



Metcash Limited

ABN 32 112 073 480
50 Waterloo Road
Macquarie Park
NSW 2113 Australia

1 December 2014

ASX Limited
Company Announcements Office
Level 4, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/ Madam

METCASH LIMITED – FY15 HALF YEAR RESULTS

Please find attached:

- (a) Announcement – FY14 Half Year Results
- (b) Appendix 4D and Financial Report (including the Directors' Report and Independent Audit Report) of Metcash Limited for the financial year ended 31 October 2014.

Yours faithfully

A handwritten signature in black ink, appearing to read "G. Watson", is written over a large, stylized, looped graphic element that resembles a signature flourish or a large letter 'G'.

Greg Watson
Company Secretary

1 December 2014



Metcash Limited

ABN 32 112 073 480

50 Waterloo Road

Macquarie Park

NSW 2113 Australia

ASX Announcement

TRANSFORMATION GATHERING PACE

- Sales Revenue increased 1.0% to \$6.6 billion;
- Reported Profit After Tax increased 2.8% to \$101.7 million;
- Underlying Profit After Tax declined 9.0% to \$101.7 million;
- Underlying EPS declined 10.2% to 11.4cps; and
- Interim dividend per share of 6.5 cents fully franked.

Metcash Limited today released its results for the financial half-year ended 31 October 2014. The Group's sales revenue increased 1% on the prior comparable period. Underlying Profit after Tax decreased 9.0% to \$101.7 million due to ongoing operating leverage and as investment in the Food & Grocery strategy commenced. Price Match was activated in 425 IGA stores by the end of October and three stores piloted the Diamond program in the half, with 11 now operational and 29 stores approved to proceed. The result reflects a later impact from the Transformation program, however recent progress has been made in returning retail sales growth to a positive trajectory.

Throughout Food & Grocery, lower margin categories also impacted EBIT and negative wholesale sales growth continued to cause operating leverage. Transformation initiatives in Fresh, Convenience and Black & Gold are showing encouraging early signs, with retail scan sales gaining momentum as the network started transitioning to shopper-led category management.

In ALM, robust retail sales performance in Metcash's retail bannered independent groups (IBA) positively influenced operating leverage by increasing EBIT by 6.9% to \$24.9 million. Sales to wholesale contract independent groups decreased as these stores lost market share to organised groups and the self-supply chains. Continued decline in liquor consumption contributed to lower overall volumes resulting in a 3.6% decline in ALM's total sales.

Within Hardware & Automotive, continued strong performance in the trade sector increased Hardware sales by 16.5% on last year or 3.9% on a like-for-like basis; growth in EBIT was slower due to the higher trade sales mix. Network growth through conversion of stores to the M10 banner continued with the addition of G.Gay & Co. and the Yenken Group stores.

Sales in Automotive increased 21% on last year, with the core ABG retail business performing solidly supplemented by growth through acquisition. Automotive extended its service offer with the acquisition of Midas and is repositioning and aligning the ABS/Midas service and value offers. The division also had success in converting 11 other independents to the Autopro and Carparts brands; and is poised to open six new Autobarn stores by year end.

The Board announced an interim dividend of 6.5 cents per share fully franked, with a record date of 8 December 2014 and payable on 9 January 2015. The Dividend Reinvestment Plan (DRP) will be underwritten to 75%, reflecting a greater allocation of earnings to internal investment in the business in order to assist funding the Transformation Plan. The DRP provides investors with the opportunity to reinvest their dividend in additional Metcash shares at a 1% discount*.

Mr. Morrice said he was encouraged by the progress against Metcash's strategic initiatives set out to the market in March 2014.

"Whilst it is early days, the Diamond Store Accelerator pilot stores have driven increased customer transactions and basket size for stores; and the introduction of the Competitive Pricing strategy, Price Match, has reversed the negative sales trajectory in the 425 participating IGA stores who have enrolled since the start of October.

"Retailer support for the programs is strong and continues to grow. In September, 900 stores joined the new competitive pricing program for Private Label, and their support has returned Black & Gold to sales growth with recent warehouse volumes up double digits on the same period last year. These are positive signs in the early stages of the five year transformation of Metcash.

"We have retained a tight control on our cost of doing business throughout the Group. Our automated full-case pick system, Mustang, is now finally deployed in NSW for ALM. We should see the full benefits of warehouse efficiencies and cost control flow through for Food & Grocery in FY16," he said.

"Six months into the Transformation Plan, Metcash is in a better position to provide guidance on FY15 earnings, given the now likely timing of the initiatives and investment. FY15 Group EBIT is anticipated to be \$315 - \$330 million," he said.

Mr. Morrice added: "There is no doubt challenges remain but we are encouraged by the progress made since March, with significant capability added to the Group. The general trading environment continues to be highly competitive with price deflation expected to continue and consumers remaining value conscious.

"Recent trading, with additional stores transitioning to Diamond, shows signs of a sales led recovery. Positive momentum is encouraging to see as we lead into Christmas," Mr. Morrice said.

For further information:

Stephen Woodhill
Group General Manager Corporate Affairs
Metcash Limited
Ph: +61 2 9741 3415
Mob: +61 (0)413 318 455

*Further details regarding the DRP are available on the website: www.metcash.com

Appendix 4D

Half-year report

| |
|------------------------------------|
| Metcash Limited |
| ABN 32 112 073 480 |
| and its Controlled Entities |

Half-year Financial Report

31 October 2014

Lodged with the ASX under Listing rule 4.2A

This information should be read in conjunction with the 30 April 2014 Annual Report

For announcement to the market

MTS for the half-year ended 31 October 2014

Extracts from this report for announcement to the market (see note 1).

\$Amillion

| | | | | |
|--|------|---------------------|----|-----------------------------|
| Revenues from ordinary activities | up | 1.0% | to | 6,645.4 |
| Profit from ordinary activities after tax attributable to members | down | 5.2% | to | 101.7 |
| Net profit for the period attributable to members | up | 2.8% | to | 101.7 |
| <i>Please refer to page 3 for detailed explanation of the results</i> | | | | |
| Dividends (distributions) | | Amount per security | | Franked amount per security |
| Interim dividend (<i>Half-year report only</i>) – MTS | | 6.5c | | 6.5c |
| Previous corresponding period half-year ended 31 October 2013 (Half-year report) | | 9.5c | | 9.5c |
| Record date for determining entitlements to the dividend, (in the case of a trust, distribution) | | 8 December 2014 | | |

Explanatory Note on Results

Earnings before interest and tax for the period is down 10.9% on the prior period to \$165.8m and underlying profit after tax decreased by 9.0% to \$101.7m. Underlying earnings per share was down 10.2% to 11.4cps. Net profit for the period was up 2.8% to \$101.7m with earnings per share calculated on the same basis up 1.8%.

| Half-year ended 31 October 2014 | Note | Results | | | EPS equivalent | | |
|---|------|----------------|----------------|---------------|----------------|-------------|---------------|
| | | 2014 \$'m | 2013 \$'m | Change % | 2014 cps | 2013 cps | Change % |
| Sales revenue | | 6,645.4 | 6,579.4 | 1.0 | | | |
| Earnings before interest and tax (EBIT) | | 165.8 | 186.0 | (10.9) | | | |
| Net finance costs | | (23.9) | (27.0) | (11.5) | | | |
| Profit before tax | | 141.9 | 159.0 | (10.8) | | | |
| Income tax expense | | (39.7) | (46.6) | (14.8) | | | |
| Non-controlling interests | | (0.5) | (0.7) | (28.6) | | | |
| Underlying profit after tax | 1 | 101.7 | 111.7 | (9.0) | 11.4 | 12.7 | (10.2) |
| <i>Significant items (expense) / income:</i> | | | | | | | |
| ABG/ATAP acquisition costs | | - | (2.8) | | | | |
| Strategic review costs | | - | (2.3) | | | | |
| Tax benefit on significant items | | - | 0.7 | | | | |
| Reported profit after tax from continuing operations | | 101.7 | 107.3 | (5.2) | 11.4 | 12.2 | (6.6) |
| Loss after tax from discontinued operations | 2 | - | (8.4) | | | | |
| Net profit for the period | | 101.7 | 98.9 | 2.8 | 11.4 | 11.2 | 1.8 |
| Weighted average shares outstanding (millions) | 3 | 896.0 | 880.7 | 1.7 | | | |

- Underlying earnings represents reported profit after tax from continuing operations, excluding significant items after tax and after net income attributable to non-controlling interests. Underlying earnings per share (UEPS) is calculated by dividing underlying earnings by the weighted average shares outstanding during the period.

The Directors' assessment of the appropriateness of underlying earnings information is provided in the 'Operating and Financial Review' section of the annual financial report. Underlying earnings and underlying EPS are used for the purposes of providing guidance to the market and are calculated on a consistent basis each period. As communicated with the market in June 2014, the metric has been amended, effective 1 May 2014, to include amortisation of customer contracts and similar intangibles.

- The loss after tax from discontinued operations in the prior period relates to the Franklins retail business. In FY2014, Metcash completed, either through sale or closure, the disposal of all the retail stores acquired. Accordingly, no items of income or expense were recognised as discontinued operations from 1 May 2014.
- The increase in weighted average shares is due to the Group reinstating the Dividend Reinvestment Plan (DRP) in December 2013 and the underwritten FY2014 final dividend.

Earnings per security (EPS)

1. Details of basic and diluted EPS reported separately in accordance with AASB 133: *Earnings Per Share* are as follows.

MTS for 6 months

| | | |
|---|-------------|---------|
| Basic Earnings per share | 11.4 | Cents |
| Diluted Earnings per share | 11.4 | Cents |
| Earnings used in Basic and Diluted earnings per share = | 101.7 | million |
| · Weighted average number of ordinary shares (used in Basic EPS) | 896,028,340 | |
| · There have been no changes to ordinary shares since balance date | | |
| · Weighted average number of ordinary shares (used in Diluted EPS) = (896,028,340 ordinary shares + nil potential ordinary shares). | 896,028,340 | |
| · Weighted average number of converted, lapsed or cancelled potential ordinary shares included in the calculation of diluted EPS = 0 | | |
| · 11,876,327 performance rights are considered non-dilutive and excluded from potential ordinary shares. There have been no issues of potential ordinary shares after balance date. | | |

NTA backing

| | Current period | Previous corresponding period |
|---|----------------|-------------------------------|
| 2. Net tangible asset backing per ordinary security (cents) | (15.40) | (19.48) |

Discontinuing Operations

(Entities must report a description of any significant activities or events relating to discontinuing operations or, the details of discontinuing operations they have disclosed in their accounts).

3. Discontinuing Operations

Retail operations acquired as part of the Franklins Group acquisition in FY2012 were classified as disposal group assets. In FY2014, Metcash completed, either through sale or closure, the disposal of all the retail stores acquired. Accordingly, no items of income or expense were recognised as discontinued operations from 1 May 2014.

Control gained over entities having material effect

4.1 Name of entity (or group of entities)

Refer note 10 of the financial report

4.2 Date of the gain or loss of control

Refer note 10

4.3 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired (if material)

Refer note 10

Loss of control of entities having material effect

5.1 Name of entity (or group of entities)

N/A

5.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control

5.3 Date to which the profit (loss) has been calculated

5.4 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period

5.5 Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control

Dividends (in the case of a trust, distributions)

6.1 Date the dividend (distribution) is payable

9 January 2015

6.2 Record date to determine entitlements to the dividend (distribution) (i.e., on the basis of registrable transfers received by 5.00 pm if securities are not CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if securities are CHESS approved)

8 December 2014

6.3 If it is a final dividend, has it been declared?

N/A

(Preliminary final financial report only)

Amount per security

| | Amount per security | Franked amount per security at 30% tax | Amount per security of foreign source dividend |
|---|---------------------|--|--|
| <i>(Preliminary final financial report only)</i> | | | |
| 6.4 Final dividend: Current year - MTS | N/A | N/A | - c |
| 6.5 Previous year – MTS <i>(Half-yearly and preliminary final financial reports)</i> | 9.0 | 9.0 | - c |
| 6.6 Interim dividend: Current year - MTS | 6.5c | 6.5c | - c |
| 6.7 Previous year - MTS | 9.5c | 9.5c | - c |

Half-year financial report – interim dividend (distribution) on all securities

6.8 Ordinary securities (each class separately)

6.9 Preference securities (each class separately)

6.10 Ordinary securities (each class separately)

6.11 **Total**

| Current Year \$A million | Previous Year \$A million |
|--------------------------|---------------------------|
| 58.7 | 83.7 |
| - | - |
| - | - |
| 58.7 | 83.7 |

The dividend or distribution plans shown below are in operation.

With effect from 2 December 2013, the Group reopened the Dividend Reinvestment Plan (or 'DRP') under which eligible shareholders may elect to reinvest all or part of their dividends in additional Metcash shares. The Directors may determine offers of discounts from time to time.

If a Shareholder wishes to participate in the DRP in respect of the next interim dividend, the Shareholder must have made an election to participate before 5pm (New South Wales time) on Tuesday 9 December 2014.

The full terms and conditions of the DRP were announced on 2 December 2013 and amended on 19 May 2014.

The last date(s) for receipt of election notices for the dividend or any other disclosures in relation to dividends (distributions).

9 December 2014.

(For half-yearly reports, provide details in accordance with AASB 134 Interim Financial Reporting)

On 1 December 2014, the Board announced that it had entered into an agreement whereby a financial institution would underwrite the participation in the DRP for the FY2015 interim dividend. Under the agreement, if the total participation in the DRP is less than 75% of shareholders by volume then that financial institution will subscribe for the shortfall in participation.

Refer note 4 of the financial report for further details.

Details of aggregate share of profits (losses) of associates and joint venture entities

| Group's share of associates' and joint venture entities': | Current period | Previous |
|--|----------------|-------------------------------------|
| | \$A million | corresponding period \$A million |
| 7.1 Profit (loss) from ordinary activities before tax | 1.7 | 4.3 |
| 7.2 Income tax on ordinary activities | (0.5) | (1.3) |
| 7.3 Profit (loss) from ordinary activities after tax | 1.2 | 3.0 |
| 7.4 Extraordinary items net of tax | | |
| 7.5 Net profit (loss) | 1.2 | 3.0 |
| 7.6 Adjustments | | |
| 7.7 Share of net profit (loss) of associates and joint venture entities | 1.2 | 3.0 |

Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities. (If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition ("from dd/mm/yy") or disposal ("to dd/mm/yy").)

| Name of entity | Percentage of ownership interest held at end of period or date of disposal | |
|---|--|-------------------------------|
| | Current period | Previous corresponding period |
| 8.1 Equity accounted associates and joint venture entities | | |
| <i>Property development</i> | | |
| Abacus Independent Retail Property Trust | 25.0% | 25.0% |
| Plumpton Park Developments Pty Ltd | 50.0% | 50.0% |
| <i>Grocery retailing</i> | | |
| Ritchies Stores Pty Ltd | 26.0% | 26.0% |
| BMS Retail Group Pty Ltd (i) | - | 25.1% |
| Kangaroo Flat Supermarket Pty Ltd (i) | - | 25.1% |
| BMS Retail Group Holdings Pty Ltd (formerly Long Gully Supermarket Pty Ltd) (i) | 25.1% | 25.1% |
| Dramet Pty Ltd | 26.0% | 26.0% |
| Dart Trading Co Pty Ltd | 26.0% | 26.0% |
| Bamlane Pty Ltd | 26.0% | 26.0% |
| Mundin Pty Ltd | 26.0% | 26.0% |
| G'Butt Pty Ltd | 26.0% | 26.0% |
| Mussen Pty Ltd | 26.0% | 26.0% |
| Ully Pty Ltd | 26.0% | 26.0% |
| Adcome Pty Ltd | 45.0% | 45.0% |
| Lecome Pty Ltd | 50.0% | 50.0% |
| Progressive Trading Pty Ltd | 52.2% | 52.2% |
| <i>Merchandise services</i> | | |
| Metfood Pty Ltd | 50.0% | 50.0% |
| <i>Hardware retailing</i> | | |
| Sunshine Hardware Pty Ltd (ii) | - | 49.0% |
| Northern Hardware Pty Ltd | 49.9% | 49.9% |
| Waltock Pty Ltd | 49.0% | 49.0% |
| Timberten Pty Ltd | 40.0% | 40.0% |
| Banner 10 Pty Ltd | 49.0% | 49.0% |
| BRJ Pty Ltd | 36.0% | 36.0% |
| G Gay Hardware Pty Ltd (from 5 March 2014) | 49.0% | - |
| Woodys Timber and Hardware Pty Ltd (from 2 December 2013) (iii) | 49.0% | - |
| <i>Liquor retailing and hospitality</i> | | |
| Mermaid Tavern (Trading) Pty Ltd | 50.0% | 50.0% |
| Queens Arms Freehold Pty Ltd | 50.0% | 50.0% |
| Queens Arms Hotel New Farm Pty Ltd | 50.0% | 50.0% |
| Sunshine Coast Hotels Pty Ltd | 50.0% | 50.0% |
| 8.2 Total | | |
| 8.3 Other material interests | | |
| 8.4 Total | | |
| (i) During the current half-year, the BMS retail group completed a corporate restructure by which Long Gully Supermarket Pty Ltd became the parent entity. Long Gully Supermarket Pty Ltd was then renamed BMS Retail Group Holdings Pty Ltd. Although the restructure did not have an impact on Metcash's effective interest in the retail group, Metcash no longer holds a direct equity interest in BMS Retail Group Pty Ltd and Kangaroo Flat Supermarkets Pty Ltd. | | |
| (ii) In FY2014, the Group acquired additional shares in Sunshine Hardware Pty Ltd resulting in a controlling interest of 84.7%. | | |
| (iii) The acquisition of Woodys Timber and Hardware Pty Ltd was completed during the current half year but with effect from 2 December 2013. | | |

Issued and quoted securities at end of current period – Metcash Limited (MTS)

(Description includes rate of interest and any redemption or conversion rights together with prices and dates.)

| Category of securities | Total number | Number quoted | Issue price per security (cents) | Amount paid up per security (cents) |
|--|----------------------------------|---------------|----------------------------------|-------------------------------------|
| 9.1 Preference securities (description) | - | - | - | - |
| 9.2 Changes during current period | | | | |
| 9.3 Ordinary securities | 903,309,574 | 903,309,574 | - | - |
| 9.4 Changes during current period | 14,971,526 | 14,971,526 | 266 | 266 |
| 9.5 Convertible debt securities (description and conversion factor) | | - | - | - |
| 9.6 Changes during current period | | | | |
| 9.7 Options (description and conversion factor) | Total number | | Exercise price | Expiry date (if any) |
| | 1,240,748 | | - | 7 September 2015 |
| | 6,849,935 | | - | 15 August 2017 |
| | 3,424,968 | | - | 15 April 2018 |
| | 533,808 | | - | 15 August 2018 |
| | 1,067,616 | | - | 15 August 2019 |
| | | | | |
| | 6,849,935 | | - | 15 August 2017 |
| | 3,424,968 | | - | 15 April 2018 |
| | 533,808 | | - | 15 August 2018 |
| | 1,067,616 | | - | 15 August 2019 |
| | | | | |
| | 9.8 Issued during current period | | | |
| Reinstated | - | | | |
| 9.9 Exercised during current period | | | | |
| 9.10 Expired during current period | 1,231,786 | | - | 30 June 2014 |
| | 467,791 | | - | 7 September 2015 |
| | | | | |
| 9.11 Debentures (description) | (description) | - | | |
| 9.12 Changes during current period | | | | |
| (a) Increases through issues | - | - | | |
| (b) Decreases through securities matured, converted | - | - | | |
| 9.13 Unsecured notes (description) | (description) | - | | |
| 9.14 Changes during current period | | | | |
| (a) Increases through issues | - | - | | |
| (b) Decreases through securities matured, converted. | - | - | | |

Compliance statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

Identify other standards used

2 This report, and the accounts upon which the report is based (if separate), use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed.

4 This report is based on accounts to which one of the following applies. *(Tick one)*

The accounts have been audited.

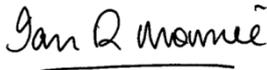
The accounts have been subject to review.

The accounts are in the process of being audited or subject to review.

The accounts have *not* yet been audited or reviewed.

5 If the audit report or review by the auditor is not attached, details of any qualifications are attached. *(Preliminary Final only - the audit report or review by the auditor must be attached to this report if this report is to satisfy the requirements of the Corporations Act.)*

6 The entity has a formally constituted audit committee.



Sign here: Date: 1 December 2014
(Chief Executive Officer)

Print name: Ian Morrice

Metcash Limited
and its Controlled Entities

ABN 32 112 073 480



Financial Report
for the half-year ended 31 October 2014

METCASH HALF-YEAR FINANCIAL REPORT

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METCASH HALF-YEAR FINANCIAL REPORT

Directors' Report

ABN 32 112 073 480

Your Directors submit their report of Metcash Limited (the Company) and its controlled entities (the Group) for the half-year ended 31 October 2014.

DIRECTORS

The names and details of the Company's Directors in office during the financial period and up to the date of this report are as follows:

Peter L Barnes (Chairman)
Ian R Morrice (CEO)
Patrick N J Allaway
Fiona E Balfour
Michael R Butler
Tonianne Dwyer (appointed 24 June 2014)
Neil D Hamilton
Edwin M Jankelowitz
Michael P McMahon
V Dudley Rubin (retired 27 August 2014)

Directors were in office for this entire period unless otherwise stated.

REVIEW AND RESULTS OF OPERATIONS

Consolidated net profit after income tax attributable to shareholders for the half-year was \$101.7 million (2013: \$98.9 million).

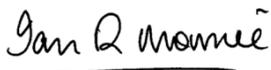
AUDITOR'S INDEPENDENCE

The auditor's independence declaration for the half-year ended 31 October 2014 has been received and is included on page 20.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$100,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

Signed in accordance with a resolution of the Directors.



Ian Morrice
Director

Sydney, 1 December 2014

METCASH HALF-YEAR FINANCIAL REPORT
STATEMENT OF *COMPREHENSIVE INCOME*

For the half-year ended 31 October 2014

| | Notes | 2014 \$'m | 2013 \$'m |
|---|--------|--------------|--------------|
| Sales revenue | | 6,645.4 | 6,579.4 |
| Cost of sales | | (6,022.3) | (5,979.4) |
| Gross profit | | 623.1 | 600.0 |
| Other income | 3(i) | 66.3 | 72.2 |
| Distribution costs | | (252.7) | (229.1) |
| Administrative costs | | (268.1) | (255.8) |
| Share of profit of equity-accounted investments | | 1.2 | 3.0 |
| Significant items | 3(vi) | - | (5.1) |
| Finance costs | 3(vii) | (27.9) | (31.3) |
| Profit from continuing operations before income tax | | 141.9 | 153.9 |
| Income tax expense | | (39.7) | (45.9) |
| Net profit for the period from continuing operations | | 102.2 | 108.0 |
| Net loss after tax for the period from discontinued operations | 6 | - | (8.4) |
| Net profit for the period | | 102.2 | 99.6 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Foreign currency translation adjustments | | (0.3) | 0.7 |
| Cash flow hedge adjustment | | (3.7) | 8.0 |
| Income tax expense on items of other comprehensive income | | 1.1 | (2.5) |
| Other comprehensive income for the period, net of tax | | (2.9) | 6.2 |
| Total comprehensive income for the period | | 99.3 | 105.8 |
| Net profit for the period is attributable to: | | | |
| Equity holders of the parent | | 101.7 | 98.9 |
| Non-controlling interests | | 0.5 | 0.7 |
| | | 102.2 | 99.6 |
| Total comprehensive income for the period is attributable to: | | | |
| Equity holders of the parent | | 98.8 | 105.1 |
| Non-controlling interests | | 0.5 | 0.7 |
| | | 99.3 | 105.8 |
| Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company: | | | |
| - basic earnings per share (cents) | | 11.4 | 12.2 |
| - diluted earnings per share (cents) | | 11.4 | 12.2 |
| Earnings per share for profit/(loss) from discontinued operations attributable to the ordinary equity holders of the Company: | | | |
| - basic earnings per share (cents) | | - | (1.0) |
| - diluted earnings per share (cents) | | - | (1.0) |
| Earnings per share attributable to ordinary equity holders of the Company: | | | |
| - basic earnings per share (cents) | | 11.4 | 11.2 |
| - diluted earnings per share (cents) | | 11.4 | 11.2 |

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

METCASH HALF-YEAR FINANCIAL REPORT

STATEMENT OF *FINANCIAL POSITION*

As at 31 October 2014

| | Notes | October 2014 \$'m | April 2014 \$'m |
|---------------------------------------|-------|-------------------------|-----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 44.9 | 24.7 |
| Trade and other receivables | 5 | 1,104.3 | 1,037.8 |
| Inventories | | 827.1 | 743.8 |
| Assets held for sale | | 29.3 | 41.1 |
| Prepayments and other assets | | 13.1 | 13.9 |
| Derivative financial instruments | | 0.7 | 1.8 |
| Total current assets | | 2,019.4 | 1,863.1 |
| Non-current assets | | | |
| Derivative financial instruments | | 66.1 | 46.3 |
| Trade and other receivables | 5 | 49.9 | 50.3 |
| Equity-accounted investments | | 110.9 | 99.2 |
| Other financial assets | | 0.4 | 0.3 |
| Property, plant and equipment | | 327.6 | 308.4 |
| Net deferred tax assets | | 66.9 | 70.4 |
| Intangible assets and goodwill | 7 | 1,793.8 | 1,765.7 |
| Total non-current assets | | 2,415.6 | 2,340.6 |
| TOTAL ASSETS | | 4,435.0 | 4,203.7 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | | 1,605.2 | 1,457.1 |
| Interest bearing loans and borrowings | | 63.6 | 15.3 |
| Derivative financial instruments | | 0.2 | 1.6 |
| Provisions | 8 | 128.6 | 127.2 |
| Income tax payable | | 17.3 | 23.9 |
| Other financial liabilities | | 22.5 | 13.0 |
| Total current liabilities | | 1,837.4 | 1,638.1 |
| Non-current liabilities | | | |
| Interest bearing loans and borrowings | | 804.9 | 824.9 |
| Provisions | 8 | 105.2 | 106.0 |
| Derivative financial instruments | | 2.4 | 0.1 |
| Other financial liabilities | | 30.4 | 40.6 |
| Total non-current liabilities | | 942.9 | 971.6 |
| TOTAL LIABILITIES | | 2,780.3 | 2,609.7 |
| NET ASSETS | | 1,654.7 | 1,594.0 |
| EQUITY | | | |
| Contributed equity | | 2,347.8 | 2,308.1 |
| Other equity | | (765.9) | (765.9) |
| Other reserves | | (2.9) | (2.9) |
| Retained earnings | | 68.8 | 47.1 |
| Parent interest | | 1,647.8 | 1,586.4 |
| Non-controlling interests | | 6.9 | 7.6 |
| TOTAL EQUITY | | 1,654.7 | 1,594.0 |

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

METCASH HALF-YEAR FINANCIAL REPORT

STATEMENT OF *CHANGES IN EQUITY*

For the half-year ended 31 October 2014

| | Contributed equity \$'m | Other equity \$'m | Share-based payments reserve \$'m | Retained earnings \$'m | Foreign currency translation reserve \$'m | Cash flow hedge reserve \$'m | Owners of the parent \$'m | Non controlling interests \$'m | Total equity \$'m |
|--|----------------------------|----------------------|--------------------------------------|---------------------------|--|---------------------------------|------------------------------|-----------------------------------|----------------------|
| At 1 May 2014 | 2,308.1 | (765.9) | 0.1 | 47.1 | (4.5) | 1.5 | 1,586.4 | 7.6 | 1,594.0 |
| Total comprehensive income, net of tax | - | - | - | 101.7 | (0.3) | (2.6) | 98.8 | 0.5 | 99.3 |
| Transactions with owners in their capacity as owners: | | | | | | | | | |
| Share-based payments | - | - | 2.9 | - | - | - | 2.9 | - | 2.9 |
| Dividends paid including DRP (note 4) | 40.0 | - | - | (80.0) | - | - | (40.0) | (1.2) | (41.2) |
| Share issue costs net of tax | (0.3) | - | - | - | - | - | (0.3) | - | (0.3) |
| At 31 October 2014 | 2,347.8 | (765.9) | 3.0 | 68.8 | (4.8) | (1.1) | 1,647.8 | 6.9 | 1,654.7 |
| At 1 May 2013 | 2,284.9 | (765.9) | 0.6 | 106.7 | (5.6) | (1.8) | 1,618.9 | 5.3 | 1,624.2 |
| Total comprehensive income, net of tax | - | - | - | 98.9 | 0.7 | 5.5 | 105.1 | 0.7 | 105.8 |
| Transactions with owners in their capacity as owners: | | | | | | | | | |
| Share-based payments | - | - | 0.3 | - | - | - | 0.3 | - | 0.3 |
| Dividends paid | - | - | - | (145.3) | - | - | (145.3) | (1.5) | (146.8) |
| At 31 October 2013 | 2,284.9 | (765.9) | 0.9 | 60.3 | (4.9) | 3.7 | 1,579.0 | 4.5 | 1,583.5 |

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

METCASH HALF-YEAR FINANCIAL REPORT

STATEMENT OF *CASH FLOWS*

For the half-year ended 31 October 2014

| | Notes | 2014 \$'m | 2013 \$'m |
|---|-------|---------------|----------------|
| Cash flows from operating activities: | | | |
| Receipts from customers | | 7,182.7 | 7,090.4 |
| Payments to suppliers and employees | | (6,870.5) | (6,656.6) |
| Dividends received | | 1.4 | 0.8 |
| Interest received | | 4.1 | 4.3 |
| Finance costs | | (23.7) | (25.9) |
| Income tax paid, net of tax refunds | | (42.2) | (29.8) |
| Indirect taxes paid | | (123.8) | (153.9) |
| Net cash generated by operating activities | | 128.0 | 229.3 |
| Cash flows from investing activities: | | | |
| Proceeds from sale of business assets | | 10.2 | 12.3 |
| Payments for acquisition of business assets | | (32.4) | (63.8) |
| Payments for intangibles | | (13.6) | (6.4) |
| Proceeds from sale of discontinued operations | 6 | - | 3.8 |
| Payment on acquisition of businesses, net of cash acquired | 10 | (30.5) | (87.3) |
| Costs paid on acquisition of businesses | | (0.5) | (2.2) |
| Payment on acquisition of equity-accounted investments | | (10.0) | (12.3) |
| Proceeds from loans repaid by other entities | | 12.7 | 20.0 |
| Loans to other entities | | (9.8) | (26.9) |
| Net cash used in investing activities | | (73.9) | (162.8) |
| Cash flows from financing activities: | | | |
| Share issue costs | | (0.3) | - |
| Proceeds from borrowings | | 3,803.3 | 3,593.7 |
| Repayments of borrowings | | (3,793.2) | (3,547.6) |
| Payment of dividends on ordinary shares | 4 | (40.0) | (145.3) |
| Payment of dividends to non-controlling interests | | (1.2) | (2.7) |
| Repayment of finance lease principal | | (2.5) | (2.3) |
| Net cash used in financing activities | | (33.9) | (104.2) |
| Net increase/(decrease) in cash and cash equivalents | | 20.2 | (37.7) |
| Add opening cash brought forward | | 24.7 | 50.3 |
| Effect of exchange rate changes on cash | | - | 0.7 |
| Cash and cash equivalents at the end of the period | | 44.9 | 13.3 |

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

METCASH HALF-YEAR FINANCIAL REPORT

NOTES TO THE *FINANCIAL REPORT*

For the half-year ended 31 October 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporate information

The half-year financial report of Metcash Limited (the Company) and its controlled entities (the Group) for the period ended 31 October 2014 was authorised for issue in accordance with a resolution of the Directors on 1 December 2014.

The report presents the results of the current period, which comprised the 26 week period that commenced on 28 April 2014 and ended on 26 October 2014. The prior period results comprise the 26 week period that commenced on 29 April 2013 and ended on 27 October 2013.

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 2014. 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 2014.

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

Changes in accounting policy

The accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted in the preparation of the annual financial report, except the following accounting standards, which are applicable to the Group for the first time during the current period.

| | |
|----------------------|---|
| AASB 1031 | <i>Materiality</i> |
| AASB 1053 | <i>Application of Tiers of Australian Accounting Standards</i> |
| AASB 2011-4 | <i>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]</i> |
| AASB 2012-3 | <i>Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities</i> |
| AASB 2013-3 | <i>Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets</i> |
| AASB 2013-9 (Part B) | <i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i> |

The adoption of these standards did not have a significant impact on the Group's financial results, balance sheet or disclosures. Accounting policies are applied consistently by each entity in the Group.

METCASH HALF-YEAR FINANCIAL REPORT

NOTES TO THE *FINANCIAL REPORT*

For the half-year ended 31 October 2014

2. SEGMENT INFORMATION

Identification of chief operating decision maker

The Group has identified its operating segments based on the internal reports that are reviewed and used by the CEO (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.

Identification of reportable segments

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

- Food & Grocery activities comprise the distribution of dry grocery, perishable and general merchandise supplies to retail outlets.
- Liquor activities comprise the distribution of liquor products to retail outlets and hotels.
- Hardware & Automotive comprises the distribution of hardware supplies and automotive parts and accessories to retail outlets.

The Automotive and Hardware operating segments have been combined as one reportable segment as these segments, separately, do not meet the quantitative thresholds prescribed by AASB 8 *Operating Segments*.

The Group previously announced Project Mustang, which is a \$75 million warehouse automation project centred on the Group's new distribution facility in Huntingwood, NSW, utilising the latest European technology. The project is expected to be completed in late FY2015. Upon completion, the project will significantly automate the goods receipt, order selection, pallet assembly and distribution processes for both the Food & Grocery and Liquor businesses that operate within this distribution centre.

Future plans to further integrate Food & Grocery and Liquor may lead to their aggregation into one reportable segment as these plans are implemented. In anticipating this change, the Group has integrated its supply chain workforce into a centralised function.

Geographical distribution

Geographically the Group operates predominantly in Australia. The New Zealand operation represents less than 5% of revenue, results and assets of the Group.

Segment accounting policies

- With effect from 1 May 2014, segment results were amended to include customer contracts amortisation expense. Comparatives have been adjusted to reflect this change.
- The selling price between segments is at normal selling prices and is paid under similar terms and conditions as any other customers of the Group.
- In the prior period, the Food & Grocery segment results included wholesale sales to Franklins retail stores except those stores that have either closed or were expected to close as at prior reporting dates.
- Segment results exclude results from discontinued operations. (Refer to note 6)

Major customers

The Group does not have a single external customer which represents greater than 10% of the Group's revenue.

METCASH HALF-YEAR FINANCIAL REPORT

NOTES TO THE *FINANCIAL REPORT*

For the half-year ended 31 October 2014

2. SEGMENT INFORMATION (continued)

| Business segments | Food & Grocery | | Liquor | | Hardware & Automotive | | Results from continuing operations | |
|-----------------------------|----------------|--------------|--------------|--------------|-----------------------|--------------|------------------------------------|----------------|
| | 2014 \$'m | 2013 \$'m | 2014 \$'m | 2013 \$'m | 2014 \$'m | 2013 \$'m | 2014 \$'m | 2013 \$'m |
| Sales to external customers | 4,508.4 | 4,483.8 | 1,482.7 | 1,538.1 | 654.3 | 557.5 | 6,645.4 | 6,579.4 |
| Inter-segment revenue | 9.9 | 15.1 | 14.5 | 17.0 | - | - | 24.4 | 32.1 |
| Total segment revenue | 4,518.3 | 4,498.9 | 1,497.2 | 1,555.1 | 654.3 | 557.5 | 6,669.8 | 6,611.5 |
| Segment profit before tax | 119.2 | 146.0 | 24.9 | 23.3 | 22.1 | 20.9 | 166.2 | 190.2 |

i) Segment revenue reconciliation to the statement of comprehensive income:

| | 2014 \$'m | 2013 \$'m |
|---|----------------|----------------|
| Total segment revenue | 6,669.8 | 6,611.5 |
| Inter-segment revenue elimination | (24.4) | (32.1) |
| Total revenue from continuing operations | 6,645.4 | 6,579.4 |

ii) Segment profit before tax reconciliation to the statement of comprehensive income:

| | 2014 \$'m | 2013 \$'m |
|--|--------------|--------------|
| Segment profit before tax | 166.2 | 190.2 |
| Corporate/unallocated costs | 2.5 | (3.9) |
| Share based payments | (2.9) | (0.3) |
| Net finance costs | (23.9) | (27.0) |
| Significant items | - | (5.1) |
| Net profit from continuing operations before income tax | 141.9 | 153.9 |

METCASH HALF-YEAR FINANCIAL REPORT

NOTES TO THE *FINANCIAL REPORT*

For the half-year ended 31 October 2014

3. REVENUES AND EXPENSES

| | 2014 \$'m | 2013 \$'m |
|---|--------------|--------------|
| (i) Other income | | |
| Rental income | 62.2 | 61.1 |
| Interest from other persons/corporations | 4.0 | 4.3 |
| Net gain from disposal of property, plant and equipment | 0.1 | 6.8 |
| | <u>66.3</u> | <u>72.2</u> |
| (ii) Operating lease rental | | |
| Minimum lease payments – stores | 62.2 | 61.1 |
| Minimum lease payments – warehouse and other | 53.4 | 54.5 |
| (iii) Employee benefit expense | | |
| Salaries and wages | 248.6 | 222.0 |
| Defined contribution plan expenses | 20.4 | 17.9 |
| Workers compensation costs | 4.1 | 6.0 |
| Share based payments | 2.9 | 0.3 |
| Other employee benefit costs | 3.0 | 3.0 |
| | <u>279.0</u> | <u>249.2</u> |
| (iv) Depreciation and amortisation | | |
| Depreciation of property, plant and equipment | 19.2 | 17.8 |
| Amortisation of software | 8.0 | 7.3 |
| Amortisation of customer contracts and trade names | 7.6 | 7.3 |
| | <u>34.8</u> | <u>32.4</u> |
| (v) Provisions for impairment, net of reversals | | |
| Trade and other receivables | 13.6 | 12.0 |
| Inventories | 5.3 | 4.4 |
| Customer contracts | - | 1.9 |
| Retail development assets | - | 2.0 |
| Property, plant and equipment | - | 1.4 |
| | <u>18.9</u> | <u>21.7</u> |
| (vi) Significant items | | |
| Acquisition costs: ABG and ATAP | - | 2.8 |
| Strategic review costs | - | 2.3 |
| | - | 5.1 |
| Income tax benefit | - | (0.7) |
| | - | 4.4 |
| (vii) Finance costs | | |
| Interest expense | 22.4 | 25.9 |
| Deferred borrowing costs | 0.4 | 0.9 |
| Finance costs attributable to discounting of provisions and liabilities | 5.1 | 4.5 |
| | <u>27.9</u> | <u>31.3</u> |

METCASH HALF-YEAR FINANCIAL REPORT

NOTES TO THE *FINANCIAL REPORT*

For the half-year ended 31 October 2014

4. DIVIDENDS PAID AND PROPOSED

| | 2014 \$'m | 2013 \$'m |
|---|--------------|--------------|
| Dividends paid on ordinary shares during the half-year | | |
| Final fully franked dividend for FY2014: 9.0 cents (FY2013: 16.5 cents) (i) | 80.0 | 145.3 |
| Dividends declared during the period | 80.0 | 145.3 |
| Shares issued under the dividend reinvestment plan (i) | (21.9) | - |
| Cash received under DRP underwriting agreement (i) | (18.1) | - |
| Net cash dividends paid on ordinary shares during the period | 40.0 | 145.3 |
| Dividends declared (not recognised as a liability as at 31 October 2014) | | |
| Interim fully franked dividend for FY2015: 6.5 cents (FY2014: 9.5 cents) (ii) | 58.7 | 83.7 |

Dividend Reinvestment Plan

On 2 December 2013, the Group reopened the Dividend Reinvestment Plan (DRP) under which eligible shareholders may elect to reinvest all or part of their dividends in acquiring additional Metcash shares. The Directors may determine offers of discounts from time to time. The full terms and conditions of the DRP were announced on 2 December 2013 and amended on 19 May 2014.

- (i) The DRP participation relating to the FY2014 final dividend was underwritten by a financial institution up to 50% participation. Of the \$80.0 million declared for the FY2014 final fully franked dividend, \$58.1 million was paid in cash and \$21.9 million was settled by the issue of 8,234,662 shares under the DRP. A further 6,736,864 shares were issued to the underwriter for \$18.1 million received in cash.
- (ii) On 1 December 2014, the Board announced that it had entered into an agreement whereby a financial institution would underwrite the participation in the DRP for the FY2015 interim dividend. Under the agreement, if the total participation in the DRP is less than 75% of shareholders by volume then that financial institution will subscribe for the shortfall in participation.

5. TRADE AND OTHER RECEIVABLES

| | October 2014 \$'m | April 2014 \$'m |
|-------------------------------------|-------------------------|-----------------------|
| Current | | |
| Trade receivables - securitised | 761.7 | 788.1 |
| Trade receivables - non-securitised | 277.6 | 182.8 |
| Allowance for impairment loss | (67.2) | (62.6) |
| | 972.1 | 908.3 |
| Customer loans | 47.4 | 52.1 |
| Allowance for impairment loss | (6.6) | (6.0) |
| | 1,012.9 | 954.4 |
| Marketing and other receivables | 91.4 | 83.4 |
| | 1,104.3 | 1,037.8 |
| Non-current | | |
| Customer loans | 47.6 | 46.8 |
| Other receivables | 2.3 | 3.5 |
| | 49.9 | 50.3 |

METCASH HALF-YEAR FINANCIAL REPORT

NOTES TO THE *FINANCIAL REPORT*

For the half-year ended 31 October 2014

6. DISCONTINUED OPERATIONS

Retail operations acquired as part of the Franklins Group acquisition in FY2012 were classified as disposal group assets. In FY2014, Metcash completed, either through sale or closure, the disposal of all the retail stores acquired. Accordingly, no items of income or expense were recognised as discontinued operations from 1 May 2014.

7. GOODWILL

The intangibles balance in the consolidated statement of financial position includes the following movements in goodwill for the half-year:

| | October 2014 \$'m | April 2014 \$'m |
|---|-------------------------|-----------------------|
| Carrying amount at the beginning of the period | 1,422.7 | 1,367.5 |
| Additions arising from business combinations (note 10) | 8.3 | 50.9 |
| Adjustment attributable to finalisation of acquisition accounting | - | 6.7 |
| Reclassifications and other adjustments | 1.8 | (2.4) |
| Carrying amount at the end of the period | 1,432.8 | 1,422.7 |

8. PROVISIONS

| | October 2014 \$'m | April 2014 \$'m |
|-------------------------------|-------------------------|-----------------------|
| Current | | |
| Employee entitlements | 95.2 | 88.4 |
| Rental subsidy (b)(i) | 20.0 | 27.6 |
| Restructure provision (b)(ii) | 9.3 | 10.2 |
| Other | 4.1 | 1.0 |
| | 128.6 | 127.2 |
| Non-current | | |
| Employee entitlements | 5.5 | 5.1 |
| Rental subsidy (b)(i) | 84.4 | 85.1 |
| Restructure provision (b)(ii) | 15.3 | 15.8 |
| | 105.2 | 106.0 |

METCASH HALF-YEAR FINANCIAL REPORT

NOTES TO THE *FINANCIAL REPORT*

For the half-year ended 31 October 2014

8. PROVISIONS (continued)

(a) Movements in significant provisions (other than employee entitlements)

| | Rental subsidy \$'m | Restructure provision \$'m | Total \$'m |
|--|------------------------|----------------------------------|---------------|
| 1 May 2014 | 112.7 | 26.0 | 138.7 |
| Expense arising/(released) during the period | (0.6) | 1.1 | 0.5 |
| Arising from business combinations | - | 0.6 | 0.6 |
| Utilised during the period | (11.3) | (3.5) | (14.8) |
| Finance cost discount rate adjustment | 3.6 | 0.4 | 4.0 |
| 31 October 2014 | 104.4 | 24.6 | 129.0 |
| 1 May 2013 | 179.3 | 20.4 | 199.7 |
| Expense arising/(released) during the year | | | |
| - continuing operations | - | 8.7 | 8.7 |
| - significant items | - | 0.4 | 0.4 |
| - discontinued operations | (2.6) | 1.6 | (1.0) |
| Attributable to ABG acquisition adjustment | - | 1.1 | 1.1 |
| Reclassified to trade receivables provision | (9.7) | - | (9.7) |
| Utilised during the year | (64.6) | (7.4) | (72.0) |
| Finance cost discount rate adjustment | | | |
| - continuing operations | 8.2 | 1.2 | 9.4 |
| - discontinued operations | 2.1 | - | 2.1 |
| 30 April 2014 | 112.7 | 26.0 | 138.7 |

(b) Nature and timing of provisions

(i) Rental subsidy provision

In certain situations, Metcash will take the head lease on a retail property. When this occurs, the properties are typically sub leased to the retail customers on 'back-to-back' commercial terms and conditions, whereby the lease expense to the landlord matches the lease rental to the retailer.

Atypically, Metcash has assumed leases through acquisitions whereby the lease rental is considered 'onerous'. In these situations, where the head lease rental expense exceeds the expected sub lease rental income, a provision is raised for the difference in rental streams for the period of the actual or expected sub lease.

(ii) Restructure provision

The provision represents obligations recognised by the Group as a result of the various restructuring initiatives announced in April 2012 (including the Campbells branch closures) and the decision to vacate the Silverwater and Blacktown distribution centres. In addition, this provision covers certain other 'onerous' lease arrangements and provisions for closure costs on leased properties.

METCASH HALF-YEAR FINANCIAL REPORT

NOTES TO THE *FINANCIAL REPORT*

For the half-year ended 31 October 2014

9. FINANCIAL INSTRUMENTS

Comparison of carrying value and fair value

At 31 October 2014, the carrying amount of financial instruments recorded in the financial statements approximates their fair value.

Financial instruments carried at fair value

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. The different levels of the fair value hierarchy are defined as follows:

| | |
|---------|--|
| Level 1 | The fair value is calculated using quoted prices in active markets. |
| Level 2 | The fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). |
| Level 3 | The fair value is estimated using inputs for the asset or liability that are not based on observable market data. |

At the reporting date, the Group held derivative financial instruments which are all reported at Level 2 fair value measurements. The carrying value of derivative financial assets were \$66.8 million (April 2014: \$48.1 million) and derivative financial liabilities were \$2.6 million (April 2014: \$1.7 million).

Other financial instruments measured at fair value are not deemed material to the Group and related fair value changes are not likely to have a significant impact on the Group's profit or loss, total assets and liabilities or equity.

During the period, there were no transfers between Level 1 and Level 2 measurements.

Valuation methods and assumptions

The fair value of the financial assets and liabilities is the amount at which the asset could be sold or the liability transferred in a current transaction between market participants, other than in a forced or liquidation sale. The methods and assumptions used to estimate the fair values are consistent with those disclosed in the FY2014 annual report.

10. BUSINESS COMBINATIONS

During the period, the Metcash Group acquired the following entities or assets:

| Date of acquisition | Business purchased | % Acquired |
|---------------------|---|------------|
| 5 May 2014 | Midas Australia Pty Ltd | 100.0% |
| 30 May 2014 | Liquor Traders Pty Ltd | 100.0% |
| 30 June 2014 | Far North Wholesalers & Hanly Confectionery | 100.0%(i) |

(i) Acquisition of business assets

Purchase price allocation

Details of the fair value of the assets and liabilities acquired are as follows:

| | October 2014 \$'m |
|--|----------------------|
| Purchase consideration: | |
| Cash purchase consideration | 32.6 |
| Less: cash acquired | (2.1) |
| Net cash consideration | 30.5 |
| Plus: contingent consideration | 2.0 |
| Plus: settlement of pre-existing relationships | 1.0 |
| Net purchase consideration | 33.5 |
| Less: fair value of net identifiable assets acquired | (25.2) |
| Goodwill - provisional | 8.3 |

METCASH HALF-YEAR FINANCIAL REPORT

NOTES TO THE *FINANCIAL REPORT*

For the half-year ended 31 October 2014

10. BUSINESS COMBINATIONS (continued)

| | October 2014 \$'m |
|---|-------------------------|
| Assets and liabilities assumed: | |
| Receivables | 2.2 |
| Inventories | 3.6 |
| Property, plant and equipment | 1.4 |
| Intangibles | 22.9 |
| Deferred tax liability | (0.7) |
| Provisions and creditors | (4.2) |
| Fair value of net identifiable assets on acquisition date | 25.2 |

The carrying amounts of acquired receivables approximated their gross contractual amounts and the estimated collectible amounts at the dates of acquisition. The fair value of all identifiable assets and liabilities acquired approximated their carrying values at the dates of acquisition.

The goodwill recognised on the above acquisitions is attributed to the expected synergies and other benefits from combining the assets and activities of the acquired entities.

The accounting for the above business combinations is provisional as at 31 October 2014.

11. CONTINGENT LIABILITIES

| | October 2014 \$'m | April 2014 \$'m |
|---|-------------------------|-----------------------|
| Bank guarantees to third parties in respect of property lease obligations | 20.1 | 20.0 |
| Bank guarantees in respect of Workcover | 28.0 | 29.0 |
| Stand by letters of credit | - | 1.3 |
| Face value of the outstanding charges due to American Express (a) | 219.1 | 238.9 |
| Put options related to retail stores (b) | 7.5 | 7.5 |
| Put options related to equity-accounted investments (b) | 10.8 | 2.3 |

(a) American Express charge card

On 9 May 2007, Metcash Trading Limited entered into an agreement with American Express (Amex), due to expire on 1 May 2016, in relation to customer charge cards. Under the agreement, should a customer default on payment, where Amex has previously made a payment to Metcash, then Metcash must pay Amex an amount equal to the charge outstanding.

The maximum amount payable shall be limited to the actual face value of the outstanding charge due to Amex. This does not include any interest or other fees payable by the customer to Amex. Metcash shall have no other obligation to Amex in respect of the outstanding charge and shall not be liable for any costs, loss or liability of any nature whatsoever incurred by Amex as a result of the failure by the customer to make payment.

(b) Put options – contingent liabilities

The Group has granted put options relating to the sale of retail store assets to certain customers. The holders of the put options have the right to "put" these non-financial assets back to the Group within an agreed period and under certain prescribed circumstances. The estimate of the financial effect of the put options, if exercised, is the aggregate of the purchase price as defined in the option deed or business sale agreement. The amount disclosed as a contingent liability of \$7.5 million (2014: \$7.5 million) in the above table relates to one retail store.

The Group has entered into certain put option arrangements with co-investors, which if exercised would result in an increase in Metcash's ownership interest in the equity-accounted joint venture. The estimate of the financial effect of the put options, if exercised, is the aggregate of the purchase price as defined in the option deed or business sale agreement. The amount disclosed as a contingent liability of \$10.8 million (2014: \$2.3 million) in the above table relates to two equity-accounted investments.

METCASH HALF-YEAR FINANCIAL REPORT

NOTES TO THE *FINANCIAL REPORT*

For the half-year ended 31 October 2014

11. CONTINGENT LIABILITIES (continued)

The Group has determined that the probability of material outflow relating to put arrangements over all other retail stores and equity-accounted investments is remote.

(c) Put options and financial guarantees recognised as liabilities

Certain put option arrangements with minority shareholders of partially owned subsidiaries, if exercised, would result in an increase in Metcash's ownership interest in the subsidiaries, subject to specific terms and conditions. Where such an arrangement is deemed to be part of the business combination a financial liability is recognised on the acquisition date measured at the present value of the redemption amount under the option. The Group has recognised a liability of \$47.7 million (2014: \$46.6 million) in respect of these put options, of which \$36.0 million relates to the Metcash Automotive Holdings put option.

The Group has granted a financial guarantee relating to the bank loan of an equity-accounted investee (Adcome Pty Ltd). This is measured at fair value and recognised as a financial guarantee contract liability. The Group has recognised a liability of \$1.2 million (2014: \$1.9 million) in respect of this financial guarantee.

12. SHARE-BASED PAYMENTS

During the half-year, performance rights were granted under the Metcash Executives and Senior Managers Performance Rights Plan (Rights Plan). These performance rights were issued as part of a tailored strategic grant subject to performance conditions that are closely aligned with the Group's Transformation Plan, which was announced to the market on 21 March 2014. The Transformation Plan is focused on strategic priorities that are directed towards underpinning long-term sustainable growth for the Group and the independent retailers it supports.

In total, 11.9 million equity-settled performance rights were granted in the half-year ended 31 October 2014. The Group has recognised \$2.9 million of share-based payments expense in the income statement for the half-year ended 31 October 2014 (31 October 2013: \$0.3 million).

13. SUBSEQUENT EVENTS

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

METCASH HALF-YEAR FINANCIAL REPORT
DIRECTORS' DECLARATION

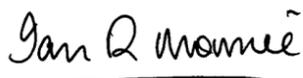
For the half-year ended 31 October 2014

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

In the opinion of the Directors:

- (a) the financial report and notes of the consolidated entity:
 - (i) give a true and fair view of the financial position as at 31 October 2014 and the 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



Ian Morrice
Director
Sydney, 1 December 2014

To the members of Metcash Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Metcash Limited, which comprises the statement of financial position as at 31 October 2014, 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 of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 October 2014 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*. As the auditor of Metcash Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

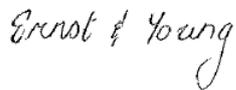
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included by reference in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Metcash Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 October 2014 and of its 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*.



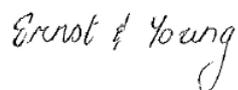
Ernst & Young



Renay Robinson
Partner
Sydney
1 December 2014

Auditor's Independence Declaration to the Directors of Metcash Limited

In relation to our review of the financial report of Metcash Limited for the half-year ended 31 October 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Renay Robinson
Partner
1 December 2014