks all deliver 'like for like' (LfL)[3] sales growth in the half. Compared with 1H20, substantial growth was delivered with IGA Supermarkets up 18.8%[3], IBA stores in Liquor up 27.0%[3], Independent Hardware Group (IHG) stores up 17.7%[3] and Total Tools stores up 51.0%[3], improving the overall health of the network.

"This is a significant achievement given the many challenges in the half including staff isolations, labour shortages, supply chain issues, continuously changing health regulations and other lockdown-related impacts.

"In Metcash, significant growth in underlying earnings was delivered through the strong trading performance and material contribution from strategic acquisitions, particularly Total Tools. Total Tools is proving to be a terrific acquisition and we remain excited about the further growth opportunities it provides.

"Despite the challenges presented by extended COVID-related restrictions and lockdowns, we continued to make good progress with our MFuture initiatives, and plan to accelerate these in the second half as restrictions ease. This includes our investment in new eCommerce platforms, which are currently being rolled out across our Food and Liquor networks. In Hardware, our leading platforms in IHG and Total Tools continue to generate strong online sales growth.

"Our Horizon technology transformation program aimed at making it easier for suppliers and independent retailers to do business with us, is also progressing well with the first delivery, which includes replacing our core financial systems, successfully completed in November 2021 with no interruption to business operations or customers.

"The strength of our independent retail network continues to improve. Retailers remain encouraged about the future and are investing in new stores and refreshes that further improve the quality of the network.

"Importantly, the sales momentum seen in recent periods has continued into the second half with sales growth recorded in all Pillars in the first five weeks of the half. We are also expecting our Food and Liquor pillars to benefit from a strong Christmas/New Year trading period and their extensive regional presence.

"The strong Group performance and financial position, together with an increase in our target dividend payout ratio led to a significant lift in the interim dividend, which is up 31% to 10.5 cents per share.

"We remain well placed to continue investing in our growth plans under MFuture focused on further improving the competitiveness of our independent retailers," Mr Adams said.

Results Overview

Group reported revenue, which excludes charge-through sales, increased 1.3% to $7.15bn (1H21: $7.06bn). Including charge-through sales, Group revenue increased 1.5% to $8.22bn (1H21: $8.09bn), with each Pillar recording a high level of sales and substantial growth compared to 1H20.

Group underlying EBIT increased 13.9% to $231.2m reflecting the strong sales performance and improved leverage, as well as the success of recent strategic acquisitions. The pleasing performance in 1H22 follows significant growth in 1H21 with Group underlying EBIT up 30.4% in that half.

Although the Food pillar continued to perform well, EBIT was lower than in 1H21 reflecting a decline in the contribution from joint venture stores, the adverse impact of 7-Eleven[4] and there being no tobacco excise increase in 1H22.

In Liquor, earnings growth was underpinned by continued strong demand in the retail network, and an increase in on-premise sales in states less impacted by COVID-related restrictions.

In Hardware, exceptional earnings growth was again delivered (+65.8% growth in 1H21) driven by increased Trade sales, the strong performance of company-owned/joint venture stores in IHG and Total Tools and the significant contribution from acquisitions[5].

Group underlying profit after tax increased 13.1% to $146.6m[2], and statutory profit after tax increased 3.0% to $128.8m. Underlying earnings per share increased 15.0% to 14.6 cents reflecting the increase in profit after tax and the initial accretive benefit of the Company's $200m share buy back completed in August this year.

Group operating cashflow was $212.1m (1H21: $314.9m) with the cash realisation ratio ~92%. The higher operating cashflow in 1H21 largely reflected the cash benefit of a reduction in working capital in that half. The Group ended the financial year with net debt of $148.6m (FY21: net cash $124.6m) reflecting the impact of the share buy back, and an increase in dividends paid.

The strong group performance and financial position, together with the increased dividend payout ratio announced earlier this year (~70% of underlying profit after tax) led to a 31% increase in the interim dividend for FY22 to 10.5 cents per share, fully franked.

Review of Trading Results

Food

Total Food sales (including charge-through) declined 4.9% or 0.2% excluding the impact of 7-Eleven[4]. Compared with 1H20, total Food sales (including charge-through) increased 4.1% or 16.8% excluding the impact of Drakes[6] and 7-Eleven[4]. Total Food sales (including charge-through) ex tobacco increased 0.9%, and 16.1% compared with 1H20, both excluding the impact of 7-Eleven[4].

Supermarkets sales were broadly flat against the very strong prior corresponding period. Compared with 1H20, Supermarkets sales increased 14.4% (+18.0% ex Drakes[6] impact). The IGA network continued to benefit from the shift in consumer behaviour, as well as the success of MFuture initiatives which have helped the retail network retain new and returning customers and significantly increase the average basket size.

Elevated Supermarket sales continued across all states. Sales growth was flat to positive in all states other than Victoria, which was cycling the impact of more sustained and prohibitive COVID-related restrictions than other states. Compared with 1H20, there was very strong growth in the states less impacted by COVID-related restrictions (Western Australia, South Australia and Queensland) with sales growth averaging over 15% (ex Drakes[6] impact).

The IGA retail network continued to perform strongly with LfL[3] sales increasing 0.8%, and 18.8% compared with 1H20.

The business invested to accelerate the rollout of its new eCommerce IGA Shop Online platform. The rollout commenced in New South Wales and Victoria, with expansion into Queensland and South Australia to follow. The new platform is currently in ~100 stores (FY21: 3 stores) and there is a pipeline of ~300 stores signed up, with further rapid expansion expected.

Food EBIT declined $7.8m or 7.6% to $95.2m, largely reflecting a decline in the contribution from joint venture stores, the adverse impact of 7-Eleven[4], and there being no tobacco excise increase in 1H22 as previously announced. After adjusting for the above, and the earnings benefit from the resolution of onerous leases, EBIT improved ~$6m or 7%.

The EBIT margin[7] for Food was in line with the prior corresponding period at 2.1%. Operating leverage improved compared to 2H21, with that half adversely impacted by an increased weighting of lower-margin charge-through and tobacco sales in the sales mix.

Liquor

Total Liquor sales (including charge-through) increased 6.6% to $2.17bn (1H21: $2.04bn), and were up 21.9% compared with 1H20 with strong demand from the IBA retail network and contract customers, as well as increased on-premise sales.

The IBA retail network continued to be buoyed by the shift in consumer behaviour and improved competitiveness of its stores, as well as from home consumption substituting for on-premise consumption. Despite the improvement in on-premise sales, customers in this segment continued to be adversely impacted by extended COVID-related restrictions, particularly in New South Wales, Victoria and New Zealand.

Wholesale sales to the IBA banner group were flat, and increased 24.2% compared with 1H20, with the Cellarbrations and The Bottle-O banners the best performers. Retail LfL sales[3] in the IBA banner group increased 6.9%, and were up 27.0% compared with 1H20.

The business launched its new branded eCommerce platform in November 2021 for the Cellarbrations and The Bottle-O banners, with DoorDash and UberEats as delivery partners. Pilot stores are now operating with the new platform across the eastern seaboard, with the average basket size of $100+. The ShopMyLocal platform remains operational, but will be progressively converted to the new branded sites in 2H22.

Liquor EBIT increased $4.2m or 10.5% to $44.3m reflecting the contribution from the increase in sales volumes, which more than offset an increased weighting of lower-margin categories in the sales mix, as well as higher costs associated with the impact of COVID and a tight labour market. The EBIT margin for Liquor was in line with the prior comparative period at 2.0%.

Hardware

Hardware sales (including charge-through) increased 17.9% to $1.48bn (1H21: $1.26bn) reflecting continued growth in Trade sales, strong DIY sales and the contribution from acquisitions, particularly Total Tools. Compared with 1H20, Total Hardware sales were up 42.1%.

Total IHG sales (including charge-through) increased 7.2% (+27.4% compared with 1H20) with strong growth in Trade sales despite the adverse impact of COVID-related construction shutdowns and trading restrictions in New South Wales, Victoria and South Australia. Trade sales were partly buoyed by increased inflation in a number of Hardware product categories.

DIY sales were slightly down on 1H21, but continued to be at a very high level, including in states less impacted by COVID-related trading restrictions, with the network continuing to retain new and returning customers supported by the success of MFuture initiatives. Online sales increased 114% (+250% compared with 1H20) which represents ~3% of sales, and reached ~5% of sales during the trading restrictions.

The IHG banner group continued to perform strongly with retail LfL[3] sales up 5.6%, with DIY sales flat and Trade sales up 8.8% (+17.7% with DIY +42.4% and Trade +7.7% compared with 1H20).

The lift in Trade sales led to a change in the sales mix with Trade representing 64% and DIY 36% (1H21: Trade 60%, DIY: 40%).

Total Tools also continued to perform strongly with network LfL[3] sales increasing 1.5% on a very strong prior corresponding period (1H21: +51.0%). Total Tools online sales increased 33% (1H21: +78%) which represents ~9% of network sales, and reached ~12% of sales during the trading restrictions. Total Tools network sales for the year ended October 2021 increased to $907m (YE 30 June 2020: $658m). Total Hardware pillar sales includes revenue of $153.5m[8] from Total Tools.

Hardware EBIT increased a substantial $34.4m (+ 53.3%) to $98.9m, reflecting the increase in IHG sales, the strong performance of company-owned and joint venture stores, and the earnings from acquisitions[5] which included the Total Tools Group delivering EBIT of $33.1m in 1H22 (1H21: $4.8m for 2 months).

The EBIT margin for Hardware increased 160bps to 6.7% and includes the positive impact of Total Tools and the retail margin from joint venture and company-owned stores.

Financial Position

Group operating cashflow was $212.1m (1H21: $314.9m) with a cash realisation ratio of ~92%. The higher operating cashflow in 1H21 largely reflected the cash benefit of a reduction in working capital in that half.

The Group had net investing outflows of $104.9m, including capital expenditure of $60.7m and acquisitions of businesses of $72.8m. The business acquisitions were predominantly in the Hardware pillar and included the purchase of an additional 15% stake in Total Tools Holdings, increasing Metcash's holding to 85%.

The Group ended the financial year with net debt of $148.6m (FY21: net cash $124.6m) reflecting the impact of the Company's $200m share buy back that was completed in August this year, and an increase in dividends paid.

Interim Dividend

The Board has determined to pay an interim dividend of 10.5 cents per share, fully franked. This represents an increase of 31% on the prior corresponding half, reflecting the strong Group's performance and financial position and the increase in target dividend payout ratio (i.e. ~70% of underlying profit after tax).

Outlook

Group

Strong sales have continued in the first five weeks of 2H22 buoyed by the shift in consumer behaviour and improved competitiveness of our retailer networks.

The Food and Liquor pillars are expecting to benefit from a strong Christmas/New Year trading period and the extensive regional presence in our retail networks.

We expect supply chain disruption, and increased COVID-related and labour costs, particularly in distribution centres, to continue to be a risk for all Pillars in 2H22.

Additional investment in Digital operating expenditure to accelerate the rollout of our online shopping platforms is expected in 2H22 (Food ~$3m, Liquor ~$1m).

There continues to be uncertainty over the potential impact of any future COVID-related restrictions and changes in consumer behaviour.

FY22 will include a 53rd week of trading in all Pillars.

Food

In the first five weeks of 2H22, Supermarket sales (including charge-through) increased 2.3% compared with the same period in 2H21 (+14.7% compared with the same period in 2H20). Total Food sales (including charge-through) increased 2.3% compared with the same period in 2H21 (+4.8% compared with the same period in 2H20 reflecting a continuation of the shift in consumer behaviour and the improved competitiveness of the IGA retail network). Excluding the impact of 7-Eleven[4], total Food sales (including charge-through) increased 2.6% compared with the same period in 2H21 (+14.6% compared with same period in 2H20).

A low level of wholesale inflation is expected over the balance of FY22, as the business continues to focus on the network maintaining price competitiveness.

The Pillar is continuing to progress its MFuture initiatives to retain and grow its network's shopper base, including accelerating the rollout of its IGA Shop Online.

Liquor

In the first five weeks of 2H22, total Liquor sales (including charge-through) increased 7.6% compared with the same period in 2H21 (+25.8% compared with the same period in 2H20). The significant uplift reflects continued strong demand across retail stores and increased sales to on-premise customers. Sales to the IBA retail banner group increased 3.0% compared with the same period in 2H21 (+25.8% compared with the same period in 2H20).

The Pillar is continuing to focus on progressing its MFuture initiatives including private and exclusive label, accelerating the rollout of its online platform, and supply chain flexibility and efficiency.

Hardware

In the first five weeks of 2H22, total Hardware sales (including charge-through) increased 20.1% compared with the same period in 2H21 (+51.3% compared with the same period in 2H20). IHG sales (including charge-through) increased 14.4% compared with the same period in 2H21 (+36.4% compared with the same period in 2H20). Strong demand continues to place some pressure on stock availability in a number of categories.

Total Tools sales will benefit from six months of trading in 12 joint venture stores acquired in December 2020, and the expected addition of a further 14 joint venture stores in December 2021.

It is important to note that Hardware sales are seasonally weighted to the first half of the financial year.

The Pillar is continuing to progress its MFuture initiatives to grow Trade and DIY sales, and capitalise on the significant growth opportunities in Total Tools.

This announcement is authorised by a Committee of the Board of Directors of Metcash Limited.

ends

For further information:

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[1] Direct sales from suppliers to retailers, invoiced through Metcash

[2] Underlying profit after tax in 1H22 excludes significant items: Project Horizon implementation costs of $8.0m, Total Tools put option valuation adjustments of $7.1m, and other costs of $2.7m (all post tax)

[3] Based on scan data from 1,115 IGA stores, 592 IBA stores, 282 IHG stores and 94 Total Tools stores

[4] The previous east coast supply agreement with 7-Eleven concluded on 17 August 2020. To enable comparison, sales in the comparative period have been adjusted to exclude sales to 7-Eleven

[5] Acquisitions include: Total Tools Holdings and 13 TT joint venture stores (12 stores held 6 months, 1 store held two months), Finlaysons, St Helens and Bacchus Marsh stores

[6] Metcash ceased to supply Drakes in South Australia from 30 September 2019. To enable comparison, sales in the comparative period have been adjusted to exclude sales to Drakes

[7] EBIT margin: EBIT/Total revenue (including charge-through)

[8] Total Tools sales include sales from company owned and JV stores, franchisor income and sales of exclusive brands products

Metcash Group

Metcash Limited (ABN 32 112 073 480) and its controlled entities

Appendix 4D for the half year ended 31 October 2021 (1H22)

Results for announcement to the market

	1H22 $m	1H21 $m	Variance $m	Variance %
Sales revenue	**7,150.6**	**7,059.7**	**90.9**	**1.3**
Underlying earnings before interest, tax, depreciation and amortisation (EBITDA)	316.2	280.9	35.3	12.6
Depreciation and amortisation	(85.0)	(77.9)	(7.1)	(9.1)
Underlying earnings before interest and tax (EBIT)	**231.2**	**203.0**	**28.2**	**13.9**
Net finance costs	(22.8)	(21.3)	(1.5)	(7.0)
Underlying profit before tax	208.4	181.7	26.7	14.7
Tax expense on underlying profit	(60.9)	(51.7)	(9.2)	(17.8)
Non-controlling interests	(0.9)	(0.4)	(0.5)	(125.0)
Underlying profit after tax (UPAT) (i)	**146.6**	**129.6**	**17.0**	**13.1**
Significant items	(22.5)	(5.1)	(17.4)	(341.2)
Tax benefit attributable to significant items	4.7	0.6	4.1	683.3
Net profit for the period attributable to members	**128.8**	**125.1**	**3.7**	**3.0**
Underlying earnings per share (cents) (ii)	14.6	12.7	1.9	15.0
Reported earnings per share (cents)	12.9	12.2	0.7	5.7

(i) UPAT is defined as reported profit after tax attributable to equity holders of the parent, excluding significant items identified in Note 3 (vii) of the Metcash Half Year Financial Report.

(ii) Underlying earnings per share (EPS) is calculated by dividing UPAT by the weighted average shares outstanding during the period.

Explanatory note on results

Group reported revenue, which excludes charge-through sales, increased 1.3% to $7.15 billion (1H21: $7.06 billion). Including charge-through sales, Group revenue increased 1.5% to $8.22 billion (1H21: $8.09 billion), with each Pillar recording a high level of sales and substantial growth compared to 1H20.

Group underlying EBIT increased 13.9% to $231.2 million reflecting the strong sales performance and improved leverage, as well as the success of recent strategic acquisitions. The pleasing performance in 1H22 follows significant growth in 1H21 with Group underlying EBIT up 30.4% in that half.

Although the Food pillar continued to perform well, EBIT was lower than in 1H21 reflecting a decline in the contribution from joint venture stores, the adverse impact of 7-Eleven[1] and there being no tobacco excise increase in 1H22.

In Liquor, earnings growth was underpinned by continued strong demand in the retail network, and an increase in on-premise sales in states less impacted by COVID-related restrictions.

In Hardware, exceptional earnings growth was again delivered (+65.8% growth in 1H21) driven by increased Trade sales, the strong performance of company-owned/joint venture stores in the Independent Hardware Group (IHG) and Total Tools (TT) and the significant contribution from acquisitions[2].

[1] The previous east coast supply agreement with 7-Eleven concluded on 17 August 2020.

[2] Acquisitions include: Total Tools Holdings and 13 TT joint venture stores (12 stores held 6 months, 1 store held two months), Finlaysons, St Helens and Bacchus Marsh stores

This Appendix 4D should be read in conjunction with the Metcash 2021 Annual Report and the accompanying 2022 Half Year Financial Report.

Appendix 4D (continued)

For the half year ended 31 October 2021

Group underlying profit after tax increased 13.1% to $146.6 million[3], and statutory profit after tax increased 3.0% to $128.8 million. Underlying earnings per share increased 15.0% to 14.6 cents reflecting the increase in profit after tax and the initial accretive benefit of the Company's $200 million share buy-back completed in August this year.

Dividends on ordinary shares

On 6 December 2021, the Board determined to pay a fully franked FY22 interim dividend of 10.5 cents per share, sourced from the profit reserve established by Metcash Limited (Parent Company), with a record date of 22 December 2021 and payable in cash on 28 January 2022. The Dividend Reinvestment Plan remains suspended with effect from 26 June 2017.

Other disclosures

Net tangible assets[4] backing

At 31 October 2021, the net tangible assets was 39.3 cents per share (1H21: 68.7 cents per share) reflecting the impact of the Group's $200 million share buy-back that was completed in August 2021, and an increase in dividends paid.

Entities where control has been gained or lost

There were no changes in control that were material to the Group. Refer Note 4 (ii) of the Metcash Half Year Financial Report for further details.

Statement of compliance

This report is based on the consolidated half year financial report of Metcash Limited and its controlled entities which has been reviewed by Ernst & Young. The financial report was lodged with the ASX on 6 December 2021.

Metcash Limited has a formally constituted audit committee.

On behalf of the Board

Jeff Adams
Director
Sydney, 6 December 2021

[3] Underlying profit after tax in 1H22 excludes significant items: Project Horizon implementation costs of $8.0 million, Total Tools put option valuation adjustments of $7.1 million, and other costs of $2.7 million (all post tax)
[4] The calculation of net tangible assets per share includes the right-of-use assets and lease liabilities

Financial Report

For the half year ended 31 October 2021

Metcash Limited (ABN 32 112 073 480) and its controlled entities

Directors' Report

For the half year ended 31 October 2021

Your Directors submit their report of Metcash Limited (the 'Company') and its controlled entities (together the 'Group' or 'Metcash') for the half year ended 31 October 2021 ('1H22').

BOARD INFORMATION

The directors in office during 1H22 and up to the date of this report are as follows:

Robert Murray (Chairman)
Jeffery Adams (Chief Executive Officer)
Peter Birtles
Margaret Haseltine (appointed 3 May 2021)
Christine Holman
Murray Jordan
Helen Nash
Tonianne Dwyer (retired 28 June 2021)

Doug Jones's appointment as Group CEO elect was announced on 8 October 2021. Doug is expected to take over the Group CEO role from Jeff Adams on 1 February 2022 and is expected to be appointed as an Executive Director of the Board after an appropriate handover period. Jeff will assist with the Group CEO transition process until October 2022.

REVIEW OF RESULTS AND OPERATIONS

Consolidated net profit for the period after income tax attributable to shareholders of the Company was $128.8 million (1H21: $125.1 million).

AUDITOR'S INDEPENDENCE

The auditor's independence declaration for the half year has been received and is included on page 15.

SUBSEQUENT EVENTS

There were no events that have occurred after the end of the half year that would materially affect the reported results or would require disclosure in this report.

ROUNDING

The amounts contained in this report and in the financial statements have been rounded to the nearest $100,000 (where rounding is applicable) under the option available to the Company under *ASIC Corporations Instrument 2016/191*.

Signed in accordance with a resolution of the Directors.

Jeff Adams
Director
Sydney, 6 December 2021

Statement of Comprehensive Income

For the half year ended 31 October 2021

	Notes	1H22 $m	1H21 $m
Sales revenue	2	7,150.6	7,059.7
Cost of sales		(6,349.1)	(6,342.8)
Gross profit		**801.5**	**716.9**
Other income	3	11.6	12.5
Share of profit from equity-accounted investments		6.9	11.1
Employee benefit expenses	3	(392.2)	(346.4)
Depreciation and amortisation	3	(85.0)	(77.9)
Lease expenses	3	(31.4)	(36.8)
Provisions for impairment, net of reversals	3	(10.3)	(26.6)
Other expenses		(69.9)	(49.8)
Finance costs, net	3	(22.8)	(21.3)
Significant items	3	(22.5)	(5.1)
Profit before income tax		**185.9**	**176.6**
Income tax expense		(56.2)	(51.1)
Net profit for the period		**129.7**	**125.5**
Other comprehensive income/(loss) for the period, net of tax		2.3	(1.8)
Total comprehensive income for the period		**132.0**	**123.7**
Net profit for the period is attributable to:			
Equity holders of the parent		**128.8**	**125.1**
Non-controlling interests		0.9	0.4
		129.7	**125.5**
Total comprehensive income for the period is attributable to:			
Equity holders of the parent		131.1	123.3
Non-controlling interests		0.9	0.4
		132.0	**123.7**
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)		12.9	12.2
Diluted earnings per share (cents)		12.8	12.2

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 31 October 2021

	Notes	1H22 $m	FY21 $m
ASSETS			
Current assets			
Cash and cash equivalents		202.3	124.6
Trade receivables and loans	6	1,748.5	1,622.4
Lease receivables		40.0	41.5
Inventories		1,070.1	1,008.0
Assets held for sale		11.0	11.0
Other financial assets		0.6	2.8
Total current assets		**3,072.5**	**2,810.3**
Non-current assets			
Trade receivables and loans	6	10.0	15.7
Lease receivables		239.9	239.0
Equity-accounted investments		83.3	82.5
Net deferred tax assets		124.3	125.8
Property, plant and equipment		256.4	231.8
Right-of-use assets		596.3	618.9
Intangible assets		738.2	722.8
Total non-current assets		**2,048.4**	**2,036.5**
TOTAL ASSETS		**5,120.9**	**4,846.8**
LIABILITIES			
Current liabilities			
Trade and other payables		2,288.8	2,094.7
Interest-bearing borrowings		51.5	-
Lease liabilities		141.2	146.6
Provisions		135.7	139.7
Income tax payable		11.1	25.6
Put options and other financial liabilities	7	20.3	21.9
Total current liabilities		**2,648.6**	**2,428.5**
Non-current liabilities			
Interest-bearing borrowings		299.4	-
Lease liabilities		872.3	888.0
Provisions		40.3	44.4
Put options and other financial liabilities	7	142.8	194.8
Total non-current liabilities		**1,354.8**	**1,127.2**
TOTAL LIABILITIES		**4,003.4**	**3,555.7**
NET ASSETS		**1,117.5**	**1,291.1**
EQUITY			
Contributed equity		818.4	867.0
Retained earnings		292.6	414.6
Other reserves		(3.8)	(1.7)
Parent interest		**1,107.2**	**1,279.9**
Non-controlling interests		10.3	11.2
TOTAL EQUITY		**1,117.5**	**1,291.1**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

Metcash

For the half year ended 31 October 2021

	Notes	Contributed equity $m	Retained earnings $m	Other reserves $m	Owners of the parent $m	Non-controlling interests $m	Total equity $m
At 1 May 2021		**867.0**	**414.6**	**(1.7)**	**1,279.9**	**11.2**	**1,291.1**
Total comprehensive income, net of tax		-	128.8	2.3	131.1	0.9	132.0
Transactions with owners							
Share buyback and related costs	4	(48.6)	(151.7)	-	(200.3)	-	(200.3)
Dividends paid	5	-	(97.1)	-	(97.1)	(1.8)	(98.9)
Recognition of put option liability		-	(2.0)	-	(2.0)	-	(2.0)
Shares issued to employees	4	-	-	(6.9)	(6.9)	-	(6.9)
Share-based payments expense		-	-	2.5	2.5	-	2.5
At 31 October 2021		**818.4**	**292.6**	**(3.8)**	**1,107.2**	**10.3**	**1,117.5**
At 1 May 2020		**853.5**	**505.5**	**(2.3)**	**1,356.7**	**14.9**	**1,371.6**
Total comprehensive income/(loss), net of tax		-	125.1	(1.8)	123.3	0.4	123.7
Transactions with owners							
Proceeds from equity raising, net of costs		13.5	-	-	13.5	-	13.5
Dividends paid	5	-	(66.5)	-	(66.5)	(1.1)	(67.6)
Recognition of put option liability		-	(61.9)	-	(61.9)	-	(61.9)
Share of associate's adjustment on initial adoption of AASB 16 *Leases*		-	(9.0)	-	(9.0)	-	(9.0)
Shares issued to employees		-	-	(3.9)	(3.9)	-	(3.9)
Share-based payments expense		-	-	2.7	2.7	-	2.7
At 31 October 2020		**867.0**	**493.2**	**(5.3)**	**1,354.9**	**14.2**	**1,369.1**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the half year ended 31 October 2021

	Notes	1H22 $m	1H21 $m
Cash flows from operating activities			
Receipts from customers		8,828.9	8,743.7
Payments to suppliers and employees		(8,533.6)	(8,375.9)
Financing component of lease payments, net		(16.4)	(13.7)
Interest and dividends, net		2.0	(5.0)
Income tax paid, net of tax refunds		(68.8)	(34.2)
Net cash generated from operating activities		**212.1**	**314.9**
Cash flows from investing activities			
Proceeds from sale of assets		0.1	0.2
Payments for acquisition of assets		(60.7)	(30.4)
Payments for acquisition of businesses, net of cash acquired	4	(72.8)	(101.1)
Receipts from subleases, excluding the financing component		21.6	22.2
Loans repaid by other entities, net		6.9	7.0
Net cash used in investing activities		**(104.9)**	**(102.1)**
Cash flows from financing activities			
Proceeds from/(repayments of) borrowings, net		350.9	(188.4)
Payment for off-market buyback of shares, including costs	4	(200.3)	-
Proceeds from equity raising, net of costs		-	13.5
Payments for on-market purchase of shares		(5.7)	(2.8)
Payments for lease liabilities, excluding the financing component		(73.2)	(70.1)
Payment of dividends to owners of the parent		(97.1)	(66.5)
Payment of dividends to non-controlling interests		(4.1)	(1.1)
Net cash used in financing activities		**(29.5)**	**(315.4)**
Net increase/(decrease) in cash and cash equivalents		77.7	(102.6)
Add: opening cash and cash equivalents		124.6	275.1
Cash and cash equivalents at the end of the period		**202.3**	**172.5**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. CORPORATE INFOMATION

The financial statements of Metcash Limited (the 'Company') and its controlled entities (together the 'Group') for the half year ended 31 October 2021 were authorised for issue in accordance with a resolution of the Directors on 6 December 2021.

Metcash Limited is a for profit company limited by ordinary shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The registered office of the Company is 1 Thomas Holt Drive, Macquarie Park, NSW 2113.

The basis of preparation of the financial statements and the significant accounting policies applied are summarised in Appendix A.

2. SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer (the chief operating decision maker) in assessing performance and in determining the allocation of resources. Discrete financial information about these operating segments is reported on at least a monthly basis.

The information reported to the CEO is aggregated based on product types and the overall economic characteristics of industries in which the Group operates. The Group's reportable segments are therefore as follows:

- **Food** activities comprise the distribution of a range of products and services to independent supermarkets and convenience retail outlets.
- **Liquor** activities comprise the distribution of liquor products to independent retail outlets and hotels.
- **Hardware** activities comprise the distribution of hardware products to independent retail outlets and the operation of company owned retail stores.

The Group operates predominantly in Australia. The Group has operations in New Zealand that represent less than 5% of revenue, earnings or assets of the Group. The Group does not have a single customer which represents greater than 10% of the Group's revenue.

Sales between segments are on similar terms and conditions to those with third party customers.

Segment results

	Segment revenue		Segment results	
	1H22 $m	1H21 $m	1H22 $m	1H21 $m
Food	4,022.2	4,264.9	95.2	103.0
Liquor	2,169.8	2,035.5	44.3	40.1
Hardware	958.6	759.3	98.9	64.5
Segment total	**7,150.6**	**7,059.7**	**238.4**	**207.6**
Corporate			(7.2)	(4.6)
Group underlying earnings before interest and tax ('EBIT')			**231.2**	**203.0**
Finance costs, net (Note 3)			(22.8)	(21.3)
Significant items (Note 3)			(22.5)	(5.1)
Profit before income tax			**185.9**	**176.6**

3. OTHER INCOME AND EXPENSES

	1H22 $m	1H21 $m
(i) Other income		
Lease income - rent	3.8	3.4
Lease income - outgoings recoveries	7.4	8.3
Net gain from disposal of property, plant and equipment	0.4	0.8
	11.6	**12.5**
(ii) Employee benefit expenses		
Salaries and wages, incentives, and on-costs	364.4	322.1
Superannuation expense	25.3	21.6
Share-based payments expense	2.5	2.7
	392.2	**346.4**
(iii) Depreciation and amortisation		
Depreciation of right-of-use assets	56.8	50.5
Depreciation of property, plant and equipment	16.6	13.9
Amortisation of software	9.4	11.2
Amortisation of other intangible assets	2.2	2.3
	85.0	**77.9**
(iv) Lease expenses		
Property rent	1.4	3.7
Property outgoings	27.4	27.3
Equipment and other leases	2.6	5.8
	31.4	**36.8**
(v) Provision for impairment, net of reversals		
Trade receivables and loans	3.3	7.5
Inventories	10.0	17.1
Property provisions	(1.2)	0.4
Other impairments (net)	(1.8)	1.6
	10.3	**26.6**
(vi) Finance costs, net		
Interest expense	5.3	6.3
Transaction fees in relation to customer charge cards (Note 6)	0.5	1.3
Deferred borrowing costs	0.8	1.0
Financing component of lease payments, net	16.4	13.7
Finance costs from discounting of provisions	1.6	1.1
Interest income	(1.8)	(2.1)
	22.8	**21.3**
(vii) Significant items		
Project Horizon implementation costs (Note 4(i))	11.5	-
Total Tools acquisition costs and put option valuation (Note 4(ii))	7.1	3.3
MFuture implementation costs (Note 4(iii))	0.9	1.8
COVID-19 impairments (Note 4(iv))	3.0	-
Total significant items before tax	**22.5**	**5.1**
Income tax benefit attributable to significant items	(4.7)	(0.6)
Total significant items after tax	**17.8**	**4.5**

4. SIGNIFICANT EVENTS AND TRANSACTIONS

The following note provides an explanation of significant events and transactions since the end of the last annual reporting period, as required under AASB 134 *Interim Financial Reporting*.

(i) *Project Horizon* implementation costs

In FY21, Metcash launched Project Horizon, aimed at driving further efficiencies through simplification, as well as growth through making it easier to do business with Metcash. In addition to these aims, the first stage of this program will also include a focus on the Group's technical infrastructure consolidation and replacement, process efficiency foundations and better alignment of the Group's infrastructure across the pillars through the development of a single operating system across the Group. Metcash has delivered the first component, with the core finance module going live in November 2021. The remaining components of the first stage are expected to be progressively delivered through to completion in 2023. In 1H22, the Group incurred $24.0 million of capital expenditure and $11.5 million of expenses on the project. The project expenses included resource costs, accelerated amortisation of legacy software assets and incremental software licence and maintenance costs. These costs are separately disclosed within significant items in the Statement of Comprehensive Income to enable a better understanding of the Group's results.

(ii) Business combinations

Total Tools Holdings Pty Ltd ('Total Tools')

On 28 June 2021, Metcash acquired an additional 15% interest in Total Tools, increasing its ownership from 70% to 85%. Cash consideration of $59.4 million was paid to the minority shareholders. The associated carrying amount of the put option held by the minority shareholders of $62.6 million was extinguished. The net amount of $3.2 million is included in significant items in the Statement of Comprehensive Income as shown below:

	$m
Consideration paid	59.4
Put option liability derecognised	(62.6)
Gain on derecognition of put option	**(3.2)**

In addition, the carrying amount of the remaining Total Tools put option liabilities at balance date was remeasured to reflect the estimated put option exercise price, with the change in value of $7.9 million (1H21: nil) recorded as a significant item within the Statement of Comprehensive Income, together with the net present value interest unwind on the put option liability of $2.4 million (1H21: $0.5 million).

Other business combinations

During the period, the Group also entered into a number of other business combinations that were not material to the Group, individually or in aggregate. The total cash purchase consideration for these businesses was $13.4 million, of which $2.9 million is allocated to goodwill. The accounting for these business combinations is provisional as at 31 October 2021.

(iii) *MFuture* implementation costs

The five-year *MFuture* program initiatives are focused on growth opportunities and maximising the effectiveness of the Group's cost of doing business ('CODB'). During the period, the Group incurred $0.9 million (1H21: $1.8 million) of implementation costs which specifically related to the *MFuture* program. These costs are non-routine in nature, such as redundancies and restructuring costs.

(iv) COVID-19 impairments

During the period, the Group recognised a $3.0 million (1H21: nil) impairment charge primarily in relation to certain inventory items that were impacted by COVID-19 related demand factors. The Group continues to be subject to volatility and uncertainty in its trading environment and operations, as well as from the dynamic economic landscape. Accordingly, the Group has retained provisions for COVID-19 impairments of $10.2 million (FY21: $10.7 million) at balance date.

4. SIGNIFICANT EVENTS AND TRANSACTIONS (continued)

(v) Completion of $200.0 million off-market buyback

The Group completed an off-market buyback of 56,821,219 ordinary shares (or 5.6% of total shares in issue) for $200.0 million in August 2021. The ordinary shares were bought back at $3.52 per share, which represented a 14% discount to Metcash market price of $4.10 (being the volume weighted average price of Metcash ordinary shares on the ASX over the five trading days up to and including 13 August 2021). The buyback comprised a fully franked dividend of $2.67 per share ($151.7 million) and a capital component of $0.85 per share ($48.3 million). These amounts, along with $0.3 million of transaction costs, were debited to the Company's profit reserve and share capital account, respectively.

The shares bought back were subsequently cancelled.

(vi) FY19-FY21 LTI plan

As foreshadowed in FY21, the FY19-FY21 LTI plan vested in August 2021 at 90% which resulted in the vesting of 1,686,728 performance rights. Each performance right entitles the participant to one Metcash share. Metcash acquired 1,374,136 shares on market and allocated these to the participants in August 2021. The balance relating to good leavers was settled in cash.

5. DIVIDENDS

	1H22 $m	1H21 $m
Dividend paid on ordinary shares during the period		
Final fully franked dividend for FY21: 9.5c (FY20: 6.5c)	97.1	66.5
Dividend determined (not recognised as a liability as at 31 October 2021)		
Interim fully franked dividend for FY22: 10.5c (FY21: 8.0c)	101.4	81.8

On 6 December 2021, the Board determined to pay a fully franked FY22 interim dividend of 10.5 cents per share, sourced from the profit reserve established by Metcash Limited (Parent Company), with a record date of 22 December 2021 and payable in cash on 28 January 2022. The Dividend Reinvestment Plan remains suspended with effect from 26 June 2017.

6. TRADE RECEIVABLES AND LOANS

	1H22 $m	FY21 $m
Current		
Trade receivables	1,383.9	1,294.7
Allowance for impairment loss	(53.7)	(55.4)
Trade receivables	1,330.2	1,239.3
Customer charge cards agreement (a)	232.0	211.9
Other receivables and prepayments	173.9	156.6
Trade and other receivables	**1,736.1**	**1,607.8**
Customer loans	13.2	15.8
Allowance for impairment loss	(0.8)	(1.2)
Customer loans	**12.4**	**14.6**
Total trade receivables and loans – current	**1,748.5**	**1,622.4**
Non-current		
Customer loans	10.4	16.4
Allowance for impairment loss	(0.4)	(0.7)
Total trade receivables and loans - non-current	**10.0**	**15.7**

(a) Amounts receivable under the customer charge card agreements are fully offset by a corresponding amount included in trade and other payables.

7. PUT OPTIONS AND OTHER FINANCIAL LIABILITIES

	Put option liabilities $m	Other financial liabilities $m	Total $m
31 October 2021			
Current	18.5	1.8	20.3
Non-current	142.8	-	142.8
	161.3	**1.8**	**163.1**
30 April 2021			
Current	17.7	4.2	21.9
Non-current	194.8	-	194.8
	212.5	**4.2**	**216.7**

Total Tools Group put options

The Group has a put option with Total Tools Holdings Pty Ltd (Total Tools), which is the parent entity in the Total Tools Group, comprising the franchisor operations, company-owned stores and an ownership interest in 13 Total Tools independent retail stores (JV stores).

In June 2021, Metcash acquired an additional 15% interest in Total Tools increasing its ownership from 70% to 85%. The remaining shareholders in Total Tools have the right to put their 15% ownership interest to Metcash, via a put option, exercisable between 1 November 2023 and 31 January 2024. Metcash has the right to acquire the remaining 15% equity interest via a call option, exercisable at any time from 1 November 2023. The exercise price of the put option is based on a multiple of the Total Tools Group EBITDA over the 12-month period ending on 29 October 2023, adjusted for a number of items, including net debt and working capital.

In addition, Total Tools has ownership interests of between 51% and 60% in 13 Total Tools independent retail stores. Accordingly, at balance date, Metcash holds an effective ownership interest of between 43% and 51% in these JV Stores.

The Total Tools JV Store put option agreements allow individual minority shareholders to sell their remaining equity interests in the 13 JV Stores to Total Tools, subject to the satisfaction of certain criteria, exercisable between 1 May 2024 and 31 July 2024. Metcash has the right to acquire the remaining equity interests via call options, exercisable at any time. The exercise price of the put options are based on a multiple of the respective store's EBITDA over the 12-month period ending on 30 April 2024, adjusted for a number of items, including net debt and working capital.

In accordance with AASB 10 *Consolidated Financial Statements*, the Group has recognised financial liabilities for the Total Tools put option and the JV Store put options, has derecognised the non-controlling interests in Total Tools and the JV Stores and has ceased accounting for the non-controlling interests. Accordingly, the Statement of Comprehensive Income includes 100% of the net profit of Total Tools and includes 100% of the net profits of the JV Stores.

The above put option liabilities are remeasured at each reporting date at the estimated put option exercise price, with any change in value recorded as a significant item within the Statement of Comprehensive Income, together with the net present value interest unwind on the put option liability.

At 31 October 2021, the carrying amount of the Total Tools Group put option liabilities is $142.8 million (FY21: $194.8 million). Refer note 4 (ii) of the financial report for details in relation to the put option valuation adjustments recognised during the period.

Ritchies Stores Pty Ltd (Ritchies)

The Group has a put option with Ritchies Stores Pty Ltd (Ritchies). Metcash has a 26.4% ownership interest in Ritchies, which is recognised as an equity-accounted investment on the Group's balance sheet. The remaining shareholders in Ritchies have the right to put their 73.6% ownership interests to Metcash, via put option, subject to a margin related annual financial hurdle ('hurdle') being achieved.

The put option can be exercised collectively by all shareholders during a prescribed period following the approval of Ritchies' annual audited financial report ('group put option' representing the remaining 73.6% shareholding) or in certain circumstances by individual minority shareholders within a prescribed period ('small shareholder put option').

Should the hurdle be achieved and the shareholders elect to exercise any put option, the purchase consideration payable by Metcash is based on a multiple of the prior year reported earnings, normalised for certain adjustments.

7. PUT OPTIONS AND OTHER FINANCIAL LIABILITIES (continued)

Whilst the financial hurdle was achieved in respect of Ritchies' 2021 financial year, the group put option has not been exercised in relation to that year. Metcash estimates that the group put option consideration payable to Ritchies shareholders in respect of the 2021 financial year would have been between $320 million and $330 million.

If any put options were to be exercised in future years, the exercise price will be determined with reference to Ritchies' results for that financial year and the consideration payable would reflect those results.

The put option agreement terminates when Metcash ceases to hold shares in Ritchies or if Ritchies lists on the ASX.

The Ritchies put option is recognised at a fair value of nil.

Other put options

The Group has also recognised a liability of $18.5 million (FY21: $17.7 million) in respect of an additional three put options written over non-controlling interests in non-wholly owned subsidiaries within the Hardware pillar. These put option arrangements allow minority shareholders to sell their equity interests to Metcash, subject to specific terms and conditions. These put options are remeasured at each reporting date at the estimated put option exercise price.

In addition, the Group has put and call option agreements with two Total Tools independent retail stores without acquiring any present ownership interest ('non-owned stores'). These options are exercisable in 2024 if certain operating performance conditions are met and with an exercise price determined using a multiple of EBITDA. These put options are recognised at their fair values of nil.

8. CONTINGENT LIABILITIES

	1H22 $m	FY21 $m
Bank guarantees to third parties in respect of property lease obligations	4.8	8.7
Bank guarantees in respect of Work Cover	2.0	2.0

Financial guarantee contracts

The Group has granted a financial guarantee contract relating to the bank loan of a joint venture, Adcome Pty Ltd. Under the contract, the bank has the right to require Metcash to repay the debt under certain prescribed circumstances of default. The estimate of the maximum amount payable in respect of the guarantee, if exercised, is $37.2 million (FY21: $37.2 million).

Had the guarantee been exercised at 31 October 2021, the amount payable would have been $34.2 million (FY21: $35.2 million). The fair value of the financial guarantee contract at the reporting date was $0.1 million (FY21: $0.4 million) and is recognised as a financial liability.

Put options

Refer note 7 for details of put options outstanding at balance date.

9. SUBSEQUENT EVENTS

There were no events that have occurred after the end of the half year that would materially affect the reported results or would require disclosure in this report.

APPENDIX A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1 Basis of Preparation

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investment activities of the Group as the annual financial report.

The half year financial report should be read in conjunction with the annual financial report of Metcash Limited for the year ended 30 April 2021 ("FY21"). It is also recommended that the half year report be considered together with any public announcements made by Metcash Limited during the half year ended 31 October 2021.

The half year financial report has been prepared in accordance with the requirements of the *Corporations Act 2001*, AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements.

The report presents the results of the current period, which comprised the 26-week period that commenced on 26 April 2021 and ended on 24 October 2021. The prior period results comprise the 26-week period that commenced on 27 April 2020 and ended on 25 October 2020.

2 Changes in Accounting Policy

The accounting policies adopted in the preparation of the half year financial report are consistent with those applied in the annual financial report.

In April 2021, IFRIC published an agenda decision in relation to the accounting treatment of configuration and customisation costs related to Software-as-a-Service ('SaaS') arrangements. The Group has considered the final agenda decision and has clarified its accounting policy for costs incurred in implementing cloud-based arrangements. That is, costs relating to configuration and customisation are only capitalised if the implementation activities create an intangible asset that the Group controls in accordance with the requirements of AASB 138 *Intangible Assets*. Costs that do not result in intangible assets should be expensed as incurred. The exception is where they are paid to the suppliers of the cloud-based arrangement to significantly customise the cloud-based software for the Group. In this case, the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement.

The change in accounting policy has been applied retrospectively and there was no material impact on the Group's half year financial report.

There are no other accounting pronouncements which have become effective from 1 May 2021 that have a significant impact on the Group's half year financial report.

A number of new accounting standards (including amendments and interpretations) have also been issued but were not effective in 1H22. The Group has not elected to early adopt any of these new accounting standards in this financial report.

APPENDIX B – EQUITY-ACCOUNTED INVESTMENTS

The following table presents key information about the nature and extent of the Group's interests in joint ventures and associates.

INVESTEE	PRINCIPAL ACTIVITIES	REPORTING DATE	1H22 %	FY21 %
Associates				
Ritchies Stores Pty Ltd	Grocery retailing	30 June	26.4	26.4
Dramet Holdings Pty Ltd	Grocery retailing	30 June	26.0	26.0
Metcash Export Services Pty Ltd	Grocery retailing	30 April	15.0	15.0
Joint ventures				
Adcome Pty Ltd	Grocery retailing	30 April	45.0	45.0
BMS Retail Group Holdings Pty Ltd	Grocery retailing	30 June	49.0	49.0
Waltock Pty Limited	Hardware retailing	30 June	49.0	49.0
LA United Pty Ltd (a)	Liquor wholesaling	30 June	75.3	75.3
Liquor Alliance Pty Ltd (a)	Liquor wholesaling	30 June	66.7	66.7

(a) The Group has a direct ownership of 26.0% in LA United Pty Ltd, an indirect ownership of 49.3% via its interest in Liquor Alliance Pty Ltd. While the Group has beneficial ownership of more than 50% of the entity, key operating and financial decisions require the unanimous consent of other joint venture partners. Accordingly, LA United Pty Ltd and Liquor Alliance Pty Ltd are accounted for as joint arrangements.

Directors' Declaration

For the half year ended 31 October 2021

In accordance with a resolution of the directors of Metcash Limited, I state that, in the opinion of the Directors:

a. The financial statements and notes of the consolidated entity:

   i. give a true and fair view of its financial position as at 31 October 2021 and of its performance for the half year ended on that date; and

   ii. comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

b. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Jeff Adams
Director
Sydney, 6 December 2021

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Auditor's Independence Declaration to the Directors of Metcash Limited

As lead auditor for the review of the half-year financial report of Metcash Limited for the half-year ended 31 October 2021, I declare to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
b) No contraventions of any applicable code of professional conduct in relation to the review; and
c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Metcash Limited and the entities it controlled during the financial period.

Ernst & Young

Christopher George
Partner
6 December 2021

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Independent Auditor's Review Report to the Members of Metcash Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Metcash Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 October 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) Giving a true and fair view of the consolidated financial position of the Group as at 31 October 2021 and of its consolidated financial performance for the half-year ended on that date; and

b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matters that make us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 October 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Christopher George
Partner
Sydney
6 December 2021

CHAMPIONING SUCCESSFUL INDEPENDENTS

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