Metcash Limited
ABN 32 112 073 480
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2 December 2013

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

Dear Sir/ Madam

METCASH LIMITED – FY14 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 2013.

Yours faithfully

Greg Watson
Company Secretary

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

2 December 2013

ASX Announcement

METCASH RECORDS MODEST GROWTH IN TOUGH CONDITIONS

- Reported revenue rose 4.9% from 1H13 to $6.64 billion
- EBITA fell 6.3% from 1H13 to $193.3 million
- Reported Profit After Tax grew 20.6% from 1H13 to $98.9 million
- Underlying Profit After Tax fell 1.9% from 1H13 to $119.0 million
- Operating cash flow grew 58.5% from 1H13 to $229.3 million
- Reported earnings per share, after significant items and discontinued operations grew 14.3% from 1H13 to 11.2 cents per share
- Underlying earnings per share of 13.5 cents per share
- Interim dividend per share of 9.5 cents fully franked

Metcash Limited today released its first half results for 2014. While wholesale sales grew 4.8% to $6.58 billion and reported revenue grew 4.9% to $6.64 billion, Earnings Before Interest, Tax and Amortisation (EBITA) declined 6.3% to $193.3 million. The decline in EBITA is attributed to several factors: continuing price deflation which has exacerbated operating deleverage; greater investment in advertising and building marketing capability; and, intense competition – particularly the impact on independent retailers of excessive fuel discounts being offered by the self supply chains. This resulted in a 1.9% decline in underlying PAT and a 6.9% decline in underlying earnings per share after allowing for the 5% dilutionary effect of extra shares on issue following last year's equity raising.

Reported profit after tax rose 20.6% reflecting the reduction in discontinued operation costs as the exit from Franklins retail operations has now been completed. This result also includes a very strong performance in liquor and the earnings accretion flowing from acquisitions undertaken in the new automotive division. Accordingly, reported earnings per share for 1H14 was up 14.3% to 11.2 cents.

Operating cash flow rose 58.5% to $229.3 million as a result of a continued focus on working capital management, in particular inventory control in the Food & Grocery division.

The Board of Directors announced an interim dividend of 9.5 cents per share fully franked, with a record date of 3 January 2014 and payable on 24 January 2014. This dividend represents a payout ratio of 70.4% of underlying EPS from continuing operations. The Board's intention remains to return earnings to shareholders whilst ensuring adequate funds are available to invest in the business and in growth opportunities.

The Board has also announced today that Metcash will reinstate the Dividend Reinvestment Plan (DRP). The DRP provides investors with the opportunity to reinvest their dividend in additional Metcash shares at a 1% discount.

Ian Morrice, appointed Group CEO of Metcash Limited on 1 July 2013, commented on the 1H14 result: "We continue to experience very tough trading conditions and have announced results in line with the guidance we gave the market at our AGM. We have seen further food price deflation which has a significant deleveraging impact on us as a wholesaler.

"The major supermarket chains have persisted to distort the market with cross subsidisation through their domination in grocery and fuel. The use of market distortive devices such as fuel shopper dockets, particularly at excessively high predatory levels, makes it very difficult for independent retailers to compete on a level playing field. In order to combat these conditions we have invested more heavily in advertising and associated marketing capabilities.

"Revenue growth reflects the addition of new business to the group and strong cashflow reflects prudent working capital management. Our liquor business delivered another great result, Mitre 10 continues to strengthen its network and the Automotive business has doubled in size with the acquisition of ATAP during 1H14.

"Alongside our first half results today I am providing an update on our Strategic Review which I first mentioned at our FY13 Results in June. The review is well advanced with clear conclusions on our vision to ensure long-term growth at Metcash. A key part of this review is focussed on how we turn around our Food & Grocery business and make the significant model changes necessary.

"Once we have completed the final stages of our planning and ensured that we have alignment with our Retailers and Suppliers, we will provide the market with more details at an Investor Strategy Day planned for March 2014," Mr Morrice said.

BUSINESS PILLARS' PERFORMANCE

Metcash Food & Grocery (F&G)

The F&G division's sales decreased by 1.5% with like-for-like wholesale sales falling 1.3%. Price deflation of 1.3% continued to impact the food and grocery business particularly in fruit and vegetables which saw deflation of 13.9%.

F&G responded to the market conditions with a significant investment in marketing (up 12.6% on pcp) and the promotional cycle was realigned to run from Wednesdays to improve retail execution.

During 1H14, 21 new stores were added to the IGA family with another 24 due to be completed by FY14. When conversions and extensions to existing IGA stores are taken into account this means an additional 27,151 square metres of floor space was added during 1H14. The disposal of Franklins stores was completed with 67 stores now having been integrated into the IGA network and 23 stores being closed.

The BP and Spotless contracts were successfully merged into the existing convenience supply chain.

More Harvest Market 'fresh' franchise stores were opened during 1H14 with eight stores in operation and another six scheduled to be operating by the end of FY14.

Each fruit and vegetable store that converts to Harvest Market is enjoying an uplift in sales of over 50%.

Investment in the Distribution Centres continued during 1H14 with the KNAPP mini loader being commissioned at Huntingwood and Project Mustang is progressing with preparations to receive and install the new robot automation in the new year.

Australian Liquor Marketers (ALM)

ALM continued to perform strongly with EBITA growing 45.2% to $24.1 million with sales up 20.9%. The LMG contract continued to perform well growing overall sales by 18.8% over 1H14 (six months versus one month of LMG in the pcp). The improved result was also due to the Key Retail Program driving organic volumes.

IBA sales grew 3%, and ALM's on-Premise wholesale business performed extremely well growing at 9% on the previous year. Club Partners (retail group for clubs) increased members and provided a 6% growth in sales. The IBA Retailer Support Program produced net growth of 37 stores in 1H14. Plans are in place for a further 26 new stores by end FY14.

Hardware & Automotive

Hardware sales have increased 6.7% on 1H13, with the uplift driven by strong trade performance. This represents growth of 2% on a like-for-like basis.

Conversions to Mitre 10 from competitors continued over 1H14 with 65 stores added to the network over the last 3.5 years. Two new trade-focussed joint ventures, Dahlsens and Banner groups were completed and the Natbuild alliance continued to develop in line with expectations.

The Block sponsorship program again proved to be very successful and will be continued in 2014. New initiatives such as 'click-and-collect' continue to be rolled out with 55 stores now offering 'click-and-collect' and yielding over $1.1 million in sales.

Metcash Automotive continued to perform well with strong like-for-like revenue growth augmented by the new ATAP business. Sales increased by 229.8% to $107.5 million. Whilst there was a slight compression in margins due to adverse currency movements and change of business mix, the cost of doing business improved as initial synergies are leveraged.

The network continued to expand in 1H14 with three new Autobarn stores being opened and three conversions from competitors. The automotive business also began the integration of the ATAP business including buying and cross-ranging opportunities.

DIVIDEND REINVESTMENT PLAN

The Board has decided to reinstate the Metcash Dividend Reinvestment Plan (DRP) in response to requests from shareholders. The DRP has been established for shareholders to enable them to reinvest their dividend in additional ordinary shares purchased at a 1% discount. Separate communication will shortly be sent to shareholders explaining how they can take advantage of this opportunity.

STRATEGY UPDATE

The Strategic Review is largely complete for all divisions of the Group with clear overall conclusions. There remains more work to complete the detail within the plans and ensure there is alignment with all key stakeholders. A more detailed outline of the strategy will be presented at an Investor Strategy Day in March 2014.

THE FUTURE

Trading conditions in food and grocery will continue to remain challenging. Metcash has developed a clear plan to adapt the food and grocery business to the increasingly competitive deflationary environment. Whilst it will take time to restore food and grocery to sustainable growth, Metcash remains confident that the strategic plan will better leverage the underlying strength of the independent channel. The liquor, hardware and auto pillars remain well positioned for growth.

The Board confirms guidance for the full year of underlying EPS dilution to be in the high single digits.

(ENDS)

Stephen Woodhill	Tim Allerton
General Manager Corporate Affairs	City Public Relations
Metcash Limited	02 9267 4511 or
02 9741 3415 or	0412 715 707
0413 318 455	

Appendix 4D

Half-year report

Metcash Limited
ABN 32 112 073 480
and its Controlled Entities

Half-year Financial Report

31 October 2013

Lodged with the ASX under Listing rule 4.2A
This information should be read in conjunction with the 30 April 2013 Annual Report

For announcement to the market

MTS for the half-year ended 31 October 2013

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

Revenues from ordinary activities	up	4.9%	to	6,644.8
Profit from ordinary activities after tax attributable to members	down	7.5%	to	107.3
Net profit for the period attributable to members	up	20.6%	to	98.9

Please refer to page 3 for detailed explanation of the results

Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend *(Half-year report only) – MTS*	9.5c	9.5c
Previous corresponding period half-year ended 31 October 2012 (Half-year report)	11.5c	11.5c

Record date for determining entitlements to the dividend, (in the case of a trust, distribution)	3 January 2014

Explanatory Note on Results

Earnings before interest, tax and amortisation for the period is down 6.3% on the prior year to $193.3m and underlying profit after tax decreased by 1.9% to $119.0m. Underlying earnings per share was down 6.9% which also reflects the dilutive effect of the prior period equity issue. Net profit for the period was up 20.6% to $98.9m with earnings per share calculated on the same basis up 14.3%.

Half year ended 31 October 2013		Results			EPS equivalent		
	Note	2013 $'m	2012 $'m	Change %	2013 cps	2012 cps	Change %
Sale of goods		6,579.4	6,278.9	4.8			
Rental income		61.1	53.2	14.8			
Interest income		4.3	3.5	22.9			
Total revenue		**6,644.8**	**6,335.6**	**4.9**			
Earnings before interest, tax and amortisation (EBITA)		193.3	206.2	(6.3)			
Net finance costs		(27.0)	(29.8)	(9.4)			
Profit before tax and amortisation		166.3	176.4	(5.7)			
Income tax expense		(46.6)	(53.1)	(12.2)			
Non controlling interests		(0.7)	(2.0)	(65.0)			
Underlying profit after tax	1	**119.0**	**121.3**	**(1.9)**	**13.5**	**14.5**	**(6.9)**
Amortisation of customer relationships		(7.3)	(5.3)	37.7			
Significant items (expense) / income:							
ACCC cost recovery	2	-	3.5				
ABG/ATAP acquisition costs	2	(2.8)	(2.4)				
Strategic review costs	2	(2.3)	-				
Tax benefit / (expense) on significant items		0.7	(1.1)				
Reported profit after tax from continuing operations		107.3	116.0	(7.5)	12.2	13.8	(11.6)
Loss after tax from discontinued operations	3	(8.4)	(34.0)				
Net profit for the period		**98.9**	**82.0**	**20.6**	**11.2**	**9.8**	**14.3**
Weighted average shares outstanding (millions)	4	880.7	838.4	5.0			

1. Underlying earnings represents reported profit after tax from continuing operations, excluding intangible amortisation and significant items after tax. Underlying earnings per share (EPS) 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 shareholders and the market and are calculated on a consistent basis each period.

2. Refer note 3 of the financial report for further details.

3. Loss after tax for discontinued operations relates to the Franklins retail business. Refer to note 6 of the financial report for further details.

4. In July 2012, the Group raised $368.2 million after transaction costs through a fully underwritten institutional placement of 92.9 million shares and a placement of 16.5 million shares to existing shareholders.

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	11.2	Cents
Diluted Earnings per share	11.2	Cents
Earnings used in Basic and Diluted earnings per share =	98.9	million
· Weighted average number of ordinary shares (used in Basic EPS)	880,704,786	
· There have been no changes to ordinary shares since balance date		
· Weighted average number of ordinary shares (used in Diluted EPS) =	880,885,187	

(880,704,786 ordinary shares + 180,401 potential ordinary shares).
· Weighted average number of converted, lapsed or cancelled potential ordinary shares included in the calculation of diluted EPS = 0
· 12,213,502 of employee options with an exercise price of $4.2672 and 3,085,995 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)	(19.48)	(5.32)

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

On 30 September 2011, being the date of acquisition of the Franklins Group, Metcash announced its intention to dispose of Franklins corporate retail stores to independent retailers. These retail operations, along with a surplus property development joint venture, were classified as discontinued operations. Accordingly, the inventory, property, plant and equipment, software intangibles and goodwill associated with the 80 corporate retail stores and the loans and equity accounted investment in the property joint venture were classified as disposal group assets. Metcash has, either through sale or closure, disposed of 78 of the 80 stores.

Otherwise, the wholesale operations of the Franklins Group have been classified as continuing operations within the Food and Grocery segment.

Control gained over entities having material effect

4.1 Name of entity (or group of entities)	Refer note 9 of the financial report
4.2 Date of the gain or loss of control	Refer note 9
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 9

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	24 January 2014
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)	3 January 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
(Preliminary final financial report only)			
6.4 Final dividend: Current year - MTS	N/A	N/A	- c
6.5 Previous year – MTS *(Half- yearly and preliminary final financial reports)*	N/A	N/A	- c
6.6 Interim dividend: Current year - MTS	9.5c	9.5c	- c
6.7 Previous year -MTS	11.5c	11.5c	- c

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

	Current Year $A million	Previous Year $A million
6.8 Ordinary securities (each class separately)	83.7	101.3
6.9 Preference securities (each class separately)	-	-
6.10 Ordinary securities (each class separately)	-	-
6.11 **Total**	83.7	101.3

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 Friday 3 January 2014.

The full terms and conditions of the DRP will be announced on 2 December 2013.

The last date(s) for receipt of election notices for the dividend or any other disclosures in relation to dividends (distributions).	3 January 2014. The full terms and conditions of the DRP will be announced on 2 December 2013

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

Refer note 4

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

Group's share of associates' and joint venture entities':	Current period $A million	Previous corresponding period $A million
7.1 Profit (loss) from ordinary activities before tax	4.3	(0.1)
7.2 Income tax on ordinary activities	(1.3)	-
7.3 Profit (loss) from ordinary activities after tax	3.0	(0.1)
7.4 Extraordinary items net of tax		
7.5 Net profit (loss)	3.0	(0.1)
7.6 Adjustments		
7.7 Share of net profit (loss) of associates and joint venture entities	3.0	(0.1)

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	
8.1 Equity accounted associates and joint venture entities	Current period	Previous corresponding period
Property development		
Abacus Independent Retail Property Trust	25.0%	25.0%
Plumpton Park Developments Pty Ltd	50.0%	50.0%
Grocery retailing		
Ritchies Stores Pty Ltd	26.0%	26.0%
BMS Retail Group Pty Ltd	25.1%	25.1%
Kangaroo Flat Supermarket Pty Ltd	25.1%	25.1%
Long Gully Supermarket Pty Ltd	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%
Merchandise services		
Metfood Pty Ltd	50.0%	50.0%
Hardware retailing		
Sunshine Hardware Pty Ltd	49.0%	49.0%
Northern Hardware Pty Ltd	49.9%	49.9%
Waltock Pty Ltd	49.0%	49.0%
Timberten Pty Ltd	40.0%	-
Banner 10 Pty Ltd	49.0%	-
BRJ Pty Ltd (from 30/04/2013)	36.0%	-
Liquor retailing and hospitality		
Mermaid Tavern (Trading) Pty Ltd	50.0%	-
Queens Arms Freehold Pty Ltd	50.0%	-
Queens Arms Hotel New Farm Pty Ltd	50.0%	-
8.2 Total		
8.3 Other material interests		
8.4 Total		

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	880,704,786	880,704,786	-	-
9.4 Changes during current period				
9.5 Convertible debt securities) *(description and conversion factor)*		-	-	-
9.6 Changes during current period				

Category of securities	Total number		Exercise price	Expiry date (if any)
9.7 Options (description and conversion factor)	12,213,502		426.7	07/02/2014
9.8 Issued during current period				
Reinstated	-		-	
9.9 Exercised during current period	-		-	
9.10 Expired during current period	-		-	

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: 2 December 2013
(Secretary)

Print name: Greg Watson

Metcash Limited

and its Controlled Entities

ABN 32 112 073 480

Half-Year Financial Report

for the half-year ended 31 October 2013

Contents

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 2013.

DIRECTORS

Peter L Barnes (Chairman)
Andrew Reitzer (retired 30 June 2013)*
Ian R Morrice (CEO)*
Patrick N J Allaway
Fiona E Balfour
Michael R Butler
Neil D Hamilton
Edwin M Jankelowitz
Michael P McMahon (appointed 27 November 2013)
V Dudley Rubin

* Mr Retizer retired as CEO on 30 June 2013 and ceased employment with Metcash on 30 September 2013. Mr Morrice was appointed as CEO with effect from 30 June 2013.

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 $98.9 million (2012: $82.0 million).

AUDITOR'S INDEPENDENCE

The auditor's independence declaration for the half-year ended 31 October 2013 has been received and is included on page 21.

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 R Morrice

Ian Morrice
Director
Sydney, 2 December 2013

STATEMENT OF ***COMPREHENSIVE INCOME***

For the half-year ended 31 October 2013

	Notes	2013 $m	2012 $m
Revenue	3(i)	6,644.8	6,335.6
Cost of sales		(5,979.4)	(5,694.3)
Gross profit		665.4	641.3
Distribution costs		(229.1)	(206.9)
Administrative costs		(249.0)	(229.9)
Share of profit/(loss) of associates		3.0	(0.1)
Significant items	3(v)	(5.1)	1.1
Finance costs	3(vi)	(31.3)	(33.3)
Profit from continuing operations before income tax		153.9	172.2
Income tax expense		(45.9)	(54.2)
Net profit for the period from continuing operations		108.0	118.0
Net loss after tax for the period from discontinued operations	6(a)	(8.4)	(34.0)
Net profit for the period		99.6	84.0
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments		0.7	0.5
Cash flow hedge adjustment		8.0	1.4
Income tax expense on items of other comprehensive income		(2.5)	(0.4)
Other comprehensive income for the period, net of tax		6.2	1.5
Total comprehensive income for the period		105.8	85.5
Profit for the period is attributable to:			
Equity holders of the parent		**98.9**	**82.0**
Non controlling interests		0.7	2.0
		99.6	84.0
Total comprehensive income for the period is attributable to:			
Equity holders of the parent		105.1	83.5
Non controlling interests		0.7	2.0
		105.8	85.5
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
- basic earnings per share (cents)		12.2	13.8
- diluted earnings per share (cents)		12.2	13.8
Earnings per share for loss from discontinued operations attributable to the ordinary equity holders of the Company:			
- basic earnings per share (cents)		(1.0)	(4.1)
- diluted earnings per share (cents)		(1.0)	(4.1)
Earnings per share attributable to ordinary equity holders of the Company:			
- basic earnings per share (cents)		11.2	9.8
- diluted earnings per share (cents)		11.2	9.8

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

STATEMENT OF ***FINANCIAL POSITION***

As at 31 October 2013

	Notes	October 2013 $m	April 2013 $m
ASSETS			
Current assets			
Cash and cash equivalents		19.7	50.3
Trade and other receivables	5	1,150.7	1,012.9
Inventories		828.6	753.8
Disposal groups and assets held for sale	6	31.5	47.6
Income tax receivable		24.4	24.4
Prepayments and other assets		13.9	5.7
Derivative financial instruments		5.0	0.6
Total current assets		2,073.8	1,895.3
Non-current assets			
Derivative financial instruments		44.6	37.7
Trade and other receivables	5	56.6	60.4
Equity-accounted investments		103.3	91.3
Other financial assets		0.3	0.3
Property, plant and equipment		328.9	278.5
Net deferred tax assets		40.1	61.8
Intangible assets and goodwill	7	1,755.1	1,708.0
Total non-current assets		2,328.9	2,238.0
TOTAL ASSETS		4,402.7	4,133.3
LIABILITIES			
Current liabilities			
Trade and other payables		1,631.0	1,335.6
Interest bearing loans and borrowings		16.3	57.5
Derivative financial instruments		2.2	0.5
Provisions	8	110.7	137.8
Income tax payable		8.5	18.1
Other financial liabilities		1.7	1.7
Total current liabilities		1,770.4	1,551.2
Non-current liabilities			
Interest bearing loans and borrowings		850.2	751.4
Provisions	8	149.1	166.6
Derivative financial instruments		-	2.7
Other financial liabilities		49.5	37.2
Total non-current liabilities		1,048.8	957.9
TOTAL LIABILITIES		2,819.2	2,509.1
NET ASSETS		1,583.5	1,624.2
EQUITY			
Contributed equity		2,284.9	2,284.9
Other equity		(765.9)	(765.9)
Other reserves		(0.3)	(6.8)
Retained earnings		60.3	106.7
Parent interest		1,579.0	1,618.9
Non controlling interests		4.5	5.3
TOTAL EQUITY		1,583.5	1,624.2

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

STATEMENT OF ***CHANGES IN EQUITY***

For the half-year ended 31 October 2013

	Contributed equity $m	Other equity $m	Share-based payments reserve $m	Retained earnings $m	Capital reserve $m	Foreign currency translation reserve $m	Cash flow hedge reserve $m	Owners of the parent $m	Non controlling interest $m	Total equity $m
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
At 1 May 2012	1,914.7	(765.9)	23.6	86.3	12.8	(5.9)	(4.5)	1,261.1	74.0	1,335.1
Total comprehensive income, net of tax	–	–	–	82.0	–	0.5	1.0	83.5	2.0	85.5
Transactions with owners in their capacity as owners:										
Proceeds from equity raising	375.0	–	–	–	–	–	–	375.0	–	375.0
Share issue costs net of tax	(4.8)	–	–	–	–	–	–	(4.8)	–	(4.8)
Share-based payments	–	–	0.4	–	–	–	–	0.4	–	0.4
Dividends paid	–	–	–	(142.6)	–	–	–	(142.6)	(1.8)	(144.4)
Non controlling interest attributable to business combinations	–	–	–	–	–	–	–	–	14.2	14.2
Acquisition of 49.9% equity interest in Mitre 10 Group	–	–	–	–	22.1	–	–	22.1	(70.0)	(47.9)
At 31 October 2012	2,284.9	(765.9)	24.0	25.7	34.9	(5.4)	(3.5)	1,594.7	18.4	1,613.1

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 2013

	Notes	2013 $m	2012 $m
Cash flows from operating activities:			
Receipts from customers		7,090.4	6,723.1
Payments to suppliers and employees		(6,656.6)	(6,370.0)
Dividends received		0.8	-
Interest received		4.3	3.5
Finance costs		(25.9)	(30.8)
Income tax paid		(29.8)	(58.1)
Indirect taxes paid		(153.9)	(123.0)
Net cash generated by operating activities		229.3	144.7
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment		12.3	1.0
Purchase of property, plant and equipment		(63.8)	(23.7)
Payments for intangibles		(6.4)	(24.1)
Proceeds from sale of discontinued operations	6	3.8	35.1
Payment on acquisition of businesses net of cash acquired	9	(87.3)	(88.5)
Costs paid on acquisition of businesses		(2.2)	-
Payment on acquisition of associates		(12.3)	(8.8)
Proceeds from loans repaid by other entities		20.0	12.8
Loans to other entities		(26.9)	(8.7)
Net cash used in investing activities		(162.8)	(104.9)
Cash flows from financing activities:			
Proceeds from the issue of ordinary shares		-	375.0
Share issue costs		-	(7.0)
Payment on acquisition of non controlling interest		-	(47.9)
Proceeds from borrowings – other		3,623.5	2,230.0
Repayments of borrowings – other		(3,547.6)	(2,452.7)
Payment of dividends on ordinary shares		(145.3)	(142.6)
Payment of dividends to non controlling interests		(2.7)	(1.8)
Repayment of finance lease principal		(2.3)	(2.3)
Net cash (used in)/generated by financing activities		(74.4)	(49.3)
Net (decrease)/increase in cash and cash equivalents		(7.9)	(9.5)
Add opening cash brought forward		20.5	51.5
Effect of exchange rate changes on cash		0.7	-
Cash and cash equivalents at the end of the period		13.3	42.0

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporate information
The financial report of Metcash Limited (the Company) and its controlled entities (the Group) for the period ended 31 October 2013 was authorised for issue in accordance with a resolution of the Directors on 2 December 2013.

The report presents the results of the current period, which comprised the 26 week period that commenced on 29 April 2013 and ended on 27 October 2013. The prior period results comprise the 26 week period that commenced on 30 April 2012 and ended on 28 October 2012.

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 2013. 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 2013.

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 following accounting standards are applicable to the Group for the first time during the current period.

AASB 10 *Consolidated Financial Statements*;
AASB 11 *Joint Arrangements*;
AASB 12 *Disclosure of Interests in Other Entities*; and
AASB 13 *Fair Value Measurement*

The adoption of these standards did not have a significant impact on the Group's financial results, balance sheet or disclosures. All other accounting policies are consistent with those adopted and disclosed in the annual financial report for the year ended 30 April 2013. Accounting policies are applied consistently by each entity in the Group.

Seasonality
Metcash business is seasonal in nature, given increased trading through festive seasons of Christmas and Easter. Earnings are therefore weighted to the second half of the financial year.

2. SEGMENT INFORMATION

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.

The operating segments are identified by management based on the differences in the products and services provided. Discrete financial information about each of these operating segments is reported to the CEO on at least a monthly basis.

The reportable segments are based on the aggregated operating segments determined by the similarity of the products sold, as these are the sources of the Group's major risks and have the most effect on the rates of return.

Information reported to the CEO for the purposes of resource allocation and assessment of performance is more specifically focused on the category of each type of product. The Group's reportable segments are therefore as follows:

- Food and 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 and Automotive comprises the distribution of hardware supplies and automotive parts and accessories to retail outlets.

2. SEGMENT INFORMATION (continued)

On 30 November 2012, the Group announced *Project Mustang*, which is a $75 million warehouse automation project centred on the Group's new distribution facility in Huntingwood, NSW. The capital expenditure represents the latest European technology that 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. This project is expected to 'go live' during FY2015, at which point the Food & Grocery and Liquor management structures and reporting will be merged in NSW. As a result, the Food & Grocery and Liquor results will be amalgamated into one reportable segment from 1 May 2014.

The selling price between segments is at normal selling price and is paid under similar terms and conditions as any other customers of the Group. The Food and Grocery segment results include wholesale sales to Franklins continuing stores but do not include sales to stores that are expected to close or have closed.

2. SEGMENT INFORMATION (Continued)

Business segments	**Food and Grocery**		**Liquor**		**Hardware and Automotive**		**Results from continuing operations**	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
Sales to external customers	4,483.8	4,552.1	1,538.1	1,272.6	557.5	454.2	**6,579.4**	**6,278.9**
Inter-segment revenue	15.1	14.1	17.0	16.8	-	-	**32.1**	**30.9**
Total segment revenue	4,498.9	4,566.2	1,555.1	1,289.4	557.5	454.2	**6,611.5**	**6,309.8**
Segment profit before tax	150.7	175.0	24.1	16.6	22.7	15.0	**197.5**	**206.6**

The above excludes the segment results from discontinued operations. (Refer to note 6)

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

	2013	**2012**
	$m	**$m**
Total segment revenue	6,611.5	6,309.8
Inter-segment revenue elimination	(32.1)	(30.9)
Rent income	61.1	53.2
Interest from other persons/corporations	4.3	3.5
Total revenue from continuing operations	6,644.8	6,335.6

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

	2013	**2012**
	$m	**$m**
Segment profit before tax	197.5	206.6
Net finance costs	(27.0)	(29.8)
Rent income	61.1	53.2
Rent expense	(61.1)	(53.2)
Share based payments	(0.3)	(0.4)
Amortisation of customer relationships and licence agreements	(7.3)	(5.3)
Significant items	(5.1)	1.1
Corporate/unallocated	(3.9)	-
Net profit from continuing operations before income tax	153.9	172.2

3. REVENUES AND EXPENSES

	2013 $m	2012 $m
(i) Revenue		
Sale of goods	6,579.4	6,278.9
Rent	61.1	53.2
Interest from other persons/corporations	4.3	3.5
	6,644.8	6,335.6
(ii) Operating lease rental		
Minimum lease payments – stores	61.1	53.2
Minimum lease payments – warehouse and other	54.5	51.8
(iii) Expenses		
Depreciation of property, plant and equipment	17.8	17.4
Amortisation of software	7.3	5.3
Amortisation of customer relationships and licence agreements	7.3	5.3
	32.4	28.0
(iv) Provisions for impairment, net of reversals		
Customer contracts	1.9	-
Retail development assets	2.0	-
Property, plant and equipment	1.4	-
Trade and other receivables	12.0	10.5
	17.3	10.5
(v) Significant items		
Acquisition costs: ABG and ATAP (a)	2.8	2.4
Franklins acquisition costs recovery	-	(3.5)
Strategic review costs (b)	2.3	-
	5.1	(1.1)
Income tax expense/(benefit)	(0.7)	1.1
	4.4	-
(vi) Finance costs		
Interest expense	25.9	30.8
Deferred borrowing cost	0.9	0.8
Finance costs attributable to discounting of provisions and liabilities	4.5	1.7
	31.3	33.3

(a) Acquisition costs: ABG and ATAP

On 1 July 2012 the Group acquired 75.1% of Automotive Brands Group Pty Ltd, an automotive aftermarket parts distributor and manager of Autobarn franchises and Autopro dealership groups. The transaction costs associated with this acquisition have been disclosed as a significant item as the acquisition is deemed to be material. Refer note 9 for more details on the acquisition.

On 20 May 2013, the Group acquired 100% of the Australian Truck & Auto Parts Group (ATAP) for $79.1 million. ATAP is a national wholesaler of brake, clutch and under-car products and also includes: ABS, the franchisor of a national chain of 53 retail service and brake/clutch repair centres, with 4 corporate stores and 5 joint venture stores; IBS Auto Solutions, Garmax, Melbourne Clutch & Brake; and Brake Friction Technology. The transaction costs incurred during the current period associated with this acquisition have been disclosed as a significant item as the acquisition is deemed to be material. Refer note 9 for more details on the acquisition.

(b) Strategic review costs

In September 2013, the Group commenced a strategic review of the Food and Grocery segment with the assistance of external advisors. The review aims to enhance the Group's competitiveness amid challenging market conditions.The advisory costs incurred up to the reporting date have been disclosed as a significant item.

4. DIVIDENDS PAID AND PROPOSED

	2013 $m	2012 $m
Dividends paid on ordinary shares during the half-year		
Final fully franked dividend for FY2013: 16.5 cents (FY2012: 16.5 cents)	145.3	142.6
Dividends declared (not recognised as a liability as at 31 October 2013)		
Interim fully franked dividend for FY2014: 9.5 cents (FY2013: 11.5 cents)	83.7	101.3

Dividend Reinvestment Plan

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. The full terms and conditions of the DRP will be announced on 2 December 2013.

5. TRADE AND OTHER RECEIVABLES

	October 2013 $m	April 2013 $m
Current		
Trade receivables - securitised	789.2	738.8
Trade receivables - non-securitised	290.0	200.7
Allowance for impairment loss	(44.7)	(47.4)
	1,034.5	892.1
Customer loans	56.0	43.8
Allowance for impairment loss	(11.3)	(6.5)
	1,079.2	929.4
Other receivables	71.5	83.5
	1,150.7	1,012.9
Non-current		
Customer loans	52.6	56.0
Other receivables	4.0	4.4
	56.6	60.4

6. DISPOSAL GROUPS AND ASSETS HELD FOR SALE

	October 2013 $'m	April 2013 $'m
Discontinued operations (a)	10.5	18.1
Retail development assets (b)	21.0	29.5
	31.5	47.6

(a) Discontinued operations

On 30 September 2011, being the date of acquisition of the Franklins Group, Metcash announced its intention to dispose of Franklins corporate retail stores to independent retailers. These retail operations, along with a surplus property development joint venture, have been classified as discontinued operations. Accordingly, the inventory, property, plant and equipment, software intangibles and goodwill associated with the 80 corporate retail stores and the loans and equity accounted investment in the property joint venture were classified as disposal group assets. Metcash has, either through sale or closure, disposed of 78 of the 80 stores. The wholesale operations of the Franklins Group have been classified as continuing operations within the Food and Grocery segment.

6. DISPOSAL GROUPS AND ASSETS HELD FOR SALE (continued)

The results of the disposal group are as follows.

	2013 $m	**2012 $m**
Revenue from sale of goods	8.5	76.3
Cost of sales and other costs	(18.3)	(118.3)
Finance costs attributable to discounting of provisions	(2.1)	(6.5)
Operating loss before income tax	(11.9)	(48.5)
Income tax benefit related to operating loss	3.6	14.6
Operating loss after income tax	(8.3)	(33.9)
Loss on disposal of assets	(0.1)	(0.1)
Income tax benefit related to loss on disposal of assets	-	-
Net loss from discontinued operations	(8.4)	(34.0)
Net loss is attributable to:		
Equity holders of the parent	(8.4)	(34.0)

The net cash inflow from operations, per the Statement of Cash Flows, includes cash outflows of $13.7 million (2012: $42.2 million) from discontinued operations. The net cash inflow from investing activities, per the Statement of Cash Flows, includes cash inflows of $3.8 million (2012: $35.1 million) from discontinued operations. There were no financing cash flows specifically related to discontinued operations.

(b) Retail development assets

Retail development assets represent the purchase price and development costs incurred in respect of retail stores or shopping centres where the carrying amounts are expected to be recovered principally through sale transactions rather than through continuing use. The measurement and presentation criteria for this classification is described in the annual report for the year ended 30 April 2013.

7. GOODWILL

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

	October 2013 $m	**April 2013 $m**
Carrying amount at the beginning of the period	1,367.5	1,283.6
Additions arising from business combinations (note 9)	30.3	70.0
Adjustment attributable to finalisation of acquisition accounting (note 9(c))	6.7	16.2
Disposals	-	(2.3)
Carrying amount at the end of the period	1,404.5	1,367.5

8. PROVISIONS

	October 2013 $'m	April 2013 $'m
Current		
Employee entitlements	82.9	92.8
Rental subsidy (b)(i)	11.4	29.8
Restructure provision (b)(ii)	10.1	9.5
Other	6.3	5.7
	110.7	137.8
Non-current		
Employee entitlements	5.7	5.6
Rental subsidy (b)(i)	134.6	149.5
Restructure provision (b)(ii)	8.8	10.9
Other	-	0.6
Total	149.1	166.6

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

	Rental subsidy $'m	Restructure provision $'m	Total $'m
1 May 2013	179.3	20.4	199.7
Expense arising during the period			
– continuing operations	-	0.5	0.5
– discontinued operations	-	1.3	1.3
Released – discontinued operations	(4.7)	-	(4.7)
Attributable to ABG acquisition adjustment	0.7	-	0.7
Utilised – continuing operations	(6.5)	(3.7)	(10.2)
Utilised – discontinued operations	(28.4)	-	(28.4)
Finance cost discount rate adjustment			
– continuing operations	3.5	0.4	3.9
– discontinued operations	2.1	-	2.1
31 October 2013	146.0	18.9	164.9
1 May 2012	157.7	45.9	203.6
Expense arising during the year	0.9	5.0	5.9
Attributable to Franklins acquisition	34.1	-	34.1
Utilised – continuing operations	(8.8)	(31.9)	(40.7)
Utilised – discontinued operations	(22.4)	-	(22.4)
Finance cost discount rate adjustment			
– continuing operations	4.4	1.4	5.8
– discontinued operations	13.4	-	13.4
30 April 2013	179.3	20.4	199.7

(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 commercial terms and conditions which equate to 'back-to-back' arrangements 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.

8. PROVISIONS (continued)

(ii) Restructure provision

The provision represents obligations recognised by the Group as a result of various restructuring initiatives announced in April 2012 and the decision to vacate the Silverwater and Blacktown distribution centres.

9. BUSINESS COMBINATIONS

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

Date of acquisition	Business purchased	% Acquired
20 May 2013	Australian Truck & Auto Parts Group (ATAP)(i)	100.0% (a)
30 April 2013	Capeview Hardware(i)	80.0%

(i) Acquisition of business assets

(a) Australian Truck & Auto Parts Group (ATAP)

On 20 May 2013, the Group acquired, through Automotive Brands Group (ABG), 100% of the Australian Truck & Auto Parts Group (ATAP) for $79.1 million. ATAP is a national wholesaler of brake, clutch and under-car products and also includes: ABS, the franchisor of a national chain of 53 retail service and brake/clutch repair centres, with 4 corporate stores and 5 joint venture stores; IBS Auto Solutions, Garmax, Melbourne Clutch & Brake; and Brake Friction Technology.

The purchase consideration was contributed fully by Metcash and did not involve any funding from the non controlling interests in ABG. Therefore, the acquisition resulted in an increase in the Group's interest in ABG from 75.1% to approximately 83.2%.

Costs amounting to $2.8 million were incurred during the current period in completing the acquisition. These costs have been disclosed as part of 'significant items' in the Statement of Comprehensive Income.

(b) Purchase price allocation

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

	ATAP $m	Other $m	Total $m
Purchase consideration:			
Total purchase consideration	79.1	9.8	88.9
Less: cash acquired	(0.8)	(0.8)	(1.6)
Net purchase consideration	78.3	9.0	87.3
Less: fair value of net identifiable assets acquired (b)	(50.0)	(7.0)	(57.0)
Goodwill - provisional	28.3	2.0	30.3

9. BUSINESS COMBINATIONS (continued)

(b) Purchase price allocation (continued)

	ATAP $m	Other $m	Total $m
Assets and liabilities assumed:			
Receivables	17.1	-	17.1
Inventories	23.3	8.0	31.3
Property, plant and equipment	3.0	2.0	5.0
Intangibles	18.3	-	18.3
Deferred tax asset	1.6	-	1.6
Provisions and creditors	(13.3)	(0.6)	(13.9)
Put options written over non-controlling interests	-	(2.4)	(2.4)
Fair value of net identifiable assets on acquisition date	50.0	7.0	57.0

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 ATAP business combination is provisional as at 31 October 2013.

(c) Prior period acquisitions - Automotive Brands Group (ABG)

During the previous year, Metcash acquired 75.1% of the equity of Automotive Brands Holdings Pty Ltd on 1 July 2012. The fair value of the net assets acquired recognised in the 30 April 2013 financial report were based on a preliminary accounting assessment. During this period, the fair values have been adjusted for an increase of $6.1 million in the value of put options written over non controlling interests; an increase in provisions of $0.1 million; an increase in fixed assets of $0.1 million; a decrease in receivables of $0.7 million; a decrease in inventories of $1.2 million; and an increase of $1.3 million in deferred tax assets. This has resulted in an increase in goodwill of $6.7 million. There were no other significant changes to the acquisition date balance sheet or income statement for the post acquisition period.

The accounting for the ABG business combination is final as at 31 October 2013.

10. CONTINGENT LIABILITIES

	October 2013 $m	April 2013 $m
Bank guarantees to third parties in respect of property lease obligations	17.6	32.3
Bank guarantees in respect of Workcover	32.0	32.0
Stand by letters of credit	1.4	1.2
Face value of the outstanding charges due to American Express (a)	215.4	204.8
Put options to third parties (b)	15.6	15.4

(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 Trading Limited, then Metcash Trading Limited 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 Trading Limited 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.

10. CONTINGENT LIABILITIES (continued)

(b) Put options

The Group has granted put options relating to the sale of retail store assets to certain customers and associates. The holders of the put option 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. This amount is recorded as a contingent liability in the above table.

The Group has entered into certain put option arrangements with joint venture partners which if exercised would result in an increase in Metcash's ownership interest in the 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. This amount is recorded as a contingent liability in the above table.

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.

Certain put options granted to third parties represent financial guarantees provided by the Group. These are measured at fair value and recognised as a financial guarantee contract liability.

(c) Australian Tax Office

Metcash has been subject to an income tax audit by the Australian Tax Office (ATO) covering the 2005 - 2008 income years, which has resulted in the following two disputed items. The ATO have advised Metcash that there are no other areas under consideration and that the audit has otherwise been concluded.

Action Stores
Metcash received notices of amended assessments dated 26 May 2011 and 13 June 2011 from the Australian Taxation Office (ATO) seeking payment of a total of $48.8 million. The amended assessments are in relation to a disputed tax liability arising from the sale of various ex-Action Supermarket retail businesses (Action Stores) during the 2007 and 2008 fiscal years that resulted in a net tax loss. The Action Stores were acquired by Metcash in fiscal 2006 as a part of the acquisition of Foodland Associated Limited (FAL), and were sold as part of Metcash's ongoing business activities to enhance Australia's independent retailer network. The total amount in dispute comprises primary tax of $32.9 million and then flowing from that, interest and penalties of $15.9 million.

Metcash intends to challenge the amended assessments, which assert that the net tax losses from the sale of the Action Stores should be treated as being on capital account. These net tax losses were incurred as part of Metcash's ordinary business activities and as such, Metcash has always considered the correct treatment to be on revenue account. Metcash has received external advice in relation to the dispute. Metcash has lodged objections to these amended assessments, and if necessary will appeal the decision to the Federal Court.

Metcash is firmly of the opinion that the treatment it has adopted is appropriate to the circumstances. Based on the strength of its position, Metcash has not recorded an expense in relation to the amended assessments in the current or prior year results presented in this financial report.

In accordance with ATO policy, Metcash entered into a 50/50 payment agreement with the ATO in relation to the disputed tax liability of $48.8 million. Under the agreement, Metcash has paid the ATO 50% of the disputed tax liability ($24.4 million) in June/July 2011 and in return the ATO has agreed not to seek recovery of the balance until the Commissioner has determined the objection or when a decision is handed down by the relevant appellate tribune or court (as appropriate). The payment amount of $24.4 million has been disclosed as income tax receivable in the statement of financial position.

Foreign Tax Credits
Metcash received notices of amended foreign tax credit (FTC) determinations dated 29 May 2012 from the ATO seeking payment of a total of $23.4 million. The amended determinations are in relation to the imposition of what is effectively double taxation on interest income derived by Metcash's foreign subsidiaries on intercompany loans during the 2006 and 2007 fiscal years. The ATO contends that Metcash is not entitled to any credit for taxes it has already paid on this interest income in South Africa.

10. CONTINGENT LIABILITIES (continued)

(c) Australian Tax Office (continued)

The total amount in dispute comprises primary tax of $23.4 million. The ATO has not sought to impose any penalties or interest in respect of this amount.

Metcash has received external advice in relation to its position. Metcash is firmly of the view that:

- the imposition of double taxation is both inconsistent with the law and contrary to public policy; and
- the Commissioner is in any event out of time to issue such amended FTC determinations given the period of time elapsed since the original determinations.

During FY 2013 Metcash lodged objections to the amended determinations which were subsequently disallowed by the ATO. Metcash has appealed the decision to the Administrative Appeals Tribunal, which is expected to be heard during the current financial year. Based on the strength of its position, Metcash has not recorded an expense in relation to the amended determinations in the current period results presented in this financial report.

As the relevant subsidiaries subsequently became members of the Australian tax group, the FTC dispute is restricted solely to the 2006 and 2007 income years. There will be no impact in respect of the 2008 and subsequent income years in connection with this matter.

11. 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.

DIRECTORS' DECLARATION

For the half-year ended 31 October 2013

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 2013 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, 2 December 2013

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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 2013, 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 2013 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 appended to the Directors' Report.

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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 2013 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

Ernst & Young

M J Wright

Michael J Wright
Partner
Sydney
2 December 2013

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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 2013, 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

Michael J Wright
Partner
2 December 2013