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

3 December 2018

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

Dear Sir/Madam

METCASH LIMITED – 2019 HALF YEAR RESULTS AND FINANCIAL REPORT

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

a) ASX Announcement – Metcash Limited 2019 Half Year Results

b) Appendix 4D and Financial Report (including the Directors' Report and Independent Auditor's Review Report) of Metcash Limited and its controlled entities for the half year ended 31 October 2018.

Yours faithfully

Julie D. Hutton

Julie Hutton
Company Secretary

Metcash Limited
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1 Thomas Holt Drive
Macquarie Park
NSW 2113 Australia

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ASX Announcement

Metcash Limited 2019 Half Year Results

- Reported results reflect the adoption of the new Accounting Standard AASB15
- Reported Group revenue up 2.2% to $6.2bn (up 2.3% pre AASB15)
- Underlying profit after tax[1] up 1.2% to $100.3m (up 2.0% pre AASB15)
- Statutory profit after tax up 3.0% to $95.8m (up 3.9% pre AASB15)
- Group EBIT up 1.2% to $158.1m (up 1.9% pre AASB15)
    - Food EBIT up 2.4% to $93.0m (up 1.0% pre AASB15) – Working Smarter program continued to deliver savings
    - Hardware EBIT up 34.0% to $37.8m (up 37.6% pre AASB15) – additional synergies from HTH acquisition and underlying earnings growth
    - Liquor EBIT down 1.0% to $29.1m (up 5.4% pre AASB15) – continued growth in IBA network
- Working Smarter program on track to deliver ~$125m savings by end of FY19
- Solid operating cashflows
- Strong balance sheet
- $150m Off-Market Buy-Back in August 2018
- Interim dividend of 6.5 cents per share, fully franked

Group Overview

Metcash Limited (ASX:MTS) today released its financial results for the half year ended 31 October 2018. The prior year comparative results have been adjusted to reflect the impact of the new Accounting Standard AASB15 *Revenue from Contracts with Customers*.

Reported Group revenue, which now excludes charge-through sales, increased 2.2% to $6.2bn (1H18: $6.1bn). Including charge-through sales, Group revenue increased 2.3% to $7.2bn (1H18: $7.0bn), with sales growth in all Pillars.

Underlying profit after tax[1] increased 1.2% to $100.3m (1H18: $99.1m). Statutory profit after tax increased 3.0% to $95.8m (1H18: $93.0m). Excluding the impact of AASB15, underlying and statutory net profit after tax increased 2.0% and 3.9% respectively.

[1] Underlying profit after tax excludes Working Smarter restructure costs of $4.5m (post tax) (1H18: excludes Working Smarter restructure costs of $4.4m (post tax) and HTH integration costs of $1.7m (post tax)).

Reported Group EBIT increased 1.2% to $158.1m (1H18: $156.3m). Excluding the impact of AASB15, Group EBIT increased 1.9% with all Pillars delivering improved earnings. In Food, Working Smarter continued to deliver savings. In Hardware, the growth in earnings was delivered through additional synergies from the HTH acquisition as well as underlying earnings growth. In Liquor, earnings were underpinned by continued growth in the IBA network.

Group operating cashflow for the half was $120.3m (1H18: $161.4m) and represents a cash conversion ratio of 94%. The prior corresponding half included ~$20m received on settlement of the Huntingwood, NSW DC insurance claim.

Net debt at the end of the half was $85.2m (FY18: Net cash of $42.8m). The higher debt is largely due to the purchase of $150m of Metcash shares in August 2018 through an Off-Market Buy-Back.

Group CEO, Jeff Adams said: "The first half results were pleasing in the face of challenging market conditions, with the Group delivering improved sales and earnings.

"It was pleasing to see all Pillars contribute to the improved results, with additional synergies from the HTH acquisition being a key driver of increased earnings in the Hardware Pillar.

"Our Supermarkets Pillar continued to face challenging market conditions, however it was encouraging to see a slowdown in the rate of deflation which helped deliver an improvement in the sales trajectory for both ourselves and our retailer network.

"We were excited to recently announce that we have entered into a long-term lease for a new purpose built distribution centre in South Australia. The new DC is expected to improve the competitiveness of our South Australian retailers through the delivery of efficiency benefits and access to a greater range of products. Importantly, it reflects our on-going commitment to championing independent retailers and further strengthens the foundation for continued investment in the network.

"As previously announced, we now have long term supply agreements in place with the majority of our Foodland retailers in South Australia.

"We are in the final period of our very successful Working Smarter program and will commence implementing the next phase of our strategy focused on ensuring we have a sustainable cost base and revenue growth.

"We continue to have a strong financial position and are well placed with flexibility to pursue future growth opportunities," Mr Adams said.

Review of Trading Results

Food

Total Food sales (including charge-through) increased 1.0% to $4.33bn (1H18: $4.29bn).

In Supermarkets, challenging market conditions continued across all states, albeit there was some improvement evident with deflation for the half reducing to 1.3% (1H18: 2.7%).

Supermarkets sales (including charge-through) were broadly flat at $3.6bn (1H18: $3.6bn), with sales growth on the eastern seaboard being offset by a decline in sales in Western Australia.

The decrease in deflation was a key driver of an improvement in the sales trajectory of wholesale sales (excluding tobacco), which declined 1.9% (1H18: -3.7%). The majority of this decline was again in Western Australia, which continues to be our most challenging market, although some improvement was evident in the half.

The sales trajectory of the IGA retail network improved, with like for like (LfL) sales declining 0.2% in the half (1H18: -1.1%).

Convenience sales increased 5.4% to $762.9m (1H18: $723.8m) reflecting sales growth from a large contract customer.

Reported Food EBIT increased 2.4% to $93.0m (1H18: $90.8m). Excluding the impact of AASB15, EBIT increased 1.0% to $94.5m (1H18: $93.6m) with Working Smarter savings, an incremental ~$7m from the resolution of onerous lease obligations and a positive contribution from Convenience, more than offsetting the decline in Supermarkets sales (excluding tobacco) and the $2m of incremental investment in growth initiatives.

The EBIT margin for Food was maintained at 2.1%[2].

Liquor

Total Liquor sales increased 6.7% to $1.8bn (1H18: $1.6bn) reflecting continued growth in sales to the IBA bannered group and ALM wholesale customers. Wholesale sales through the IBA network increased 7.2%, partly due to the conversion of a number of contract customers to the IBA banner, including Thirsty Camel in South Australia and the Northern Territory.

Warehouse sales to the IBA bannered network on a LfL basis increased 2.0% (1H18: 0.7%) supported by the on-going success of our 'Best Store in Town' initiatives.

Reported EBIT for the half was $29.1m (1H18: $29.4m). Excluding the impact of AASB15, EBIT increased 5.4% to $29.1m (1H18: $27.6m) reflecting the strong sales performance, partly offset by higher costs including fuel and costs associated with the introduction of Container Deposit Schemes in the ACT and Queensland.

Hardware

Hardware sales (including charge-through) increased 1.3% to $1.09bn (1H18: $1.08bn). Sales growth was negatively impacted by the closure of unprofitable corporate and joint venture stores, as well as the loss of a HTH wholesale customer in Queensland. Total LfL sales increased 3.3%.

Construction activity continued to be at solid levels, albeit down on the high levels experienced in the prior corresponding half.

Retail sales through the IHG banner group increased 4.2%[3] on a LfL basis.

Reported EBIT increased by $9.6m to $37.8m (1H18: $28.2m). Excluding the impact of AASB15, EBIT increased $10.2m (37.6%) to $37.3m, reflecting additional synergy benefits from the HTH acquisition, further cost efficiencies and earnings growth from increased sales, partly offset by an increase in the weighting of Trade sales in the sales mix. Trade sales now account for ~65% of total sales.

The EBIT margin increased to 3.5% (1H18: 2.6%) reflecting increased earnings in the retail business.

Financial Position

A solid cash outcome from the pillars and an ongoing focus on working capital resulted in operating cash flow for the half of $120.3m (1H18: $161.4m).

Net debt increased to $85.2m at the end of 1H19 (FY18: Net cash of $42.8m) largely due to the $150m off-market buy-back in August 2018.

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[2] Based on sales including charge-through.

[3] LfL sales growth across 167 stores from which scan data is received.

New South Australia Distribution Centre

Last month the company announced that it had signed a long-term lease agreement for the construction and leasing of a new 'best in class' Distribution Centre at Gepps Cross in South Australia.

The announcement followed Metcash's release in August 2018 that it had entered into long-term supply agreements with Foodland multiple store owners the Romeo's and Chapley's, as well as the remaining members of the Foodland Supermarkets Board who are owners of Foodland supermarkets in South Australia (excluding Drakes Supermarkets). These supply agreements were conditional on Metcash entering into a lease agreement for the new DC by 21 December 2018.

The new 68,000sqm DC, which will service both the Food and Liquor pillars, will replace Metcash's existing DC at Kidman Park. The new DC is expected to deliver operational efficiencies for our independent retailer network in South Australia, and provide access to a wider range of products than currently available through the DC at Kidman Park.

Construction of the new DC is scheduled for completion by mid 2020, at which time Metcash will transition to the new Gepps Cross facility.

The current supply agreement with Drakes Supermarkets in South Australia continues through to June 2019.

Interim Dividend

The Board today determined to pay an interim dividend for FY19 of 6.5 cents per share, fully franked. The record date for the interim dividend is 14 December 2018, and payment will be made on 18 January 2019.

Outlook

In Food, highly competitive market conditions are expected to continue through the balance of FY19. We are, however, encouraged by the slowdown in the rate of decline in non-tobacco sales and progress on key initiatives in the first half.

We expect 2H19 EBIT to be impacted by ~$8m of incremental investment by the Supermarkets business in growth opportunities. This investment is expected to deliver earnings benefits beyond FY19.

Working Smarter savings are expected to help mitigate the impact of difficult market conditions and cost inflation.

The Liquor pillar remains focused on building and improving the quality of its IBA network. We expect volume growth over the balance of FY19 to continue to be at modest levels due to the on-going trend of lower consumption, but higher quality. There continues to be uncertainty associated with the roll-out of state container deposit schemes.

In Hardware, we expect some further softening in new construction and DIY activity over the balance of FY19, but to levels that are still above historical averages. We expect full synergy benefits from the acquisition of HTH to be realised by the end of FY19.

We are pleased with the commitment of our independent retailers across all Pillars to continue to invest in their stores. This underpins the future health of the networks.

ends

For further information:

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Metcash Group

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

Appendix 4D for the half year ended 31 October 2018 (1H19)

Results for announcement to the market

	1H19 $m	1H18 (i) $m	Variance $m	Variance %
Sales revenue	**6,189.2**	**6,054.8**	**134.4**	**2.2**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	186.2	184.0	2.2	1.2
Depreciation and amortisation	(28.1)	(27.7)	(0.4)	(1.4)
Earnings before interest and tax (EBIT)	**158.1**	**156.3**	**1.8**	**1.2**
Net finance costs	(14.5)	(15.2)	0.7	4.6
Underlying profit before tax	143.6	141.1	2.5	1.8
Tax expense on underlying profit	(42.5)	(40.9)	(1.6)	(3.9)
Non-controlling interests	(0.8)	(1.1)	0.3	27.3
Underlying profit after tax (ii)	**100.3**	**99.1**	**1.2**	**1.2**
Significant items	(6.5)	(8.8)	2.3	26.1
Tax benefit attributable to significant items	2.0	2.7	(0.7)	(25.9)
Net profit for the period attributable to members	**95.8**	**93.0**	**2.8**	**3.0**
Underlying earnings per share (cents) (iii)	**10.6**	**10.2**	**0.4**	**3.9**
Reported profit per share (cents)	10.1	9.5	0.6	6.3

(i) The financial results for 1H18 were retrospectively restated upon the initial adoption of AASB 15 *Revenue from Contracts with Customers*. Refer Appendix B of the 1H19 financial report for a further description of the restatement.

(ii) Underlying profit after tax represents reported profit after tax from continuing operations attributable to equity holders of the parent, excluding HTH integration and acquisition costs and Working Smarter restructure costs, both after tax.

(iii) Underlying earnings per share (EPS) is calculated by dividing underlying profit after tax by the weighted average shares outstanding during the period.

Explanatory note on results

Group revenue, which now excludes charge-through sales, increased 2.2% to $6.2 billion (1H18: $6.1 billion).

Underlying profit after tax increased 1.2% to $100.3 million (1H18: $99.1 million). Statutory profit after tax increased 3.0% to $95.8 million (1H18: $93.0 million).

Group EBIT increased 1.2% to $158.1 million (1H18: $156.3 million). In Food & Grocery, Working Smarter continued to deliver savings. In Hardware, the growth in earnings was delivered through additional synergies from the HTH acquisition as well as underlying earnings growth. In Liquor, earnings were underpinned by continued growth in the IBA network.

This Appendix 4D should be read in conjunction with the Metcash Half Year Financial Report for 31 October 2018.

Appendix 4D (continued)

For the half year ended 31 October 2018

Dividends on ordinary shares

On 3 December 2018, the Board determined to pay a fully franked FY19 interim dividend of 6.5 cents per share, sourced from the profit reserve established by Metcash Limited (Parent Company), with a record date of 14 December 2018 and payable in cash on 18 January 2018. The Dividend Reinvestment Plan remains suspended from 26 June 2017.

Other disclosures

Net tangible assets backing

At 31 October 2018, the net tangible assets was 46.2 cents per share (FY18: 55.5 cents per share).

Entities where control has been gained or lost

There were no changes in control over entities during the current period that were material to the Group.

Statement of compliance

This report is based on the consolidated half year financial report of Metcash Limited and its controlled entities which has been reviewed by Ernst & Young. The financial report was lodged with the ASX on 3 December 2018.

Metcash Limited has a formally constituted audit committee.

On behalf of the Board

Jeff Adams
Director
Sydney, 3 December 2018

This Appendix 4D should be read in conjunction with the Metcash Half Year Financial Report for 31 October 2018.

Metcash Limited

ABN 32 112 073 480

Financial Report

For the half year ended 31 October 2018

Directors' report

For the half year ended 31 October 2018

Your Directors submit their report of Metcash Limited (the 'Company') and its controlled entities (together the 'Group' or 'Metcash') for the half year ended 31 October 2018 ('1H19').

Board information

The directors in office during 1H19 and up to the date of this report are as follows.

Robert A Murray (Chairman)
Jeffery K Adams (Chief Executive Officer)
Fiona E Balfour
Anne Brennan
Tonianne Dwyer
Murray P Jordan
Helen E Nash
Patrick N J Allaway (resigned effective 25 June 2018)

Review of results and operations

Consolidated net profit for the period after income tax attributable to shareholders of the Company was $95.8 million (1H18: $93.0 million). The financial results for 1H18 were retrospectively restated upon the initial adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers.* Refer Appendix B for further details.

Auditor's independence

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

Subsequent events

In November 2018, the Group entered into a 15-year lease agreement for a new purpose-built distribution centre in South Australia. The new DC is expected to deliver operational efficiencies to our independent retail network in South Australia. Construction of the new facility is scheduled for completion in mid 2020, at which time Metcash will transition from its existing facility.

Other than the matter disclosed above, there were no events that have occurred after the end of the half year that would materially affect the reported results or would require disclosure in this report.

Rounding

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

Signed in accordance with a resolution of the Directors.

Jeff Adams
Director
Sydney, 3 December 2018

Statement of comprehensive income

For the half year ended 31 October 2018

	Notes	1H19 $m	1H18 (a) $m
Sales revenue	2	6,189.2	6,054.8
Cost of sales		(5,566.2)	(5,432.2)
Gross profit		**623.0**	**622.6**
Other income	3	53.7	52.3
Distribution costs		(241.7)	(240.4)
Administrative costs		(277.2)	(277.6)
Share of profit of equity-accounted investments		2.0	1.7
Significant items	3	(6.5)	(8.8)
Finance costs	3	(16.2)	(17.5)
Profit before income tax		**137.1**	**132.3**
Income tax expense		(40.5)	(38.2)
Net profit for the period		**96.6**	**94.1**
Net profit for the period is attributable to:			
Equity holders of the parent		**95.8**	**93.0**
Non-controlling interests		0.8	1.1
		96.6	94.1
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss		(0.6)	(0.3)
Other comprehensive income for the period, net of tax		(0.6)	(0.3)
Total comprehensive income for the period		**96.0**	**93.8**
Total comprehensive income for the period is attributable to:			
Equity holders of the parent		95.2	92.7
Non-controlling interests		0.8	1.1
		96.0	**93.8**
Earnings per share attributable to the ordinary equity holders of the Company			
From net profit for the period			
- basic earnings per share (cents)		10.1	9.5
- diluted earnings per share (cents)		10.1	9.5

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

(a) The financial results for 1H18 were retrospectively restated upon the initial adoption of AASB 15 Revenue from Contracts with Customers. Refer Appendix B for a further description of the restatement.

Statement of financial position

As at 31 October 2018

	Notes	October 2018 $m	April 2018 (a) $m
ASSETS			
Current assets			
Cash and cash equivalents		112.4	161.2
Trade receivables and loans	6	1,299.7	1,204.1
Trade receivables – customer charge cards agreement	6	212.9	274.0
Inventories		916.2	754.1
Assets held for sale		11.3	11.3
Other financial assets		0.4	0.6
Total current assets		**2,552.9**	**2,405.3**
Non-current assets			
Trade receivables and loans	6	18.4	20.1
Equity-accounted investments		88.6	88.3
Property, plant and equipment		216.2	215.5
Net deferred tax assets		118.2	123.6
Intangible assets and goodwill		792.3	792.3
Other financial assets		-	10.1
Total non-current assets		**1,233.7**	**1,249.9**
TOTAL ASSETS		**3,786.6**	**3,655.2**
LIABILITIES			
Current liabilities			
Trade and other payables		1,930.3	1,629.6
Customer charge cards agreement	6	212.9	274.0
Interest bearing borrowings		2.3	1.9
Provisions		108.1	126.4
Income tax payable		-	15.5
Other financial liabilities		6.5	7.4
Total current liabilities		**2,260.1**	**2,054.8**
Non-current liabilities			
Interest bearing borrowings		195.3	127.1
Provisions		117.3	137.6
Other financial liabilities		1.1	1.5
Total non-current liabilities		**313.7**	**266.2**
TOTAL LIABILITIES		**2,573.8**	**2,321.0**
NET ASSETS		**1,212.8**	**1,334.2**
EQUITY			
Contributed and other equity		559.2	600.0
Retained earnings		644.2	726.2
Other reserves		-	(0.7)
Parent interest		1,203.4	1,325.5
Non-controlling interests		9.4	8.7
TOTAL EQUITY		**1,212.8**	**1,334.2**

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

(a) The financial position as at FY18 was retrospectively restated upon the initial adoption of AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers. Refer Appendix B for a further description of the restatement.

Statement of changes in equity

For the half year ended 31 October 2018

	Contributed and other equity (a) $m	Retained earnings/ (accumulated losses) $m	Other reserves $m	Owners of the parent $m	Non-controlling interests $m	Total equity $m
At 1 May 2018, as previously reported	**600.0**	**780.6**	**(0.7)**	**1,379.9**	**8.7**	**1,388.6**
Retrospective adjustment arising from initial adoption of accounting standards (b)	-	(54.4)	-	(54.4)	-	(54.4)
At 1 May 2018, restated (a) (b)	**600.0**	**726.2**	**(0.7)**	**1,325.5**	**8.7**	**1,334.2**
Total comprehensive income, net of tax	-	95.8	(0.6)	95.2	0.8	96.0
Transactions with owners						
Share buyback and related costs (Note 4(ii))	(40.8)	(109.5)	-	(150.3)	-	(150.3)
Dividends paid (Note 5)	-	(68.3)	-	(68.3)	(0.1)	(68.4)
Share-based payments	-	-	1.3	1.3	-	1.3
At 31 October 2018	**559.2**	**644.2**	**-**	**1,203.4**	**9.4**	**1,212.8**
At 1 May 2017, as previously reported	**1,719.3**	**(87.7)**	**(3.0)**	**1,628.6**	**8.8**	**1,637.4**
Retrospective adjustment arising from initial adoption of accounting standards (b)	-	(54.2)	-	(54.2)	-	(54.2)
At 1 May 2017, restated (b)	**1,719.3**	**(141.9)**	**(3.0)**	**1,574.4**	**8.8**	**1,583.2**
Total comprehensive income, net of tax, restated (b)	-	93.0	(0.3)	92.7	1.1	93.8
Transactions with owners						
Dividends paid (Note 5)	-	(43.9)	-	(43.9)	(1.1)	(45.0)
Share-based payments	-	-	1.9	1.9	-	1.9
At 31 October 2017, restated	**1,719.3**	**(92.8)**	**(1.4)**	**1,625.1**	**8.8**	**1,633.9**

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

(a) *During FY18, Metcash Limited, the Parent Company of the Group, undertook a capital reduction to reduce its share capital by $2,551.1 million to $600.0 million, in accordance with section 258F of the Corporations Act 2001. The reduction was allocated in full to the accumulated losses account in the Parent Company with no impact on the net assets of either the Parent Company or the Group. On consolidation, the share capital of the Group has been adjusted by $1,119.3 million to reflect the revised share capital of the Parent Company.*

(b) *The Statement of Changes in Equity for FY18 was retrospectively restated upon the initial adoption of AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers. Refer Appendix B for a further description of the restatement.*

Statement of cash flows

For the half year ended 31 October 2018

	1H19 $m	1H18 $m
Cash flows from operating activities		
Receipts from customers	7,747.4	7,535.8
Payments to suppliers and employees	(7,565.3)	(7,328.9)
Interest and dividends, net	(11.1)	(11.2)
Income tax paid, net of tax refunds	(50.7)	(34.3)
Net cash generated by operating activities	**120.3**	**161.4**
Cash flows from investing activities		
Proceeds from sale of business assets	0.3	4.9
Payments for acquisition of business assets	(24.7)	(18.9)
Payment on acquisition of businesses, net of cash acquired	(3.4)	-
Loans repaid by/(disbursed to) other entities, net	1.0	(4.5)
Net cash used in investing activities	**(26.8)**	**(18.5)**
Cash flows from financing activities		
Proceeds from/(repayments of) borrowings, net	76.4	(61.8)
Payment for off-market buyback of shares, net of costs	(150.3)	-
Payment of dividends to owners of the parent	(68.3)	(43.9)
Payment of dividends to non-controlling interests	(0.1)	(1.1)
Net cash used in financing activities	**(142.3)**	**(106.8)**
Net increase/(decrease) in cash and cash equivalents	(48.8)	36.1
Add opening cash and cash equivalents	161.2	96.5
Cash and cash equivalents at the end of the period	**112.4**	**132.6**

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

Notes to the financial statements

For the half year ended 31 October 2018

1. Corporate information

The half year report of Metcash Limited (the 'Company') and its controlled entities (together the 'Group') for the half year ended 31 October 2018 was authorised for issue in accordance with a resolution of the Directors on 3 December 2018.

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

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

2. Segment and revenue information

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

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

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

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

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

Segment results

	Segment revenue		Segment profit before tax	
	1H19	**1H18 (a)**	**1H19**	**1H18 (a)**
	$m	**$m**	**$m**	**$m**
Food & Grocery	3,860.1	3,834.2	93.0	90.8
Liquor	1,749.9	1,641.3	29.1	29.4
Hardware	579.2	579.3	37.8	28.2
Segment results	**6,189.2**	**6,054.8**	**159.9**	**148.4**
Corporate (b)			(1.8)	7.9
Group earnings before interest and tax ('EBIT')			**158.1**	**156.3**
Net finance costs			(14.5)	(15.2)
Significant items (Note 3)			(6.5)	(8.8)
Net profit before tax			**137.1**	**132.3**

(a) The financial results for 1H18 were retrospectively restated upon the initial adoption of AASB 15 *Revenue from Contracts with Customers.* Refer Appendix B for a further description of the restatement.

(b) The positive Corporate result of $7.9 million in 1H18 is principally due to the reversal of a provision against the Huntingwood NSW DC hail insurance claim which was settled in 1H18.

Notes to the financial statements (continued)

For the half year ended 31 October 2018

3. Other income and expenses

	1H19 $m	1H18 $m
(i) Other income		
Lease income – rent	35.5	35.3
Lease income – outgoings recoveries	16.2	14.3
Interest from other persons/corporations	1.7	2.3
Net gain from disposal of plant and equipment	0.3	0.4
	53.7	52.3
(ii) Operating lease expenses		
Property rent – stores	42.6	45.3
Property rent – warehouse and other properties	40.1	40.4
Property outgoings	36.2	34.7
Equipment and other leases	10.5	11.1
	129.4	131.5
(iii) Employee benefit expenses		
Salaries and wages	275.1	279.7
Superannuation expense	20.5	20.2
Share-based payments	1.3	1.9
Other employee benefit expenses	22.4	24.8
	319.3	326.6
(iv) Depreciation and amortisation		
Depreciation of property, plant and equipment (a)	14.5	15.1
Amortisation of software	11.3	9.6
Amortisation of other intangible assets (a)	2.3	3.0
	28.1	27.7
(v) Provisions for impairment, net of reversals	(5.2)	12.0
(vi) Significant items		
Working Smarter restructuring costs (Note 4(i))	6.5	6.3
HTH integration and acquisition costs	-	2.5
Total significant items before tax	6.5	8.8
Income tax benefit attributable to significant items	(2.0)	(2.7)
Total significant items after tax	4.5	6.1
(vii) Finance costs		
Interest expense	8.2	9.0
Transaction fees in relation to customer charge cards (Note 6)	4.2	4.2
Deferred borrowing costs	0.4	0.6
Finance costs from discounting of provisions	3.4	3.7
	16.2	17.5

(a) The financial results for 1H18 were retrospectively restated upon the initial adoption of AASB 15 *Revenue from Contracts with Customers*. Refer Appendix B for a further description of the restatement.

Notes to the financial statements (continued)

For the half year ended 31 October 2018

4. Significant events and transactions

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

(i) Working Smarter restructuring costs

During the period, the Group incurred $6.5 million (1H18: $6.3 million) of implementation costs in relation to the Working Smarter program. These costs are separately disclosed within significant items to enable a better understanding of the Group's results. Implementation costs are incremental and non-routine in nature and are directly attributable to the program, such as redundancies, restructuring costs and advisor fees.

(ii) Completion of $150 million off-market buyback

The Group completed an off-market buyback of 66,385,128 ordinary shares (or 6.8% of total shares in issue) for $150.0 million in August 2018. The ordinary shares were bought back at $2.26 per share, which represented a 14% discount to Metcash market price of $2.63 (being the volume weighted average price of Metcash ordinary shares on the ASX over the five trading days up to and including 10 August 2018). The buyback comprised a fully franked dividend of $1.65 per share ($109.5 million) and a capital component of $0.61 per share ($40.5 million). These amounts, along with $0.3 million of transaction costs, were debited to the Company's profit reserve and share capital account, respectively.

The shares bought back were subsequently cancelled.

5. Dividends

	October 2018 $m	April 2018 $m
Dividend paid on ordinary shares during the period		
Final fully franked dividend for FY18: 7.0c (FY17: 4.5c)	68.3	43.9
Dividend determined (not recognised as a liability as at 31 October 2018)		
Interim fully franked dividend for FY19: 6.5c (FY18: 6.0c)	59.1	58.5

On 3 December 2018, the Board determined to pay a fully franked FY19 interim dividend of 6.5 cents per share, sourced from the profit reserve established by Metcash Limited (Parent Company), with a record date of 14 December 2018 and payable in cash on 18 January 2019. The Dividend Reinvestment Plan remains suspended with effect from 26 June 2017.

Notes to the financial statements (continued)

For the half year ended 31 October 2018

6. Trade receivables and loans

	October 2018 $m	April 2018 (a) $m
Current		
Trade receivables – securitised	801.3	769.4
Trade receivables - non-securitised	397.5	354.1
Allowance for impairment loss	(56.2)	(52.5)
Trade receivables	1,142.6	1,071.0
Other receivables and prepayments	137.0	113.5
Trade and other receivables	1,279.6	1,184.5
Customer loans	27.6	27.1
Allowance for impairment loss	(7.5)	(7.5)
Customer loans	20.1	19.6
Total trade receivables and loans – current	1,299.7	1,204.1
Trade receivables – customer charge cards agreement	212.9	274.0
Non-current		
Customer loans	23.4	28.1
Allowance for impairment loss	(5.0)	(8.1)
Customer loans	18.4	20.0
Other receivables	-	0.1
Total trade receivables and loans - non-current	18.4	20.1

(a) The balances as at FY18 were retrospectively restated upon the initial adoption of AASB 9 *Financial Instruments.* Refer Appendix B for a further description of the restatement.

Customer charge cards agreement

Consistent with the FY18 financial report, the Group revised its presentation of the customer charge cards agreement, which was disclosed as a contingent liability in previous financial years. This revision resulted in the presentation of a current trade receivable and a matching current payable of $212.9 million (FY18: $274.0 million), with no impact to the Group's net assets.

As a consequence, net transaction costs of $4.2 million (1H18: $4.2 million) in relation to this agreement have been reclassified from administrative expense to finance costs. In the statement of cash flows, settlements received from Amex are reported within operating activities under 'receipts from customers'.

Refer to note 10 of the Group's FY18 financial report for the key terms of the customer charge cards agreement.

7. Financial risk management - put options

The Group has the following two contingent put options, which are recognised at a fair value of nil.

Metcash has a 26.0% ownership interest in Ritchies Stores Pty Ltd (Ritchies), which is recognised as an equity-accounted investment in the Group's balance sheet. The remaining shareholders in Ritchies have the right to put their 74.0% ownership interests to Metcash subject to a margin related annual financial hurdle ('hurdle') being achieved.

The put options can be exercised annually during a prescribed period immediately following the approval of Ritchies annual financial statements or in certain limited circumstances by individual shareholders within a prescribed period. The put options can, however, only be exercised during these periods if Ritchies achieved the hurdle in the previous financial year.

Should the hurdle be achieved and the shareholders elect to exercise the put option, the purchase consideration payable by Metcash is based on a multiple of the prior year reported earnings adjusted for a number of material factors that are subject to commercial negotiation and agreement between the parties.

Notes to the financial statements (continued)

For the half year ended 31 October 2018

7. Financial risk management - put options (continued)

As the hurdle was not achieved for the financial year ended June 2018, it is not possible to determine the specific consideration that would have been payable under the put option agreement at that time. However, assuming the financial hurdle had been achieved, and based on Ritchies reported financial results for the year ended June 2018, Metcash estimates that the consideration payable in respect of the Ritchies 2018 financial year would have been between $140 million and $155 million.

The determination of the put option consideration and the maturity date include a number of potentially material judgements and estimates and therefore the actual consideration and timing could vary.

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

Metcash has also provided a put option to co-investors in a Hardware joint venture for their ownership interest in an equity-accounted investment. The holders of this put option have the right to put this investment back to the Group under certain prescribed circumstances. The put option purchase price is defined within the option deed and is active until April 2022. The put option consideration is estimated to be $8.9 million (FY18: $9.2 million).

Refer to note 15 of the Group's FY18 financial statements for further information on put options.

8. Contingent assets and liabilities

	October 2018 $m	**April 2018 $m**
Bank guarantees to third parties in respect of property lease obligations	17.4	19.4
Bank guarantees in respect of workers compensation	2.7	2.9

Financial guarantee contracts

The Group has granted a financial guarantee contract relating to the bank loan of a joint venture, Adcome Pty Ltd. Under the contract, the bank has the right to require Metcash to repay the debt under certain prescribed circumstances of default. The estimate of the maximum amount payable in respect of the guarantee, if exercised, is $47.5 million (FY18: $47.5 million).

Had the guarantee been exercised at 31 October 2018, the amount payable would have been $45.7 million (FY18: $43.6 million). The fair value of the financial guarantee contract at the reporting date was $0.4 million (FY18: $1.5 million) and is recognised as a financial liability.

Put options

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

9. Subsequent events

In November 2018, the Group entered into a 15-year agreement for lease for a new purpose-built distribution centre in South Australia. The new DC is expected to deliver operational efficiencies to our independent retail network in South Australia. Construction of the new facility is scheduled for completion in mid 2020, at which time Metcash will transition from its existing facility.

Other than the matter disclosed above, there were no events that have occurred after the end of the half year that would materially affect the reported results or would require disclosure in this report.

Notes to the financial statements (continued)

For the half year ended 31 October 2018

Appendix A – Summary of significant accounting policies

1. BASIS OF PREPARATION

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

The half year financial report should be read in conjunction with the annual financial report of Metcash Limited for the year ended 30 April 2018 ("FY18"). 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 2018.

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

The report presents the results of the current period, which comprised the 26 week period that commenced on 30 April 2018 and ended on 28 October 2018. The prior period results comprise the 26 week period that commenced on 1 May 2017 and ended on 29 October 2017.

2. CHANGES IN ACCOUNTING POLICY

The accounting policies adopted in the preparation of the half year financial report are consistent with those applied in the annual financial report, except for the adoption of new standards effective as of 1 May 2018.

During the current period, the Group initially applied AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* which resulted in a retrospective restatement of the prior period financial statements. The nature and effect of this restatement is outlined in Appendix B.

Several other amendments and interpretations apply for the first time in 1H19, but do not have an impact on the half year financial report of the Group. These are as follows:

- AASB Interpretation 22 *Foreign Currency Transactions and Advance Considerations*
- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfer of Investment Property*
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*
- *Annual Improvements 2014-2016 Cycle and Other Amendments*

A number of new accounting standards (including amendments and interpretations) have been issued but were not effective in FY19. The Group has not elected to early adopt any of these new standards in these financial statements. The standards in issue that are applicable to the Group in future financial periods are as follows:

- AASB 16 *Leases*
- AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*
- AASB Interpretation 23 *Uncertainty over Income Tax Treatments*
- AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.*

AASB 16 *Leases* is expected to have a significant impact on the Group's financial report when it becomes effective in FY20. A significant proportion of the Group's leases that are currently classified as operating leases are expected to be recognised on the balance sheet. Refer to Appendix A(c) of the Group's FY18 financial report for an assessment of the impact of AASB 16 *Leases.*

Other pronouncements are not expected to have a material impact on the Group's results or financial position.

Notes to the financial statements (continued)

For the half year ended 31 October 2018

Appendix B – Financial reporting changes from the initial application of new accounting standards

During the current period, the Group initially applied AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* which resulted in a retrospective restatement of the prior period financial statements. The Group adopted AASB 15 using the full retrospective method while AASB 9 was adopted without restating comparative information. The following tables show the adjustments recognised for each individual line item. The adjustments are explained in more detail below.

The impact on the statement of financial position as at 30 April 2018 was as follows:

	30 April 2018 as reported $m	AASB 9 adjustments (Note a) $m	AASB 15 adjustments (Note b) $m	30 April 2018 restated $m
ASSETS				
Trade receivables and loans	1,203.7	(2.2)	2.6	1,204.1
Inventories	784.4	-	(30.3)	754.1
Assets held for sale	11.8	-	(0.5)	11.3
Other current assets	435.8	-	-	435.8
Current assets	**2,435.7**	**(2.2)**	**(28.2)**	**2,405.3**
Net deferred tax assets	109.7	0.7	13.2	123.6
Property, plant and equipment	236.7	-	(21.2)	215.5
Intangible assets and goodwill	818.4	-	(26.1)	792.3
Other non-current assets	118.5	-	-	118.5
Non-current assets	**1,283.3**	**0.7**	**(34.1)**	**1,249.9**
TOTAL ASSETS	**3,719.0**	**(1.5)**	**(62.3)**	**3,655.2**
Income tax payable	24.9	-	(9.4)	15.5
Other liabilities	2,305.5	-	-	2,305.5
TOTAL LIABILITIES	**2,330.4**	**-**	**(9.4)**	**2,321.0**
NET ASSETS	**1,388.6**	**(1.5)**	**(52.9)**	**1,334.2**
EQUITY				
Contributed and other equity	600.0	-	-	600.0
Retained earnings	780.6	(1.5)	(52.9)	726.2
Other reserves	(0.7)	-	-	(0.7)
Parent interest	1,379.9	(1.5)	(52.9)	1,325.5
Non-controlling interests	8.7	-	-	8.7
TOTAL EQUITY	**1,388.6**	**(1.5)**	**(52.9)**	**1,334.2**

Notes to the financial statements (continued)

For the half year ended 31 October 2018

Appendix B – Financial reporting changes from the initial application of new accounting standards

The impact on the statement of comprehensive income for 1H18 was as follows:

	1H18 as reported $m	AASB 15 adjustments (Note a) $m	Amex adjustment (Note 6) $m	1H18 restated $m
Sales revenue	7,058.4	(1,003.6)	-	6,054.8
Cost of sales	(6,429.9)	1,000.6	(2.9)	(5,432.2)
Gross profit	**628.5**	**(3.0)**	**(2.9)**	**622.6**
Other income	52.3	-	-	52.3
Distribution costs	(240.7)	0.3	-	(240.4)
Administrative costs	(287.5)	2.8	7.1	(277.6)
Share of profit of equity-accounted investments	1.7	-	-	1.7
Significant items	(8.8)	-	-	(8.8)
Finance costs	(13.3)	-	(4.2)	(17.5)
Profit before income tax	**132.2**	**0.1**	**-**	**132.3**
Income tax expense	(38.2)	-	-	(38.2)
Profit for the period	**94.0**	**0.1**	**-**	**94.1**
Net profit for the period is attributable to:				
Equity holders of the parent	**92.9**	**0.1**	**-**	**93.0**
Non-controlling interests	1.1	-	-	1.1
	94.0	0.1	-	94.1
Total comprehensive income for the period is attributable to:				
Equity holders of the parent	92.6	0.1	-	92.7
Non-controlling interests	1.1	-	-	1.1
	93.7	0.1	-	93.8

Earnings per share attributable to the ordinary equity holders of the Company

From net profit for the period				
- basic earnings per share (cents)	9.5	-	-	9.5
- diluted earnings per share (cents)	9.5	-	-	9.5

Appendix B – Financial reporting changes from the initial application of new accounting standards

The impact on the statement of comprehensive income for FY18 was as follows:

	FY18 as reported $m	**AASB 15 adjustments (Note a) $m**	**FY18 restated $m**
Sales revenue	14,463.7	(2,021.5)	12,442.2
Cost of sales	(13,175.6)	2,020.3	(11,155.3)
Gross profit	**1,288.1**	**(1.2)**	**1,286.9**
Other income	101.2	-	101.2
Distribution costs	(486.5)	(2.2)	(488.7)
Administrative costs	(566.1)	5.3	(560.8)
Share of profit of equity-accounted investments	0.6	-	0.6
Significant items	(380.1)	-	(380.1)
Finance costs	(31.0)	-	(31.0)
Profit before income tax	**(73.8)**	**1.9**	**(71.9)**
Income tax expense	(72.9)	(0.6)	(73.5)
Profit for the period	**(146.7)**	**1.3**	**(145.4)**
Net profit for the period is attributable to:			
Equity holders of the parent	**(149.5)**	**1.3**	**(148.2)**
Non-controlling interests	2.8	-	2.8
	(146.7)	1.3	(145.4)
Total comprehensive income for the period is attributable to:			
Equity holders of the parent	(148.6)	1.3	(147.3)
Non-controlling interests	2.8	-	2.8
	(145.8)	1.3	(144.5)

Earnings per share attributable to the ordinary equity holders of the Company

From net profit for the period			
- basic earnings per share (cents)	(15.3)	0.1	(15.2)
- diluted earnings per share (cents)	(15.3)	0.1	(15.2)

Appendix B – Financial reporting changes from the initial application of new accounting standards

The impact on the Group's retained earnings as at 30 April 2018 and 30 April 2017 was as follows:

	30 April 2018 $m	30 April 2017 $m
Retained earnings, as previously reported	780.6	(87.7)
Changes arising from the application of AASB 9 (Note a)	(2.2)	-
Changes arising from the application of AASB 15 (Note b)	(75.5)	(77.4)
Tax impact of the above	23.3	23.2
Retained earnings, restated	726.2	(141.9)

(a) AASB 9 *Financial Instruments*
AASB 9 replaces the provisions of AASB 139 in relation to financial instruments and hedge accounting.

The key change to the Group's financial report arising from this standard is in relation to the impairment of financial assets (mainly loans and receivables). AASB 9 effectively moves from an 'incurred losses' model to an 'expected losses' model, which requires a forward-looking assessment of potential default events and losses over the life of these assets.

The adoption of AASB 9 resulted in an increase of $2.2 million in the impairment allowance against the Group's trade receivables and loans. The increase in allowance was debited to closing FY18 retained earnings, net of tax. Comparative figures have not been restated.

(b) AASB 15 *Revenue from Contracts with Customers*
AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, entities are required to exercise more judgment in developing revenue recognition policies, taking into consideration all the relevant facts and circumstances when applying each step of the model.

The Group has revised its accounting policy in line with the requirements of AASB 15. The key changes arising from this revision are as follows. A summary of the revised accounting policy is included in note (c) below.

(b.1) Classification of charge-through and other transactions
In addition to warehouse purchases, customers purchase goods through the Group's charge-through platform and have these goods delivered directly to them from suppliers. The Group earns a margin on these sales for providing procurement, cross-docking and settlement services. The Group also bears credit risk on the receivables from these sales with limited recourse to suppliers.

Under the previous accounting standard, Metcash assessed itself as a principal in these transactions, due mainly to the retention of credit risk. AASB 15 introduced revised guidance in relation to the 'principal vs. agent' assessment criteria, placing more emphasis on substantive control over the goods before transfer to the customer, and no consideration is given to the retention of credit risk.

The Group reviewed its accounting policy in light of the new guidance and determined that it does not bear a material level of inventory risk in charge-through transactions, as the supplier is primarily responsible for fulfilling the order. In addition, the Group generally has limited involvement or discretion in establishing prices for the goods.

Accordingly, the Group revised its accounting policy and assessed itself as an agent in charge-through transactions. As a result, charge-through sales will be reported on a net margin basis, rather than on a gross basis. This change resulted in a decrease of $955.1 million in revenue and a corresponding decrease in cost of sales during 1H18. In addition, application of AASB 15 resulted in a decrease of $48.5 milion in revenue and a corresponding decrease in cost of sales during 1H18, relating to certain other income items. These presentation changes have no impact on gross profit or net income.

(b.2) Accounting for customer rebates and incentives
The Group provides volumetric and non-volumetric rebates and incentives to customers in order to support the supply relationship. Certain upfront incentives were previously capitalised where they met the recognition critieria of AASB 138 *Intangible Assets*. The capitalised incentives were then amortised over the estimated life of the supply relationship.

Appendix B – Financial reporting changes from the initial application of new accounting standards

(b.2) Accounting for customer rebates and incentives (continued)

AASB 15 introduced revised guidance which places a stronger emphasis on 'control' and 'enforceability' over performance obligations within contracts with customers. The Group reviewed its accounting policy in light of this guidance and determined that certain non-volumetric customer incentives were not capitalisable under the new standard, as the underlying supply contracts did not contain sufficiently enforceable performance obligations.

Accordingly, the Group revised its accounting policy for customer incentives to align the income statement recognition with the enforceable obligations within the contracts. Where customer incentives are provided without sufficient enforceability, ordinarily through clawback clauses, these are recognised as expenses when payable.

The revision to the accounting policy resulted in an adjustment of $48.3 million (before tax) to retained earnings at 30 April 2017 and an increase of $3.1 million to 1H18 net profit before tax.

(b.3) Non-volumetric supplier income

The Group also reviewed its accounting policy for certain promotional and other categories of supplier income to determine whether these represent distinct and separable services that would fall within the scope of AASB 15. While the underlying contracts are variable and complex, the Group determined that materially all supplier income is linked economically to the purchase price of inventory.

As a result, the Group revised its accounting policy to align all supplier income with the purchase of inventory, rather than the performance of promotional or other activities. The measurement of some components of supplier income require significant management judgement and estimation. This change has impacted the timing of recognition of supplier income and resulted in an adjustment of $29.1 million (before tax) to opening retained earnings as at 30 April 2017 and a decrease of $3.0 million to 1H18 net profit before tax.

(c) Summary of revised significant accounting policies

Revenue recognition

Sale of goods
The Group's revenue principally arises from the sale of goods within its wholesale distibution and retail operations, as outlined in note 2. Sales revenue is recognised when the Group has delivered goods to its customers, and it is probable that consideration will be collected in exchange. Revenue is measured based on the consideration expected to be received, net of trade rebates and discounts paid.

Charge-through sales
The Group operates a charge-through platform whereby goods are delivered directly to the Group's customers by suppliers. The Group retains the credit risk associated with these transactions; however, the Group does not bear any material inventory risk or exercise any material discretion in establishing prices. Charge-through transactions are therefore reported on an agency or net 'commission' basis.

Rental income
Rental income is accounted for on a straight-line basis over the lease term and is classified within 'other income'. Contingent rental income is recognised as income in the periods in which it is earned.

Inventories

Inventory cost is measured at purchase price, net of trade rebates and discounts received, and including costs incurred in bringing the inventory to its present location and condition. Trade rebates include non-volumetric supplier income, which is systematically allocated against inventory cost using estimates based on expected purchase patterns and earn rates.

Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, net of estimated costs necessary to make the sale.

Appendix C – Equity-accounted investments

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

Investee	Principal activities	Reporting date	October 2018 %	April 2018 %
Associates				
Ritchies Stores Pty Ltd	Grocery retailing	30 June	26.0	26.0
Dramet Holdings Pty Ltd	Grocery retailing	30 June	26.0	26.0
Joint ventures				
Adcome Pty Ltd	Grocery retailing	30 April	45.0	45.0
Lecome Pty Ltd	Grocery retailing	30 April	50.0	50.0
BMS Retail Group Holdings Pty Ltd	Grocery retailing	30 June	49.0	49.0
Progressive Trading Pty Ltd	Grocery retailing	30 April	58.8	58.8
Waltock Pty Limited	Hardware retailing	30 June	49.0	49.0
Banner 10 Pty Ltd (a)	Hardware retailing	30 June	49.0	49.0
G Gay Hardware Pty Ltd	Hardware retailing	30 June	49.0	49.0
LA United Pty Ltd (b)	Liquor wholesaling	30 June	75.3	75.3
Liquor Alliance Pty Ltd (b)	Liquor wholesaling	30 June	66.7	66.7

(a) Subsequent to 1H19, Metcash entered into an agreement to purchase the remaining 51% equity in Banner 10 Pty Ltd. The transaction was not a material business combination.

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

Directors' declaration

For the half year ended 31 October 2018

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

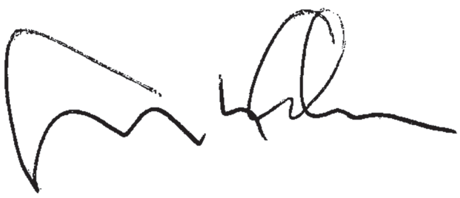
a. The financial statements and notes of the consolidated entity:

   i. give a true and fair view of its financial position as at 31 October 2018 and of its performance for the half year ended on that date; and

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

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

On behalf of the Board



Jeff Adams
Director
Sydney, 3 December 2018

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Auditor's Independence Declaration to the Directors of Metcash Limited

As lead auditor for the review of Metcash Limited for the half-year ended 31 October 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

R Robinson

Renay Robinson
Partner, 3 December 2018

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Metcash Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 October 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 31 October 2018 and of its consolidated financial performance for the half-year ended on that date; and

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

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that 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, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's consolidated financial position as at 31 October 2018 and its consolidated financial 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 the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Renay Robinson
Partner
Sydney, 3 December 2018

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