



**METCASH LIMITED**  
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27 June 2022

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

Dear Sir/Madam

**METCASH LIMITED - FY22 FULL YEAR RESULTS AND FINANCIAL REPORT**

In accordance with ASX Listing Rule 4.3A, please find attached the following documents for release to the market:

- (a) Announcement – Metcash Limited FY22 Full Year Results
- (b) Appendix 4E and Financial Report (including the Directors' Report and Independent Auditor's Report) of Metcash Limited and its controlled entities for the year ended 30 April 2022.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Julie Hutton', followed by a horizontal line.

Julie Hutton  
Company Secretary

**Metcash Limited**

ABN 32 112 073 480  
1 Thomas Holt Drive  
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NSW 2113 Australia

27 June 2022

## **ASX Announcement – Metcash Limited FY22 Full Year Results**

Metcash Limited (ASX:MTS) today released its financial results for the full year ended 30 April 2022.

### **Highlights**

- Continued growth on exceptional FY21 results despite significant external challenges
- Strong sales and earnings in all Pillars underpinned by sustained shift in consumer behaviour and success of MFuture initiatives
- Group revenue up 5.9% to \$15.2bn, and including charge-through<sup>1</sup> by 6.4% to \$17.4bn (2yr +17.2%)
- Group underlying EBIT up 17.7% to \$472.3m (2yr +41.0%)
- Underlying profit after tax up 18.6% to \$299.6m<sup>2</sup> (2yr +50.7%)
- Statutory profit after tax up 2.7% to \$245.4m
- Underlying earnings per share up 23.5% to 30.5 cents (2yr +39.9%)
- Strong operating cashflow of \$432.3m (cash realisation ratio 90.9%)
- Significant return to shareholders – dividends and buy-back ~\$400m
- Total dividends for FY22 up ~23% to 21.5 cents per share (2yr +72.0%)
- Strategic acquisitions delivered accretive returns
- Balance sheet strength with financing flexibility
- Further improvement in ESG credentials
- Long term supply agreements with Australian United Retailers (Foodworks) and Drakes Supermarkets in QLD
- Strong sales momentum has continued into FY23

### **Commentary**

Group CEO, Doug Jones said: “I am pleased to be presenting Metcash’s FY22 results, my first as Group CEO. The results are outstanding, another record year, and represent continued progress on the exceptional performance in FY21.

“At the outset I would like to thank Jeff Adams for his stewardship of the Company and his assistance in my transition into the Group CEO role earlier this year.

“Record sales growth led to a significant increase in underlying earnings and returns to shareholders.

“The FY22 results were underpinned by the success of our MFuture initiatives designed to further improve the competitiveness of our retail network, continuation of the local neighbourhood shopping trend and the success of recent strategic acquisitions.

“The number of external challenges increased in the second half and our supply chain and retail operations, both our own and those of our retail partners, exhibited significant resilience and flexibility. There were more lockdowns due to the Omicron COVID variant, major supply chain challenges, flooding in South Australia, New South Wales and Queensland which resulted in supply route disruptions, and towards the end of the financial year challenges related to Russia’s invasion of Ukraine and lockdowns in China.

“A strategic investment in inventory, the flexibility of our operations and the outstanding efforts of our people helped our retailers to keep their shelves stocked and continue serving their local communities through these challenges. A testament to our people and independent retailers is that our focus on keeping shelves stocked did not materially hinder the continued successful execution of our MFuture initiatives.

“Our retail networks in Food, Hardware and Liquor all continued to perform well, further strengthening the health of our independent retail networks. On a two-year basis, like-for-like (LfL) sales increased ~15% in the IGA retail network, ~28% across Hardware’s IHG and Total Tools retail networks and ~24% in the IBA Liquor network. Importantly, retailers are increasingly reinvesting in their stores, further improving the quality of their network primarily through the various store upgrade programs we support.

“We also further strengthened relationships with our independent retailers and were pleased to recently announce long term agreements to continue supplying Foodworks stores and Drakes Supermarkets in Queensland.

“Good progress has been made on a wide range of digital initiatives, including progressing the rollout of new eCommerce platforms in the Food and Liquor networks. In Food, we now have ~190 stores using our IGA Shop Online platform, and sales through our leading platforms in IHG and Total Tools now represent ~6% of total network sales in Hardware.

“Project Horizon, our technology transformation program aimed at resetting our core technology and making it easier to do business with us, has continued to progress with transition to a new core financial system successfully completed in the year.

“Our range of ESG projects has expanded substantially reflecting the inclusion of sustainability as a core component of Metcash’s vision. Pleasingly, this has been reflected in a further improvement in our ESG credentials with our DJSI ranking improving to 21 and the 69th percentile.

“The Group’s significant lift in earnings and strong financial position led to a ~23% increase in total dividends for FY22, representing a 72% increase on a two-year basis.

“Importantly, sales momentum has continued into FY23 with Group sales up ~9% in the first seven weeks of the year and growth in all pillars, partly buoyed by the impact of inflation.

“While remaining focused on managing the supply change challenges, we are also helping shoppers manage the impact of inflation by providing better value options through a wider range of products at competitive prices.

“Going forward, our robust business model is supporting our pillars to manage well through the ongoing challenges, and we remain well positioned with a strong balance sheet and financial flexibility to continue progressing our MFuture plans,” Mr Jones said.

## **Results Overview**

Group reported revenue, which excludes charge-through sales<sup>1</sup>, increased 5.9% to \$15.2bn (FY21: \$14.3bn). Including charge-through sales<sup>1</sup>, Group revenue increased 6.4% to \$17.4bn (FY21: \$16.4bn), with significant underlying growth in each pillar, building on the exceptional sales performance in the prior corresponding year.

Group underlying EBIT increased 17.7% to \$472.3m reflecting the robust sales performance and the success of recent strategic acquisitions, partly offset by increased costs related to COVID and supply chain challenges. On a two-year basis, Group underlying EBIT increased 41.0%.

The Food pillar continued to perform well delivering EBIT growth of 4.1%, or ~17% after adjusting for the adverse impact of 7-Eleven<sup>3</sup>, a decline in the contribution from the resolution of onerous lease obligations and there being no tobacco excise increase in FY22.

In Hardware, EBIT increased a substantial 40.7% reflecting earnings growth in both IHG and Total Tools, buoyed by elevated residential construction activity and the increased contribution from majority-owned company and joint venture stores in IHG and Total Tools.

In Liquor, EBIT increased 9.8% reflecting the continued robust demand in the retail network and a recovery in on-premise sales following the easing of COVID-related trading restrictions.

Group underlying profit after tax<sup>2</sup> increased 18.6% to \$299.6m, and statutory profit after tax increased 2.7% to \$245.4m. Underlying earnings per share increased 23.5% to 30.5 cents reflecting the increase in profit after tax and the accretive benefit of the Company's \$200m share buy back completed in August last year.

Group operating cashflow was \$432.3m (FY21: \$475.5m) with the cash realisation ratio ~91%, in line with our historical guidance. The operating cashflow in FY22 has been achieved after an increase in working capital, including a strategic investment in inventory to keep our retailers adequately stocked through the supply chain challenges experienced in the year, and the impact of 'significant items'.

The Group ended the financial year with net debt of \$189.0m (FY21: net cash \$124.6m) reflecting the impact of ~\$400m of shareholder distributions including the share buy back and an increase in dividends paid, as well as the strategic investment in inventory.

The Group's significant lift in earnings and strong financial position led to a ~23% increase in total dividends for FY22 to 21.5 cents per share, fully franked. This represents a ~72% increase in total dividends on a two year basis.

## **Review of Trading Results**

### **Food**

Total Food sales (including charge-through<sup>1</sup>) increased 1.4% to \$9.5bn, or 2.0% on a normalised basis<sup>4</sup> (+13.4% 2yr normalised<sup>4</sup>). Excluding tobacco, total Food sales (including charge-through<sup>1</sup>) increased 5.4% or 3.8% on a normalised<sup>4</sup> basis (+11.9% 2yr normalised<sup>4</sup>).

Supermarkets sales increased 3.9% or 1.9% on a normalised<sup>4</sup> basis (+13.8% 2yr normalised<sup>4</sup>). Like for Like (LfL) sales<sup>5</sup> in the IGA network increased 2.9% (+14.6% 2yr basis) with continued support from shoppers rediscovering the convenience of local neighbourhood shopping and the improved competitiveness of the network. This has been underpinned by the success of our MFuture initiatives including the Network of the Future and Diamond Store Accelerator programs.

The strongest sales growth (ex tobacco) was in states less impacted by COVID-related restrictions (Western Australia and Queensland).

The business went to extraordinary lengths to keep its retailers' shelves adequately stocked through significant supply chain and operational disruptions, as well as elevated and unpredictable demand. Initiatives such as a strategic investment in inventory, operating 7-day shift patterns in large distribution centres, re-routing supply points around logistics blockages, re-deploying staff to support our logistics operations and working closely with our suppliers, government and industry all helped support the strong performance of our IGA network.

Sales momentum in Supermarkets accelerated in the fourth quarter of FY22 increasing 13.8% or 5.8% normalised<sup>4</sup> (+9.6% ex tobacco normalised<sup>4</sup>). LfL sales<sup>5</sup> in the IGA network increased 6.3% (normalised) in the same period, reflecting market share gains and the impact of inflation.

Wholesale price inflation accelerated in the second half with price increases being received from ~60% of the supplier base. Wholesale price inflation<sup>6</sup> for the year was 0.5% (1H22: deflation of 1.0%, 2H22 inflation of 1.9%).

Food EBIT increased \$7.9m or 4.1% to \$200.3m. The improvement was ~\$29m or ~17% after adjusting for the adverse impact of 7-Eleven<sup>3</sup>, a decline in the contribution from the resolution of onerous lease obligations and there being no tobacco excise increase in FY22. The higher earnings reflects the strong trading performance, partly offset by additional costs related to COVIDSafe work practices and COVID-related labour costs related to absenteeism and penalty rates associated with extended operating hours at distribution centres.

The Food EBIT margin<sup>7</sup> improved to 2.1% (FY21: 2.0%) despite these additional costs.

## **Hardware**

Hardware sales (including charge-through<sup>1</sup>) increased 20.5% or 18.3% on a normalised<sup>4</sup> basis to \$3.1bn reflecting significant growth in both IHG and Total Tools and the impact of acquisitions. Combined sales in the IHG and Total Tools retail networks increased 9% to ~\$4.4bn on a LfL<sup>8</sup> basis (+27.8% 2yr basis).

An additional 20 joint venture and company-owned stores were acquired during the year which added ~\$95m of sales.

Residential construction and renovations activity was adversely impacted by tight supply conditions, tight labour supply and unseasonal wet weather, leading to a further strengthening of the pipeline of future activity. Despite this, sales in IHG increased 12.5% (+32.6% 2yr basis) to \$2.8bn reflecting the impact of inflation and volume growth in Trade. DIY demand continued to be elevated, but volumes declined slightly against the exceptional prior year comparative. The increase in Trade sales led to Trade representing 64% of the sales mix (FY21: Trade 60%, DIY 40%)

Product categories most impacted by the tight supply conditions included timber, LVL, plaster and insulation.

The IHG banner group continued to perform strongly with retail LfL<sup>9</sup> sales increasing 10.5%, with Trade sales up 12.7% and DIY sales up 6.7% (+21.8% on a 2yr basis, with Trade +11.6% and DIY +39.1%).

Total Tools sales<sup>10</sup> increased 160.4% to \$367m reflecting increased Trade activity and the impact of additional majority-owned joint venture stores. Total network sales increased to \$972m (FY21: \$868m) with LfL sales up 5.0% (+48.1% 2yr basis). The network continued to expand, with a further 11 stores added bringing total stores to 100.

Hardware online sales increased by 55% to represent ~6% of network sales, reflecting the impact of COVID-related lockdowns, increased basket size and conversions.

Hardware EBIT increased a substantial \$55.3m or 40.7% to \$191.3m. IHG's EBIT increased \$15.8m or 14.1% to \$127.8m reflecting the strong sales performance, and the contribution from company-owned and joint venture stores acquired during the year. This was partly offset by additional COVID-related, casual labour and supply chain costs, as well as additional investment in the network to support the retention of shoppers gained through COVID. The IHG wholesale margin was 3.0%. Total Tools EBIT increased \$39.5m to \$63.5m reflecting the strong sales performance and the contribution from majority-owned joint venture stores acquired during the current and prior year.

The Hardware EBIT margin<sup>7</sup> increased to 6.1% (FY21: 5.3%) which includes the positive impact of Total Tools and the retail margin from IHG joint ventures and company-owned stores.

## **Liquor**

Total Liquor sales (including charge-through<sup>1</sup>) increased 8.7% or 6.6% on a normalised basis<sup>4</sup> to \$4.8bn (2yr normalised<sup>4</sup> +27.1%) with a continuation of strong demand in the retail network and a recovery in on-premise sales.

Sales growth in the retail network was in both the IBA banner group and contract customers, supported by continuation of the shift in preference for local neighbourhood shopping and less overseas travel and duty free shopping.

Wholesale sales to the IBA banner group increased 4.4% (+28.1% 2yr basis) with all brands performing well, particularly the Bottle-O, Cellarbrations and IGA Liquor. RTDs, spirits and wine continued to be the strongest growth categories. Retail LfL sales<sup>11</sup> in the IBA banner group increased 2.5% (+24.0% 2yr basis).

Sales to on-premise customers continued to recover with the easing of COVID-related restrictions, increasing 30% compared with the prior corresponding year.

Sales growth across states was strongest in Western Australia, which has been least impacted by COVID-related restrictions.

Liquor EBIT increased \$8.7m or 9.8% to \$97.4m reflecting the contribution from the increase in sales volumes, which more than offset an increased weighting of the on-premise channel in the sales mix, as well as higher costs associated with the impact of COVIDSafe work practices, COVID-related costs associated with absenteeism, and higher freight costs related to route disruptions and increased fuel costs. The EBIT margin<sup>7</sup> for Liquor was in line with the prior comparative period at 2.0% despite the additional costs.

## **Financial Position**

Group operating cashflow was \$432.3m (FY21: \$475.5m) with a cash realisation ratio of ~91%, in line with our historical guidance. The operating cashflow in FY22 has been achieved after an increase in working capital, including a strategic investment in inventory to keep our retailers adequately stocked through the supply chain challenges experienced in the year, and the adverse impact of 'significant items'.

The Group had net investing outflows<sup>12</sup> of \$223.8m, including capital expenditure of \$121.7m (~50% growth), and acquisitions of businesses of \$114.8m. The business acquisitions were predominantly in the Hardware pillar and included the purchase of an additional 15% stake in Total Tools Holdings which increased Metcash's holding to 85%, and the addition of a further 15 Total Tools joint venture stores.

The Group ended the financial year with net debt of \$189.0m (FY21: net cash \$124.6m) reflecting the impact of the ~\$400m of shareholder distributions from the share buy back and increase in dividends paid, as well as the strategic investment in inventory.

## **Dividends**

The Board has determined to pay a final dividend of 11.0 cents per share, bringing total dividends for FY22 to 21.5 cents per share, an increase of 22.9% on the prior corresponding year (+72% 2yr basis). The increase in FY22 reflects the Groups higher earnings and strong financial position.

## **Outlook**

### **Group**

Strong sales momentum has continued in all pillars in the first seven weeks of FY23 supported by the increased preference for local neighbourhood shopping and the improved competitiveness of our independent retail networks.

While elevated inflation has continued into 1H23, there is uncertainty over the level of inflation going forward, as well as how the impact of inflation and other cost of living increases may impact consumer behaviour in the retail networks of our pillars, and Metcash.

We are continuing to work closely with our suppliers and retailers to help shoppers manage the impact of inflation by providing better value options through offering a wider range of products at competitive prices.

Supply chain challenges, increased DC labour and COVID-related costs are continuing and may remain a reality for all pillars over FY23. Underpinned by the flexibility of our operating model and dedication of our teams, all pillars are

continuing to manage well through the current challenges and remain focused on progressing their MFuture initiatives to further improve the competitiveness of our retail networks.

### ***Sales update – first 7 weeks of FY23***

Total **Group** sales increased 8.6% with growth reported in all pillars.

In **Food**, total sales increased 5.0% (+7.7% ex tobacco) compared with the prior corresponding period reflecting strong demand in both the Supermarkets and Convenience businesses. Supermarkets sales increased 4.5% (+7.4% ex tobacco) with continuation of the increased momentum experienced in Q4 FY22 and higher wholesale price inflation.

In **Hardware**, total sales increased 19.8% compared with the prior corresponding period, representing continued strong demand in IHG and Total Tools and the impact of higher inflation. IHG sales increased 10.4%. Strong demand and global supply chain challenges are continuing to place pressure on the availability of some product categories, and there continues to be a solid pipeline of residential construction and renovations activity.

In **Liquor**, total sales increased 8.6% compared with the prior corresponding period reflecting continuation of strong demand across retail stores and a recovery in on-premise sales. Wholesale sales to the IBA retail banner group increased 2.7%.

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

ends

### **For further information:**

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<sup>1</sup> Direct sales from suppliers to retailers, invoiced through Metcash

<sup>2</sup> Underlying profit after tax excludes significant items: put option valuation and business acquisition costs of \$27.6m, Project Horizon implementation costs of \$22.0m, and other costs of \$4.6m (all post tax)

<sup>3</sup> The previous east coast supply agreement with 7-Eleven concluded on 17 August 2020. To enable comparison, sales in the comparative period have been adjusted to exclude sales to 7-Eleven

<sup>4</sup> Normalised sales have been adjusted to exclude the impact of the 53<sup>rd</sup> trading week, and in the Food pillar, also sales to Drakes and 7-Eleven in the relevant sales period as appropriate

<sup>5</sup> Based on scan data from 1,173 IGA stores

<sup>6</sup> Excludes tobacco and produce

<sup>7</sup> EBIT margin: EBIT/Total revenue (including charge-through)

<sup>8</sup> Includes a combination of scan sales and estimates based on wholesale data

<sup>9</sup> Based on a sample of 323 network stores that provide scan data (representing >70% sales)

<sup>10</sup> Total Tools sales include exclusive brand sales, franchisee fees, joint venture and company-owned store sales and other services

<sup>11</sup> Based on scan data from 480 stores

<sup>12</sup> The payment for acquisition of non-controlling interest of \$59.4m relating to the 15% step acquisition of Total Tools Holdings is presented as part of 'Cash flows from financing activities' in the Statement of Cash Flows in the Statutory Financial Report

# METCASH GROUP

METCASH LIMITED (ABN 32 112 073 480) AND ITS CONTROLLED ENTITIES

## APPENDIX 4E FOR THE YEAR ENDED 30 APRIL 2022

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

	FY22 \$m	FY21 \$m	Variance \$m	Variance %
<b>Sales revenue</b>	<b>15,164.8</b>	<b>14,315.3</b>	<b>849.5</b>	<b>5.9</b>
Underlying earnings before interest, tax, depreciation and amortisation (EBITDA)	648.2	565.1	83.1	14.7
Depreciation and amortisation	(175.9)	(163.7)	(12.2)	(7.5)
<b>Underlying earnings before interest and tax ('EBIT')</b>	<b>472.3</b>	<b>401.4</b>	<b>70.9</b>	<b>17.7</b>
Net finance costs	(48.5)	(42.6)	(5.9)	(13.8)
Underlying profit before tax	423.8	358.8	65.0	18.1
Tax expense on underlying profit	(122.5)	(103.7)	(18.8)	(18.1)
Non-controlling interests	(1.7)	(2.4)	(0.7)	(29.2)
<b>Underlying profit after tax ('UPAT') (i)</b>	<b>299.6</b>	<b>252.7</b>	<b>46.9</b>	<b>18.6</b>
Significant items	(65.6)	(17.0)	(48.6)	(285.9)
Tax benefit attributable to significant items	11.4	3.3	8.1	245.5
<b>Net profit for the year attributable to members</b>	<b>245.4</b>	<b>239.0</b>	<b>6.4</b>	<b>2.7</b>
<b>Underlying earnings per share (cents) (ii)</b>	<b>30.5</b>	<b>24.7</b>	<b>5.8</b>	<b>23.5</b>
Reported earnings per share (cents)	25.0	23.4	1.6	6.8

(i) UPAT is defined as reported profit after tax attributable to equity holders of the parent, excluding significant items identified in Note 3.3 of Metcash's FY22 Financial Report.

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

### EXPLANATORY NOTE ON RESULTS

Group reported revenue, which excludes charge-through sales<sup>1</sup>, increased 5.9% to \$15.2 billion (FY21: \$14.3 billion). Including charge-through sales<sup>1</sup>, Group revenue increased 6.4% to \$17.4 billion (FY21: \$16.4 billion), with significant underlying growth in each pillar, building on the exceptional sales performance in the prior corresponding year.

Group underlying EBIT increased 17.7% to \$472.3 million reflecting the robust sales performance and the success of recent strategic acquisitions, partly offset by increased costs related to COVID and supply chain challenges. On a two-year basis, Group underlying EBIT increased 41.0%.

The Food pillar continued to perform well delivering EBIT growth of 4.1%, or ~17% after adjusting for the adverse impact of 7-Eleven<sup>2</sup>, a decline in the contribution from the resolution of onerous lease obligations and there being no tobacco excise increase in FY22.

In Hardware, EBIT increased a substantial 40.7% reflecting earnings growth in both IHG and Total Tools, buoyed by elevated residential construction activity and the increased contribution from majority-owned company and joint venture stores in IHG and Total Tools.

In Liquor, EBIT increased 9.8% reflecting the continued robust demand in the retail network and a recovery in on-premise sales following the easing of COVID-related trading restrictions.

Group underlying profit after tax<sup>3</sup> increased 18.6% to \$299.6 million, and statutory profit after tax increased 2.7% to \$245.4 million. Underlying earnings per share increased 23.5% to 30.5 cents reflecting the increase in profit after tax and the accretive benefit of the Company's \$200 million share buyback completed in August last year.

This Appendix 4E should be read in conjunction with the Metcash Financial Report for the year ended 30 April 2022.



## APPENDIX 4E (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2022

### DIVIDENDS ON ORDINARY SHARES

On 27 June 2022, the Board determined to pay a fully franked FY22 final dividend of 11.0 cents per share, sourced from the profit reserve established by Metcash Limited (Parent Company), with a record date of 13 July 2022 and payable in cash on 10 August 2022. The Dividend Reinvestment Plan remains suspended with effect from 26 June 2017.

### OTHER DISCLOSURES

#### Net tangible assets<sup>4</sup> backing

At 30 April 2022, the net tangible assets was 30.2 cents per share (FY21: 55.0 cents per share).

#### Entities where control has been gained or lost

In FY22, Total Tools acquired ownership interests of between 51% and 60% in fifteen Total Tools independent retail stores for \$37.5 million. Accordingly, Metcash holds an effective ownership interest of between 43% and 51% in these 'JV Stores'.

Other than the above, there were no changes in control that were material to the Group. Refer Note 6.1 of Metcash's FY22 Financial Report for further details.

#### Subsequent events

In May 2022, Metcash announced that it entered into an agreement with Australian United Retailers Limited (AUR) to supply its national network of supermarkets and convenience stores, including its FoodWorks bannered supermarkets, for a further five-year period, commencing 1 July 2022. In addition, the Group also announced that it extended the term of its agreement to supply Drakes Supermarkets stores in Queensland for a further five years, up to 3 June 2029.

On 27 June 2022, Metcash announced that it has signed a long-term lease agreement with the Goodman Group for the construction and leasing of a new 'best in class' wholesale Distribution Centre (DC) at Truganina, Victoria. The new ~115,000m<sup>2</sup> DC, which will replace Metcash's existing ~90,000m<sup>2</sup> DC at Laverton, is expected to help further improve the competitiveness of our independent retailers in Victoria through delivery of greater efficiencies and by providing access to a wider range of products. It is also expected to benefit local suppliers by providing an efficient route to market through access to Metcash's extensive distribution network. Construction of the DC is scheduled to commence in the first half of FY23, with completion expected mid-2024.

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

### STATEMENT OF COMPLIANCE

This report is based on the consolidated financial report of Metcash Limited and its controlled entities which has been audited by Ernst & Young. The financial report was lodged with the ASX on 27 June 2022.

Metcash Limited has a formally constituted audit committee.

On behalf of the Board



**Doug Jones**

Director

Sydney, 27 June 2022

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1 Direct sales from suppliers to retailers, invoiced through Metcash.

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

3 Underlying profit after tax excludes significant items: put option valuation and business acquisition costs of \$27.6 million, *Project Horizon* implementation costs of \$22.0 million and other costs of \$4.6 million (all post tax).

4 The calculation of the net tangible assets per share includes the right-of-use assets and lease liabilities.

This Appendix 4E should be read in conjunction with the Metcash Financial Report for the year ended 30 April 2022.



FINANCIAL  
REPORT  
2022

# Supporting local

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## DIRECTORS' REPORT

Your Directors submit their report of Metcash Limited (the 'Company') and its controlled entities (together the 'Group' or 'Metcash') for the financial year ended 30 April 2022 ('FY22').

### OPERATING AND FINANCIAL REVIEW

#### 1. METCASH'S BUSINESS MODEL

Metcash is Australia's leading wholesaler and distributor, supplying and supporting an extensive network of independent retailers which form part of our bannered network and several other unbannered businesses across the food, liquor and hardware pillars. Metcash's retail customers operate some of Australia's leading independent brands including: IGA, Foodland, Mitre 10, Home Hardware, Total Tools, Cellarbrations, IGA Liquor and the Bottle-O. We help them to be the 'Best Store in their Town' by providing merchandising, operational and marketing support.

Metcash operates a low-cost distribution model that enables independent retailers to compete against the vertically integrated retail chains and other competitors. The Group's core competencies include: procurement, logistics, marketing, retail development and retail operational support. Metcash operates major distribution centres in all the mainland states of Australia which are complemented by a number of smaller warehouses and a portfolio of corporate and joint venture stores.

The Group employs over 8,000 people and indirectly supports employment in the independent retail network.

#### 2. STRATEGIC OBJECTIVES

Metcash's purpose is 'Championing successful independents'. Metcash's vision includes:

- supporting independent retailers to be the best store in town;
- being passionate about independents;
- being a favourite place to work;
- being a business partner of choice for suppliers and independents;
- supporting thriving communities; and
- creating a sustainable future.

The strategic vision is underpinned by a number of programs and initiatives across the three pillars (Food, Liquor and Hardware) aimed at supporting our independent retailers. These include store upgrade programs, new store formats and brand clarity, expanding private label brands, core ranging and pricing, marketing support, accelerating eCommerce and system enhancements as well as training and development programs for independent retailers.

The Group commenced the *MFuture* program at the beginning of FY20. This five-year program spans all pillars and support functions and adopts a balanced approach to revenue growth and cost savings. The program has a strong focus on accelerating successful current initiatives, following the shopper into new growth areas, improving the Group's infrastructure to enable simpler and cheaper processes and ensuring a sustainable cost base into the future. The program aims to deliver competitive and successful independent retail networks across all pillars and match store formats to customers shopping missions.

#### 3. KEY DEVELOPMENTS

##### **Increase in ownership of Total Tools Holdings Pty Ltd ('Total Tools') and acquisition of Total Tools independent retail stores ('JV Stores')**

In June 2021, Metcash acquired an additional 15% interest in Total Tools, increasing its ownership from 70% to 85%. Cash consideration of \$59.4 million was paid to the minority shareholders. Total Tools is the franchisor to the largest professional tools network in Australia with 100 bannered stores across Australia as at 30 April 2022, and it is complementary to Metcash's Independent Hardware Group.

During the year, Total Tools also acquired ownership interests of between 51% and 60% in fifteen Total Tools JV Stores for \$37.5 million. Put and call option arrangements exist which enable Metcash to acquire 100% of these businesses during the first quarter of FY25 and FY26.

Further details are set out in note 6.1 of the financial report.

##### **COVID-19 pandemic**

The Group continues to be subject to COVID-19 related volatility and uncertainty in its trading environment and operations, as well as from the dynamic economic landscape. In FY22, the Group recognised a \$3.0 million impairment charge (FY21: \$0.5 million reversal) primarily in relation to certain inventory items that were impacted by COVID-19 related demand factors. As at balance date, total provisions for COVID-19 impairments are \$8.7 million (FY21: \$10.7 million) as detailed in note 3.3 of the financial report.

## DIRECTORS' REPORT

### Project Horizon implementation costs

In FY21, Metcash launched Project Horizon, aimed at driving further efficiencies through simplification, as well as growth through making it easier to do business with Metcash. In addition to these aims, the first stage of this program will also include a focus on the Group's technical infrastructure consolidation and replacement, process efficiency foundations and better alignment of the Group's infrastructure across the pillars through the development of a single operating system across the Group. Metcash has delivered the first component, with the core finance module having gone live in November 2021. The remaining components of the first stage are expected to be progressively delivered through to completion, which is anticipated to occur by the end of calendar year 2023. In FY22, which was the first full year of the project, the Group incurred \$46.9 million (FY21: \$17.3 million) of capital expenditure and \$31.4 million (FY21: \$7.9 million) of expenses on the project. The project expenses included resource costs, accelerated amortisation of legacy software assets and incremental software licence and maintenance costs. These costs are separately disclosed within significant items in the Statement of Comprehensive Income to enable a better understanding of the Group's results.

### Capital management initiatives

The Group completed an off-market buyback of 56,821,219 ordinary shares (or 5.6% of total shares in issue) for \$200.0 million in August 2021. The ordinary shares were bought back at \$3.52 per share, which represented a 14% discount to the Metcash market price of \$4.10 (being the volume weighted average price of Metcash ordinary shares on the ASX over the five trading days up to and including 13 August 2021). The buyback comprised a fully franked dividend of \$2.67 per share (\$151.7 million) and a capital component of \$0.85 per share (\$48.3 million). These amounts, along with \$0.4 million of transaction costs, were debited to the Company's profit reserve and share capital account, respectively. The shares bought back were subsequently cancelled.

### Changes in key management personnel (KMP)

Doug Jones joined Metcash on 1 February 2022 and was appointed as Group Chief Executive Officer (CEO) and Executive Director on 11 March 2022. Jeff Adams remains in place as the retiring Group CEO to support Doug until Jeff's retirement in October 2022.

Margaret Haseltine joined the Metcash Board as a Non-executive Director on 3 May 2021. Ms Haseltine joined the People & Culture Committee and Nomination Committees from her appointment date.

Tonianne Dwyer retired from the Board on 30 June 2021.

Details of Directors' experience and qualifications are included within this report.

### Dividend declaration

The Board has determined to pay a fully franked final FY22 dividend of 11.0 cents per share, which together with the interim dividend of 10.5 cents per share, represent a full year dividend payout ratio of ~70% of underlying profit after tax.

## 4. KEY FINANCIAL MEASURES

### Warehouse earnings

Metcash's operations are designed to allow significant volumes to be distributed through its warehouse infrastructure at a relatively fixed cost base. The ability to leverage volumes through the warehouse is a key driver of profitability for both Metcash and the independent retail network.

In addition to warehouse revenue, earnings are impacted by product category mix and the proportion of the Group's products bought by the network. Warehouse revenue and related margins are driven by competitive pricing, promotional activities and the level of supplier support through volumetric and other rebates.

Metcash also operates a portfolio of corporate and joint venture retail stores, predominantly in the Hardware pillar.

Metcash has a number of key programs in place to drive sales and margins, including through pricing and promotion, product range, retail operational standards and consumer alignment.

### Cost of doing business

The Group's profitability depends on the efficiency and effectiveness of its operating model. This is achieved by optimising the Group's cost of doing business ('CODB') which comprises the various costs of operating the distribution centres, retail stores and the administrative support functions. During FY22, the efficiency of the supply chain was impacted by global supply chain factors, COVID-19 Safe work practices which were implemented to align with local health regulations as well as significant weather events in Queensland, New South Wales and South Australia.

The *MFuture* program includes initiatives aimed at both revenue growth and ensuring the Group has a sustainable cost base.

## DIRECTORS' REPORT

### Funds employed and return on capital

The Group's funds employed is primarily influenced by the seasonal working capital cycle. The Group has longer term capital investments predominantly in relation to its supply chain capabilities, including warehouse automation technologies and software development. In a number of instances, the Group invests alongside the independent retail network, mainly in the form of equity participation or short-term loans.

The Board's intention is to continue to invest in the business for future growth while maintaining a strong financial position and otherwise to assess returning surplus capital to shareholders.

### Impact of the 53rd trading week in FY22

The current financial year represents a 53-week trading period (from 26 April 2021 to 1 May 2022) as compared to a 52-week trading period in the previous financial year (from 27 April 2020 to 25 April 2021). Section 5 of this report provides an overview of the Group's financial performance.

### Non-IFRS Information

The directors report contains IFRS and non-IFRS financial information. IFRS financial information is financial information that is presented in accordance with all relevant accounting standards. Non-IFRS financial information is financial information that is not defined or specified under any relevant accounting standards and may not be directly comparable with other companies' information. Non-IFRS measures are used by management to assess and monitor business performance at the Group and segment level and should be considered in addition to, and not as a substitute for, IFRS information. Non-IFRS information is not subject to audit or review.

### Impact of new IFRIC agenda decision on key financial measures

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

The change in accounting policy has been applied retrospectively and there was no material impact on the Group's FY22 financial report.

### Climate change and sustainability disclosure

Metcash aligns with the Taskforce for Climate-Related Financial Disclosures and full information on our climate response can be obtained in the 'Our Planet' section of the Sustainability Report. The management of climate-related risks and opportunities at Metcash is overseen by the ESG Council through the Climate Change Risk Register. These various risks are combined and represented in an overall Climate Risk category in the Group Risk Profile. At the time of writing, the ISSB (Exposure Draft 2) is undergoing industry consultation, therefore the full scope of the draft and standards are yet to be finalised. However, based on the current draft recommendations, Metcash has disclosed information related to greenhouse gas emissions and targets, transition risks, physical risks, climate-related opportunities and climate metrics tied to management performance and remuneration.

## DIRECTORS' REPORT

### 5. REVIEW OF FINANCIAL RESULTS

#### Group overview

	FY22 \$m	FY21 \$m
<b>Sales revenue</b>	<b>15,164.8</b>	<b>14,315.3</b>
Food	200.3	192.4
Hardware	191.3	136.0
Liquor	97.4	88.7
Corporate	(16.7)	(15.7)
<b>Underlying earnings before interest and tax ('EBIT')</b>	<b>472.3</b>	<b>401.4</b>
Net finance costs	(48.5)	(42.6)
Underlying profit before tax	423.8	358.8
Tax expense on underlying profit	(122.5)	(103.7)
Non-controlling interests	(1.7)	(2.4)
<b>Underlying profit after tax ('UPAT') (a)</b>	<b>299.6</b>	<b>252.7</b>
Significant items	(65.6)	(17.0)
Tax benefit attributable to significant items	11.4	3.3
<b>Net profit for the year attributable to members</b>	<b>245.4</b>	<b>239.0</b>
<b>Underlying earnings per share (cents) (b)</b>	<b>30.5</b>	<b>24.7</b>
Reported earnings per share (cents)	25.0	23.4

(a) UPAT is defined as reported profit after tax attributable to equity holders of the parent, excluding significant items identified in note 3.3 of the financial report.

(b) Underlying earnings per share (EPS) is calculated by dividing UPAT by the weighted average number of ordinary shares outstanding during the year.

Group reported revenue, which excludes charge-through sales<sup>1</sup>, increased 5.9% to \$15.2 billion (FY21: \$14.3 billion). Including charge-through sales<sup>1</sup>, Group revenue increased 6.4% to \$17.4 billion (FY21: \$16.4 billion), with significant underlying growth in each pillar, building on the exceptional sales performance in the prior corresponding year.

Group underlying EBIT increased 17.7% to \$472.3 million reflecting the robust sales performance and the success of recent strategic acquisitions, partly offset by increased costs related to COVID and supply chain challenges. On a two-year basis, Group underlying EBIT increased 41.0%.

The Food pillar continued to perform well delivering EBIT growth of 4.1%, or ~17% after adjusting for the adverse impact of 7-Eleven<sup>2</sup>, a decline in the contribution from the resolution of onerous lease obligations and there being no tobacco excise increase in FY22.

In Hardware, EBIT increased a substantial 40.7% reflecting earnings growth in both IHG and Total Tools, buoyed by elevated residential construction activity and the increased contribution from majority-owned company and joint venture stores in IHG and Total Tools.

In Liquor, EBIT increased 9.8% reflecting the continued robust demand in the retail network and a recovery in on-premise sales following the easing of COVID-related trading restrictions.

Group underlying profit after tax<sup>3</sup> increased 18.6% to \$299.6 million, and statutory profit after tax increased 2.7% to \$245.4 million. Underlying earnings per share increased 23.5% to 30.5 cents reflecting the increase in profit after tax and the accretive benefit of the Company's \$200 million share buyback completed in August last year.

#### Segment results

	Segment revenue (a)		Segment underlying EBIT	
	FY22 \$m	FY21 \$m	FY22 \$m	FY21 \$m
Food	8,379.3	8,316.3	200.3	192.4
Hardware	2,033.1	1,624.7	191.3	136.0
Liquor	4,752.4	4,374.3	97.4	88.7
Corporate	—	—	(16.7)	(15.7)
<b>Metcash Group</b>	<b>15,164.8</b>	<b>14,315.3</b>	<b>472.3</b>	<b>401.4</b>

(a) Segment revenue excludes gross charge-through sales to customers of \$2.241 billion (FY21: \$2.046 billion). Refer note 3.2.

### Food

Total Food sales (including charge-through<sup>1</sup>) increased 1.4% to \$9.5 billion, or 2.0% on a normalised<sup>4</sup> basis (+13.4% 2 year normalised<sup>4</sup>). Excluding tobacco, total Food sales (including charge-through<sup>1</sup>) increased 5.4% or 3.8% on a normalised<sup>4</sup> basis (+11.9% 2-year normalised<sup>4</sup>).

Supermarkets sales increased 3.9% or 1.9% on a normalised<sup>4</sup> basis (+13.8% 2yr normalised<sup>4</sup>). Like for Like (LfL) sales<sup>5</sup> in the IGA network increased 2.9% (+14.6% 2-year basis) with continued support from shoppers rediscovering the convenience of local neighbourhood shopping and the improved competitiveness of the network. This has been underpinned by the success of our *MFuture* initiatives including the Network of the Future and Diamond Store Accelerator programs.

The strongest sales growth (ex tobacco) was in states less impacted by COVID-related restrictions (Western Australia and Queensland).

The business went to extraordinary lengths to keep its retailers' shelves adequately stocked through significant supply chain and operational disruptions, as well as elevated and unpredictable demand. Initiatives such as a strategic investment in inventory, operating 7-day shift patterns in large distribution centres, re-routing supply points around logistics blockages, re-deploying staff to support our logistics operations and working closely with our suppliers, government and industry all helped support the strong performance of our IGA network.

Sales momentum in Supermarkets accelerated in the fourth quarter of FY22 increasing 13.8% or 6.8% normalised<sup>4</sup> (+9.6% ex tobacco normalised<sup>4</sup>). LfL sales<sup>5</sup> in the IGA network increased 6.3% (normalised<sup>4</sup>) in the same period, reflecting market share gains and the impact of inflation.

Wholesale price inflation<sup>6</sup> accelerated in the second half with price increases being received from ~60% of the supplier base. Wholesale price inflation for the year was 0.5% (1H22: deflation of 1.0%, 2H22 inflation of 1.9%).

Food EBIT increased \$7.9 million or 4.1% to \$200.3 million. The improvement was ~\$29 million or ~17% after adjusting for the adverse impact of 7-Eleven<sup>2</sup>, a decline in the contribution from the resolution of onerous lease obligations and there being no tobacco excise increase in FY22. The higher earnings reflects the strong trading performance, partly offset by additional costs related to COVIDSafe work practices and COVID-related labour costs related to absenteeism and penalty rates associated with extended operating hours at distribution centres.

The Food EBIT margin<sup>7</sup> improved to 2.1% (FY21: 2.0%) despite these additional costs.

### Hardware

Hardware sales (including charge-through<sup>1</sup>) increased 20.5% or 18.3% on a normalised<sup>4</sup> basis to \$3.1 billion reflecting significant growth in both IHG and Total Tools and the impact of acquisitions. Combined sales in the IHG and Total Tools retail networks increased 9% to ~\$4.4 billion on a LfL<sup>8</sup> basis (+27.8% 2-year basis).

An additional 20 joint venture and company-owned stores were acquired during the year which added ~\$95 million of sales.

Residential construction and renovations activity was adversely impacted by tight supply conditions, tight labour supply and unseasonal wet weather, leading to a further strengthening of the pipeline of future activity. Despite this, sales in IHG increased 12.5% (+32.6% 2-year basis) to \$2.8 billion reflecting the impact of inflation and volume growth in Trade. DIY demand continued to be elevated, but volumes declined slightly against the exceptional prior year comparative. The increase in Trade sales led to Trade representing 64% of the sales mix (FY21: Trade 60%, DIY 40%).

Product categories most impacted by the tight supply conditions included timber, LVL, plaster and insulation.

The IHG banner group continued to perform strongly with retail LfL<sup>9</sup> sales increasing 10.5%, with Trade sales up 12.7% and DIY sales up 6.7% (+21.8% on a 2-year basis, with Trade +11.6% and DIY +39.1%).

Total Tools sales<sup>10</sup> increased 160.4% to \$367 million reflecting increased Trade activity and the impact of additional majority-owned joint venture stores. Total network sales increased to \$972 million (FY21: \$868 million) with LfL sales up 5.0% (+48.1% 2-year basis). The network continued to expand, with a further 11 stores added bringing total stores to 100.

Hardware online sales increased by 55% to represent ~6% of network sales, reflecting the impact of COVID-related lockdowns, increased basket size and conversions.

Hardware EBIT increased a substantial \$55.3 million or 40.7% to \$191.3 million. IHG's EBIT increased \$15.8 million or 14.1% to \$127.8 million reflecting the strong sales performance, and the contribution from company-owned and joint venture stores acquired during the year. This was partly offset by additional COVID-related, casual labour and supply chain costs, as well as additional investment in the network to support the retention of shoppers gained through COVID. The IHG wholesale margin was 3.0%. Total Tools EBIT increased \$39.5 million to \$63.5 million reflecting the strong sales performance and the contribution from majority-owned joint venture stores acquired during the current and prior year.

The Hardware EBIT margin<sup>7</sup> increased to 6.1% (FY21: 5.3%) which includes the positive impact of Total Tools and the retail margin from IHG joint ventures and company-owned stores.

## DIRECTORS' REPORT

### Liquor

Total Liquor sales (including charge-through<sup>1</sup>) increased 8.7% or 6.6% on a normalised<sup>4</sup> basis to \$4.8 billion (2-year normalised<sup>4</sup> +27.1%) with a continuation of strong demand in the retail network and a recovery in on-premise sales.

Sales growth in the retail network was in both the IBA banner group and contract customers, supported by continuation of the shift in preference for local neighbourhood shopping and less overseas travel and duty free shopping.

Wholesale sales to the IBA banner group increased 4.4% (+28.1% 2-year basis) with all brands performing well, particularly the Bottle-O, Cellarbrations and IGA Liquor. RTDs, spirits and wine continued to be the strongest growth categories. Retail LfL sales<sup>11</sup> in the IBA banner group increased 2.5% (+24.0% 2-year basis).

Sales to on-premise customers continued to recover with the easing of COVID-related restrictions, increasing 31% compared with the prior corresponding year.

Sales growth across states was strongest in Western Australia, which has been least impacted by COVID-related restrictions.

Liquor EBIT increased \$8.7 million or 9.8% to \$97.4 million reflecting the contribution from the increase in sales volumes, which more than offset an increased weighting of the on-premise channel in the sales mix, as well as higher costs associated with the impact of COVIDSafe work practices, COVID-related costs associated with absenteeism, and higher freight costs related to route disruptions and increased fuel costs. The EBIT margin<sup>7</sup> for Liquor was in line with the prior comparative period at 2.0% despite the additional costs.

### Finance costs and tax

Net finance costs increased during the year driven by higher debt utilisation reflecting the impact of the share buy back and an increase in dividends paid. Tax expense of \$122.5 million on underlying profit represents an effective tax rate of 28.9% (FY21: 28.9%).

### Significant items

Significant items categories were consistent with the half-year and included *Project Horizon* implementation costs of \$31.4 million (FY21: \$7.9 million), Total Tools put option valuation and business acquisition costs of \$27.6 million (FY21: \$6.1 million), costs related to the *MFuture* program of \$3.6 million (FY21: \$3.5 million), and COVID-19 allowance for impairment losses of \$3.0 million (FY21: reversal \$0.5 million).

Refer note 3.3 of the financial report for further information.

### Cash flows

	FY22 \$m	FY21 \$m
Operating cash flows	432.3	475.5
Investing cash flows, net (a)	(223.8)	(216.0)
Payments for lease liabilities, net and other financing activities	(123.2)	(86.8)
	85.3	172.7
Payment for off-market buyback of shares, including costs	(200.4)	—
Proceeds from equity raising, net of share issue costs	—	13.5
Dividends paid to the owners of the parent	(198.5)	(148.3)
	(398.9)	(134.8)
<b>(Increase)/decrease in net debt</b>	<b>(313.6)</b>	<b>37.9</b>

(a) This includes the payment for acquisition of non-controlling interest of \$59.4 million relating to the 15% step acquisition of Total Tools Holdings which is presented as part of 'cash flows from financing activities' in the Statement of Cash Flows.

Group operating cash flows were \$432.3 million (FY21: \$475.5 million), reflecting a strong cash realisation ratio of 91% (FY21: 114%), which was achieved notwithstanding the increase in significant items expense. Favourable management of inventory levels and customer collections over the final weeks helped offset the investment in net working capital that arose as a result of shortening payment times for our smaller suppliers and ongoing investment in inventory to protect the network from supply constraints.

The Group had net investing outflows of \$223.8 million, including capital expenditure of \$121.7 million (including \$46.9 million on *Project Horizon*), acquisitions of businesses of \$55.4 million and acquisition of non-controlling interest of \$59.4 million representing payments for an additional 15% interest in Total Tools, increasing the Group's ownership from 70% to 85%. The acquisitions of businesses were also predominantly in the Hardware pillar and included an investment in 15 Total Tools 'JV Stores'.

The Group paid \$198.5 million (FY21: \$148.3 million) in dividends during the current financial year and successfully completed an off-market buyback of \$200 million, equating to \$399m of shareholder distributions. Total dividends paid in FY22 was 20.0 cents per share (FY21: 14.5 cents per share).



## DIRECTORS' REPORT

### Financial position

	FY22 \$m	FY21 \$m
Trade and other receivables	1,761.2	1,607.8
Inventories	1,125.2	1,008.0
Trade payables and provisions	(2,478.2)	(2,234.4)
<b>Net working capital</b>	<b>408.2</b>	<b>381.4</b>
Intangible assets	798.8	722.8
Property, plant and equipment	245.9	231.8
Equity-accounted investments	102.5	82.5
Customer loans and assets held for sale	30.2	41.3
<b>Total funds employed</b>	<b>1,585.6</b>	<b>1,459.8</b>
Lease balances (net)	(179.3)	(179.9)
Put option liabilities	(231.7)	(212.5)
Tax and derivatives	104.8	99.1
Net (debt)/cash	(189.0)	124.6
<b>Net assets/equity</b>	<b>1,090.4</b>	<b>1,291.1</b>

Net working capital increased by \$26.8 million to \$408.2 million, including growth from the acquisition of businesses and also flowing from the increase in sales. Favourable management of inventory levels and customer collections over the final weeks helped offset the investment in net working capital that arose as a result of shortening payment times for our smaller suppliers.

Capital expenditure of \$121.7 million during the year included \$46.9 million incurred in relation to *Project Horizon*.

Put option liabilities of \$231.7 million, predominantly relate to the Total Tools Group (refer note 5.3 of the financial report).

The Group was in a net debt position as at 30 April 2022 of \$189.0 million (FY21: Net cash of \$124.6 million) reflecting the impact of the share buy back, and an increase in dividends paid. Metcash had \$598.7 million in unused debt facilities and \$104.7 million of cash and cash equivalents available at the reporting date for immediate use.

### COVID-19 uncertainty

The Group has incorporated judgements, estimates and assumptions specific to the impact of the COVID-19 pandemic in determining the amounts recognised in the financial statements based on conditions existing at reporting date, recognising uncertainty still exists over the potential impact of any future COVID-19 pandemic-related restrictions and changes in consumer behaviour.

### Commitments, contingencies and other financial exposures

Put options, including in relation to Ritchies Stores Pty Ltd, are detailed along with other contingent liabilities in note 5.3 and note 7.3 of the financial statements.

Metcash has a relatively low exposure to interest rate risk and minimal foreign exchange exposures. Further details are set out in note 5.6 of the financial statements.

## 6. OUTLOOK

Strong sales momentum has continued in all pillars in the first seven weeks of FY23 supported by the increased preference for local neighbourhood shopping and the improved competitiveness of our independent retail networks.

While elevated inflation has continued into 1H23, there is uncertainty over the level of inflation going forward, as well as how the impact of inflation and other cost of living increases may impact consumer behaviour in the retail networks of our pillars, and Metcash.

We are continuing to work closely with our suppliers and retailers to help shoppers manage the impact of inflation by providing better value options through offering a wider range of products at competitive prices.

Supply chain challenges, increased DC labour and COVID-related costs are continuing and may remain a reality for all pillars over FY23. Underpinned by the flexibility of our operating model and dedication of our teams, all pillars are continuing to manage well through the current challenges and remain focused on progressing their *MFuture* initiatives to further improve the competitiveness of our retail networks.

### 7. MATERIAL BUSINESS RISKS

The following section outlines the material business risks that may impact on the Group achieving its strategic objectives and business operations, including the mitigating factors put in place to address those risks. The material risks are not set out in any particular order and exclude many general risks that could have a material effect on most businesses in Australia under normal operating conditions.

#### Strategy and disruption risks

Consumer behaviour and preferences continue to change and are influenced by factors such as economic conditions, digital and technological development and disruption, healthy living trends and increasing choices in both online and in-store retail options. These changes may impact Metcash's sales mix and earnings. Metcash's strategy puts customers and consumers first, with ongoing focus on our shopper-led range, e-commerce and loyalty, store quality and overall perception of value at checkout.

Metcash is accelerating its investment in digital, expanding our capability and improving our delivery of digital solutions to our retailers and shoppers. This is being achieved through investment in our online stores, such as the upgraded IGA Online Shop, new and enhanced IBA bannered online stores, and the continued success of the Mitre10 and Total Tools online platforms.

In executing its strategy, there is a risk that Metcash may experience project execution issues or may not realise the full benefits of projects that underpin its strategic plan. There is also a risk that projects may experience scope, time or cost variability or overruns.

Metcash's business operations and strategic priorities are subject to ongoing review and development. Management regularly reviews plans against market changes and, where necessary, modifies its approach.

#### COVID-19 risks

The COVID-19 pandemic has continued to impact Metcash and our people. Lockdowns, travel restrictions, and the arrival of the Delta and Omicron variants led to a number of operational complexities, including high levels of employee absenteeism due to infection or isolation, and broader disruption to our supply chain. Whilst there were challenges, we continued to serve our independent retailers across all of our Pillars, and importantly ensured continuity of supply of critical food and grocery products to our retailers, supporting local communities across Australia.

Going forward, the Group's operations and those of our customers and suppliers may continue to be impacted by COVID-19 through any continuation of restrictions such as social distancing, quarantines, travel restrictions, work stoppages, health authority actions, lockdowns or other related measures. Any of these factors may impact our operational and financial performance.

#### Competition risks

Any increase in competitive activity from new or existing competitors (including in the form of a new market entrant with a wholesale or other disruptive business model, where suppliers sell directly to the Group's customers, where customers form their own buying groups to collectively negotiate and purchase directly from suppliers or where indirect competitors change their business models to compete directly with the Group) may have a detrimental effect on the Group's operations, particularly if Metcash fails to respond effectively to that competitive activity or its response is delayed (for example, as a result of the time required to engage with the Group's independent retail network in order to implement an initiative). Increased competition may also adversely impact Metcash's long-term performance and profitability.

#### Key brands risk

Metcash's success in generating profits and increasing its market share is based on the success of the key brands it owns or licences. Reliance on key brands makes Metcash vulnerable to brand damage from negative publicity, product tampering or recalls, unauthorised use of its brands or ineffective brand management by Metcash or its licensees, increasing the risk of asset write downs.

#### Macroeconomic and Geopolitical risk

General macroeconomic conditions and factors including inflation, low levels of unemployment, monetary policy and variability in interest rates, changes in governments and their approach to fiscal policy, variability in energy and input costs, and changes in consumer purchasing behaviour may adversely impact our customers as well as Metcash's earnings, cost of doing business and profitability. We seek to manage these risks through maintaining vigilance over our cost structure and delivering on our strategy to grow earnings and profitability.

Further, geopolitical tensions and actions of nation states, including trade wars, territorial disputes, incursions, and war may adversely impact Metcash's operations and supply chain, resulting in delay or unavailability of certain products or inputs, increased cost of doing business and subsequent impact on profitability. We seek to manage these risks through forecasting and planning to maintain adequate levels of supply, as well as understanding alternative avenues of supply.

#### Operational and compliance risks

As Australia's leading wholesaler, Metcash is reliant upon the success of its suppliers and retailers. Metcash continues to invest in programs to improve the health of the independent retail network and improving Metcash's infrastructure to make it simpler to do business. These programs aim to strengthen Metcash as the business partner of choice for both its suppliers and retailers. As with any significant change, there is a risk that these transformation programs fail to deliver the expected benefits. Metcash has strengthened its governance frameworks to manage these change programs through the establishment of dedicated project teams to ensure projects are delivered and risks are addressed in a timely manner.

## DIRECTORS' REPORT

Metcash's operations require compliance with various regulatory requirements including work health and safety, food and product safety, environmental regulations, workplace industrial relations, public liability, privacy and security, financial and legal. Any regulatory breach could have a material negative impact on the wellbeing, reputation or financial results of Metcash or its stakeholders. The Group's internal processes are regularly assessed and tested as part of risk and assurance programs addressing areas including: safety, security, sustainability, chain of responsibility, quality and food safety. Metcash maintains a strong 'safety-first' culture and has established standards and 'Chain of Responsibility' policies to identify and manage risk.

Disruption to, or inefficiency or failure within Metcash's supply chain, product sourcing ability, or of key support systems could impact the Group's ability to deliver on its objectives, its operational capability and financial performance. Metcash's strategic planning process and ongoing monitoring of operations ensure its supply chain and support systems are able to scale appropriately to respond to its business needs.

### Property and facilities risk

Metcash leases facilities for the wholesale distribution of grocery, fresh produce, liquor, hardware and other fast-moving consumer goods. Damage to or destruction of these facilities could result in the loss or reduction of distribution capability and hence adversely impact Metcash's financial results. While Metcash has in place insurances that it considers are sufficient for a business of its type and size, Metcash will be required to pay for the loss on any event up to the deductible and self-insurance retention.

### Financial risks

Metcash's ability to reduce its cost of doing business is critical to support independent retailers in remaining competitive in the continued challenging environment. Competitive trading conditions and broader adverse economic conditions can increase the credit risk associated with the Group's activities. Metcash's strategy is to support successful independents through appropriate credit management processes.

Funding and liquidity risk continue to be relevant to the Group due to the need to adequately fund business operations, growth initiatives and absorb potential loss events that may arise. Inability to adequately fund the Group's business operations and growth plans may lead to difficulty in executing the Group's strategy. Metcash maintains a prudent approach towards capital management, which includes optimising working capital, targeted capital expenditure, capital and asset recycling and careful consideration of its dividend policy.

In addition, banking and debt facilities are maintained with sufficient tenure, diversity and headroom to fund business operations. However, these are a risk that the Group may be unable to refinance or renew its banking and debt facilities following expiry, or will only be able to refinance or renew those facilities on terms that are less favourable to the Group than existing terms. Further, if Metcash failed to meet any of the covenants on its debt facilities there is a risk that the Group may be required to repay outstanding debt on notice or take other actions to remedy the breach. Any requirement to repay outstanding debt on notice, or inability to refinance banking facilities or obtain capital or financing generally, on favourable terms or at all, may have a material adverse effect on the Group's financial performance and position.

The Group's financial risk management framework is discussed in further detail in note 5.6 of the financial statements.

### Trading and customer risks

Metcash's ability to operate efficiently is critical to support independent retailers in remaining competitive. A disruption to the business could result in an increased cost to serve retailers and inability to meet customers' requirements.

Tobacco sales represent a significant proportion of the products Metcash supplies to its independent retailers. Following the cessation of the legislated annual increase in customs and excise duty in 2020, Metcash implemented mitigation strategies to support earnings performance following this impact. Metcash continues to achieve gains from price increases on tobacco stock sales, which are commonly linked to the consumer price index.

In our Food pillar, Metcash services a number of large customers known as Multiple Store Owners (MSOs). These customers own and/or operate more than one independent retail store, and in some cases can own and/or operate a sizeable number of stores (examples of larger MSOs include Ritchies Stores Pty Ltd (Ritchies) and Romeo Retail Group). In addition, Metcash Food is a supplier to a number of contract customers, one of which is Australian United Retailers (AUR), which operates the Foodworks bannered network. In May 2022, Metcash entered into an agreement to supply AUR for a further five years commencing 1 July 2022. Metcash also extended the term of its agreement to supply Drakes Supermarket stores in Queensland for a further five years, to 3 June 2029. If any one or more MSOs or AUR were to materially reduce or cease to source their inventory from Metcash for any reason (including vertically integrating their supply chain, establishing an alternative buying group, purchasing from another source, entering into a supply agreement with a competitor or closure of stores due to insolvency or poor performance), this would adversely impact Metcash's long-term performance and profitability.

In addition, there are certain large contract customers in the Liquor business whose contracts are renewed on a regular basis. If one or more of these contract customers decided not to renew their supply contract this too could adversely impact Metcash's long-term performance and profitability. Further, the Liquor business also has a number of large suppliers and if one or more of these suppliers decided to no longer conduct business with Metcash, this too could adversely impact Metcash's long-term performance and profitability.

## DIRECTORS' REPORT

### Technology and cyber security risks

Metcash relies on a number of complex information technology systems to support its warehousing and distribution, supply chain, customer service, marketing and finance operations. A severe disruption to the information technology systems may significantly impact the operations and value of Metcash. Metcash is embarking on a business transformation program called Project Horizon which will replace end-of-life technology, reducing operational risk and onerous maintenance costs.

With expanding information privacy and security regulations, and an increasingly hostile cyber environment, Metcash recognises information privacy and cyber security as an increasing risk. Any impact on the availability, integrity or confidentiality of data could result in a breach of privacy and security regulations and/or impact Metcash's commercially sensitive information, which could expose Metcash to penalties (including financial penalties), and could adversely affect Metcash's operating and financial position or cause reputational harm.

### Social responsibility, environment and climate change risks

Metcash is committed to '*Championing successful independents*' and a key element of this is underpinned by ensuring its operations are conducted in a socially responsible manner.

Metcash has a moderate exposure to environmental risks. Metcash's operations could be impacted by natural disasters, extreme weather events or other catastrophic events which could materially disrupt its operations and supply chain. There is also a risk that, with time, the frequency and intensity of natural disasters and extreme weather events may increase if anthropogenic climate change accelerates or worsens.

Metcash is conscious of the impact its operations may have on the environment given the breadth of our operations across Australia. Although Metcash is only a moderate emitter of carbon emissions relative to its peers, we have set a science-based target to reduce our carbon emissions by 42% by 2030. In addition, Metcash seeks to reduce its environmental impact through programs and initiatives that manage its energy consumption and waste.

Metcash previously conducted a climate change risk assessment, which considered the physical and transitional risks of climate change on the Group's operations. The main drivers of physical climate change risk for Metcash are the potential increase in frequency and severity of acute climate change events, such as bushfires, drought, floods, extreme storms and cyclones. The assessment concluded that the highest inherent rated risk is likely to be an increase in insurance premiums year on year. Other lower rated inherent rated risks include: damage to facilities and equipment, a temporary increase in costs to service our retailers during these events, a temporary disruption to our supply chain and distribution network, reduced availability and quality of fresh products, a decrease in the availability of timber products due to the impact of bushfires. Regarding transitional risks, the assessment found there are medium level transition risks, including potential reputational damage should Metcash not meet stakeholder expectations on climate management, and additional compliance costs should government introduce new greenhouse gas emission regulations or laws. For further information on how we manage environmental risks please refer to our most recent Sustainability Report available on our website.

Metcash has a low to moderate exposure to social risks. Our business and our people are driven by our purpose of '*Championing successful independents*', and Metcash is proud to support independent retailers who are at the heart of local communities across Australia. At the core of our Purpose and Vision are our Values – we believe that independence is worth fighting for; in treating our people, retailers and suppliers the way we like to be treated; and in giving back to the communities where we live and work.

Metcash contributes to our local communities through the IGA Community Chest Program, disaster relief, and through our partnership with Foodbank. In addition, Metcash maintains an unwavering commitment to supporting remote communities through its partnership with The Arnhem Land Progress Aboriginal Corporation (ALPA) and the Outback Stores in the Northern Territory, to deliver improved affordability of food supply and the best possible outcomes for those communities.

Metcash meets the threshold for reporting under the Modern Slavery Act 2018 (Cth) with our most recent statement available at [modernslaveryregister.gov.au](https://modernslaveryregister.gov.au) and our Anti-Slavery Policy is available on our website. Metcash is taking steps to continually improve its exposure to modern slavery risks in its supply chain. Further, under recent amendments to the Security of Critical Infrastructure Act 2018 (Cth), Metcash has been declared a 'critical food and grocery asset', which will require it to implement certain measures to meet compliance with the Act. For further information on how we manage social risks please refer to our Sustainability Report.

### Work health and safety risk

While a strong emphasis is placed on the implementation of work health and safety standards, the risk of injury or fatality remains possible. The occurrence of such events may have an adverse effect on the safety of our people and the productivity, operations and reputation of Metcash.

Metcash is focused on the safety of its staff and customers. The Group's safety processes have been reviewed in light of COVID-19 and, where appropriate, additional processes and procedures have been implemented.

### People and culture risks

The increasing competitive landscape and low levels of unemployment continues to place pressure on the competition for talent and labour capacity and the ability to efficiently operate our business. The ability to attract and retain talent with the necessary skills and capabilities to operate in a challenging market whilst being able to effect transformation is critical to Metcash's success. Similarly, the ability to attract and retain employees to meet our labour capacity needs is crucial for our operational capability and efficiency. Metcash competes in labour markets to attract and retain its employees and management team. The competitive nature of these labour markets may result in the loss of key employees and/or labour capacity which may make it more difficult and costly to attract or retain

## DIRECTORS' REPORT

employees. If Metcash is unable to attract and retain employees, this may adversely affect the Group's operations and overall financial performance.

Interruptions at Metcash's workplaces arising from industrial disputes, work stoppages and accidents may result in production losses and delays. Renegotiation of collective agreements may increase Metcash's operating costs and may involve disputes.

Metcash is committed to being a favourite place to work by unlocking the potential of its people through empowerment and ensuring the Group's cultural values align with their values. Integrity is the foundation of the ethical values and standards of behaviour set for all employees through the Group's Code of Conduct.

Metcash invests in its people through training and development opportunities, by promoting diversity and workplace flexibility and maintaining succession planning. The short and long-term incentive schemes align the Group's remuneration structure to shareholders' interests.

### End of the Operating and Financial Review

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<sup>1</sup> Direct sales from suppliers to retailers, invoiced through Metcash.

<sup>2</sup> The previous east coast supply agreement with 7-Eleven concluded on 17 August 2020. To enable comparison, sales in the comparative period have been adjusted to exclude sales to 7-Eleven.

<sup>3</sup> Underlying profit after tax excludes significant items: put option valuation and business acquisition costs of \$27.6 million, *Project Horizon* implementation costs of \$22.0 million, and other costs of \$4.6 million (all post tax).

<sup>4</sup> Normalised sales have been adjusted to exclude the impact of the 53rd trading week, and in the Food pillar, also sales to Drakes and 7-Eleven in the relevant sales period as appropriate.

<sup>5</sup> Based on scan data from 1,173 IGA stores.

<sup>6</sup> Excludes tobacco and produce.

<sup>7</sup> EBIT margin: EBIT/Total revenue (including charge-through).

<sup>8</sup> Includes a combination of scan sales and estimates based on wholesale data.

<sup>9</sup> Based on a sample of 323 network stores that provide scan data (representing >70% sales).

<sup>10</sup> Total Tools sales include exclusive brand sales, franchisee fees, joint venture and company-owned store sales and other services.

<sup>11</sup> Based on scan data from 480 stores.

## DIRECTORS' REPORT

### BOARD INFORMATION

The Directors in office during the financial year and up to the date of this report are as follows.

**ROBERT A MURRAY** (MA Hons, Economics (Cantab))

*Independent Non-executive Chair*

Robert (Rob) is the Chair of the Metcash Limited Board of Directors and is also the Chair of the Nomination Committee and a member of the People and Culture Committee. Rob was appointed to the Board on 29 April 2015 and was appointed Chair on 27 August 2015.

Rob has extensive experience in FMCG. He has held positions with industry leaders, having been CEO of both Lion Nathan and Nestle Oceania, and he therefore brings with him a deep understanding of consumers and their requirements as well as the issues faced by those supplying the industry.

As a former director of Dick Smith Holdings Limited (2014 to 2016), Super Retail Group Limited (2013 to 2015) and Linfox Logistics, Rob also has experience in the logistics, electronics, automotive, leisure and sports industries.

Rob is a non-executive director of Southern Cross Media Group Limited (since 2014, and Chair since August 2020), Advisory Chairman of Hawkes Brewing Company (since August 2019) and is a board member of the not-for-profit charity, the Bestest Foundation.

**DOUG JONES** (BComm, Accounting, Tax, Auditing, Information Systems, CA(SA))

*Group Chief Executive Officer, Executive Director*

Doug is an experienced executive with extensive wholesale, retail and eCommerce experience. Doug spent 14 years with the Johannesburg Stock Exchange-listed Massmart group which is majority-owned by Walmart Inc. It has leading market positions in wholesale food, liquor, home improvement and general merchandise.

Before joining Metcash Doug was CEO and Senior Vice President of Massmart Wholesale, which includes 'big box' format food, liquor, and general merchandise stores serving retail, commercial and wholesale customers; cash and carry stores; buying groups that service wholesale and independent retail customers; and a number of eCommerce platforms.

Doug is a qualified Chartered Accountant and has previously held senior finance positions in Makro SA, Amalgamated Beverages Industries Limited and The South African Breweries, all in Johannesburg, Coca-Cola Enterprises in Canada, and Deloitte in both Canada and South Africa.

**MURRAY P JORDAN** (MPA and MAICD)

*Independent Non-executive Director*

Murray has been a member of the Board since 23 February 2016. He is also a member of the Audit, Risk and Compliance Committee, the People and Culture Committee and the Nomination Committee.

Murray has extensive experience in the independent retail sector, bringing unique insight and perspective to the Board regarding the challenges faced by independent retailers and the valuable role they play in the community. Murray was previously Managing Director of New Zealand business Foodstuffs North Island Limited, a co-operative wholesale company, supplying independently owned and operated businesses in the supermarkets, food service and liquor sectors. He has also held key management positions in property development and investment.

Murray is a non-executive director of Metlifecare Pty Limited, Asia Pacific Village Holdings Pty Limited and Asia Pacific Village Group Pty Limited (each since November 2020), Stevenson Group Limited (since July 2016) and Chorus Limited (since September 2015), each a New Zealand company. He is also a trustee of the Starship Foundation in New Zealand that raises funds for the National Children's Hospital, a trustee of the Foodstuffs member protection and co-operative perpetuation trusts (since January 2019), a trustee of the Southern Cross Health Trust (since August 2019), a director of the Southern Cross Medical Care Society (since January 2020) and a former director of Sky City Entertainment Group Limited (NZ) 2016-2021).

**HELEN NASH** (BA Hons, GAICD)

*Independent Non-executive Director*

Helen was appointed to the Board on 23 October 2015. She is the Chair of the People and Culture Committee (since August 2019) and is also a member of the Nomination Committee.

Helen has more than 20 years executive experience across three diverse industries: consumer packaged goods, media and quick service restaurants.

Helen brings rounded commercial and consumer focused experience to her role. She initially trained in the UK as a Certified Management Accountant. 18 years in brands and marketing allow her to bring a strong consumer lens to the Board. She gained extensive strategic, operational and general management experience in her role of Chief Operating Officer at McDonalds Australia, overseeing business and corporate strategy, store operations including all company and franchised stores, marketing, menus, research and development and information technology.

Helen is a non-executive director of Southern Cross Media Group Limited (since April 2015) and Inghams Group Limited (since May 2017), and a former non-executive director of Blackmores Limited (2013 to 2019).

## DIRECTORS' REPORT

**PETER BIRTLES** (BSc (Hons), FCA, MAICD)

*Independent Non-executive Director*

Peter was appointed to the Board on 1 August 2019. He is Chair of the Audit, Risk and Compliance Committee (since July 2020) and a member of the Nomination Committee.

Peter has over 30 years' experience in retail and consumer goods industries, including 18 years with Super Retail Group Limited where he was Managing Director and Chief Executive Officer from 2006 to early 2019, and therefore brings a strong FMCG lens to his role.

Peter's executive career also includes extensive experience in accounting and finance having previously held the position of Chief Financial Officer of Super Retail Group Limited, as well as other senior financial roles during his 12 years with The Boots Company in the UK and Australia.

Peter is Chair and non-executive director of Universal Store Holdings Limited (since October 2020), GWA Group Limited (since 2010), and also a director of APG & Co Pty Limited and Apparel Group Pty Limited (both since July 2019), as well as Good360 Australia Ltd (since August 2019). Peter was formerly a non-executive director of Auto Guru Limited (2015 to 2019).

**CHRISTINE HOLMAN** (MBA, PG Dip Mgt, GAICD)

*Independent Non-executive Director*

Christine was appointed to the Board on 14 September 2020 and is a member of the Audit, Risk and Compliance Committee and the Nomination Committee.

From her previous executive capacity, as both CFO & Commercial Director of Telstra Broadcast Services, Christine brings a deep understanding of legacy and emerging technologies and digital transformations. During her time in private investment management, Christine assisted management and the Board of investee companies on strategy development, mergers & acquisitions, leading due diligence teams, managing large complex commercial negotiations and developing growth opportunities.

Christine is a non-executive director of Collins Foods Limited (since December 2019) and CSR Limited (since October 2016). She is also a director of The McGrath Foundation (since July 2020), T20 Cricket World Cup (since January 2018), National Intermodal Corporation Limited (since August 2018), The State Library of New South Wales Foundation (since February 2017) and The Bradman Foundation (since December 2016). Christine is a former non-executive director of Blackmores Limited (2019 to 2021) and Wisetech Global Limited (2018 to 2019).

**MARGARET HASELTINE** (BA, FAICD)

*Independent Non-executive Director*

Margaret (Margie) has more than 30 years of experience across supply chains and logistics, customer interface in the FMCG sector, change management and governance. Her executive career includes 20 years at Mars Inc. including five years as Chief Executive Officer of Food in Australia.

Margie is a non-executive director of Tyesoon Limited (since February 2022), Bapcor Limited (since 2016, and Chair since February 2021) and Real Pet Food Company Pty Ltd (since March 2022). She is a Fellow of the Australian Institute of Company Directors.

Margie was formerly a non-executive director of Southern Hospitality Development Corp (2015 to 2019), Bagtrans (2016 to 2021) and Newcastle Permanent Building Society (2018 to 2022).

### Former Director

**JEFFERY ADAMS** was an Executive Director until 10 March 2022.

**TONIANNE DWYER** was a Non-Executive Director until 30 June 2021.

### Company Secretary

**JULIE S HUTTON** (B Asian Studies (Viet), LLB, LLM, GAICD)

Julie was previously a partner at law firm Baker & McKenzie where she specialised in mergers & acquisitions, private equity and corporate restructures. Julie is a Graduate of the Australian Institute of Company Directors and was formerly a Non-executive Director of AVCAL, a national association which represents the private equity and venture capital industries in Australia.

### Indemnification and insurance of Directors and Officers

Under the Constitution of the Company, the Company indemnifies (to the full extent permitted by law) current and former Directors and Company Secretaries and such other current and former officers as the Board may determine from time to time against all losses and liabilities incurred as an officer of Metcash or its related companies. The Company may enter into a deed indemnifying such officers on these terms. The Company enters into such deeds with each of its Directors and Company Secretaries from time to time.

During the financial year, the Company has paid, or agreed to pay, a premium in respect of a contract of insurance insuring officers (and any persons who are officers in the future) against certain liabilities incurred in that capacity. Disclosure of the total amount of the premiums and the nature of the liabilities in respect of such insurance is prohibited by the contract of insurance.

## DIRECTORS' REPORT

The following table presents information relating to membership and attendance at meetings of the Company's Board of Directors and Board committees held during the financial year. The information reflects those meetings held and attended during a Director's period of appointment as a Director during the year.

	Appointed	Retiring/ Resigned	Meetings held	Meetings attended	Ordinary shares held at reporting date
<b>BOARD OF DIRECTORS</b>					
Robert Murray (Chair)(a)	29 Apr 2015	—	6	6	84,005
Doug Jones	11 March 2022	—	2	2	-
Jeffery Adams	5 Dec 2017	10 March 2022	4	4	n/a
Peter Birtles	1 Aug 2019	—	6	6	40,000
Margaret Haseltine	3 May 2021	—	6	5	57,839
Christine Holman	14 Sept 2020	—	6	5	30,000
Murray Jordan	23 Feb 2016	—	6	6	57,441
Helen Nash	23 Oct 2015	—	6	6	51,189
Tonianne Dwyer	24 Jun 2014	30 June 2021	1	1	n/a
<b>AUDIT, RISK &amp; COMPLIANCE COMMITTEE</b>					
Peter Birtles (Chair) (b)	1 Aug 2019	—	7	7	
Christine Holman	14 Sept 2020	—	7	7	
Murray Jordan	23 Feb 2016	—	7	7	
Tonianne Dwyer	24 Jun 2014	30 June 2021	1	1	
<b>PEOPLE &amp; CULTURE COMMITTEE</b>					
Helen Nash (Chair) (c)	23 Oct 2015	—	6	6	
Margaret Haseltine	3 May 2021	—	6	6	
Murray Jordan	31 Aug 2016	—	6	6	
Robert Murray	27 Feb 2020	—	6	6	
<b>NOMINATION COMMITTEE</b>					
Robert Murray (Chair)	29 Apr 2015	—	1	1	
Peter Birtles	1 Aug 2019	—	1	1	
Margaret Haseltine	3 May 2021	—	1	1	
Christine Holman	14 Sept 2020	—	1	1	
Murray Jordan	23 Feb 2016	—	1	1	
Helen Nash	23 Oct 2015	—	1	1	
Tonianne Dwyer	24 Jun 2014	30 June 2021	1	1	

(a) Mr Murray was appointed Chair of the Board on 27 August 2015.

(b) Mr Birtles was appointed Chair of the Audit, Risk & Compliance Committee on 1 July 2020.

(c) Ms Nash was appointed Chair of the People & Culture Committee on 1 July 2019.

Each Board meeting generally runs for 1.5 days, while each Committee meeting generally runs for half a day.

In addition, the Board and Group Leadership Team hold a half day strategy and/or professional development session before each Board meeting, as well as a 2-day strategy session each October. The Board also holds regular calls with the Group CEO to stay abreast of current matters between meetings. Finally, from time to time, additional Board working groups are established with representatives from among the Directors or a Director represents the Board on a management steering committee, for example, to consider material transactions or projects, including to support the decision-making of the full Board in relation to those matters. These strategy/professional development sessions, update calls and working group/steering committee meetings are not included in the above table.



### REMUNERATION REPORT

On behalf of the Board and the People and Culture Committee, I am pleased to present our Remuneration Report for the year ended 30 April 2022

**HELEN NASH**

Chair, People and Culture Committee



Record sales growth has led to a significant uplift in underlying earnings and returns to shareholders. Our strong performance over this financial year could not have been possible without the continued dedication and commitment of our people. We are proud of how our leaders, team members, retailers, suppliers, members and customers have pulled together during another year of COVID-19 restrictions, elevated demand, and significant supply chain challenges caused by close contact requirements, infection rates and other factors. Our people have worked exceptionally hard over the past year to ensure the best possible support for our retailers and their communities.

The health and wellbeing of our people has continued to be a critical priority for us. We have worked alongside government agencies and followed their health teams' advice, enacted Public Health Orders, and consulted our team members broadly on our COVID-19 Vaccination Policy. We have continued to actively support our team members over the last year, not only through ongoing recognition, but also by investing in strong preventative health and safety measures and wellbeing programs.

#### Our remuneration framework

At Metcash, we are passionate about Championing Successful Independents, attracting, motivating, and retaining key talent who drive sustainable company performance while embodying our Purpose, Vision and Values. Our executive pay comprises Fixed Pay, Short-Term Incentive ('STI') and Long-Term Incentive ('LTI') components and is designed to ensure that executives have a significant proportion of remuneration at risk, which is payable on the delivery of positive outcomes for shareholders. No significant changes were made to our executive remuneration structure in FY22.

We undertake an annual, detailed market benchmarking review of our director fees and executive pay, comparing fixed and variable rewards with data sourced through Aon in their capacity as an independent specialist remuneration data provider. Each Metcash position is benchmarked against similar roles in our peer group, which includes ASX listed organisations in a similar industry, both larger and smaller than Metcash, and across measures of market capitalisation, revenue, assets and complexity. Our target position against our peer group is the 50th percentile, however our framework enables the recognition of deeply experienced, high performing individuals.

Last year, we also took the opportunity to have KPMG review our practices in setting executive performance objectives, including the weightings given to financial and non-financial objectives and the performance ranges used for target setting, (including the appropriateness of minima and maxima) and also in how the mechanics of the STI pool and the multipliers used for performance outcomes operate. KPMG assessed Metcash practices against a group of 21 comparator companies and found that Metcash practices were not only broadly consistent with the market but were also best practice in a number of key dimensions.

All that said, we took an opportunity to reframe the "Our People" section of our executive scorecards as "Our Future", focused on Environment, Social and Governance ('ESG') priorities. The current ESG metrics are reported in more detail in the main body of this Report. Next year, we will be increasing the weighting on the ESG priorities to 30% of executive scorecards.

#### Our performance and outcomes

Our FY22 results are outstanding, with another record year, representing continued progress on the exceptional performance in FY21. Our Pillars continued to respond proactively to the significant challenges associated with COVID-19 and in parallel maintained focus on executing our *MFuture* plans to further improve the competitiveness of our independent retail networks, including actively enabling the Horizon Program.

We have worked hard to retain new and returning shoppers and are delighted at our record sales performance again this year. Group revenue (excluding charge through sales) increased 5.9% to \$15.2 billion. Including charge through sales, Group revenue increased 6.4% to \$17.4 billion with strong sales growth in all Pillars. The uplift in sales, together with our strong focus on costs led to EBIT increasing a significant 17.7% to \$472.3 million, despite the pressure of operating under COVID-19 resource challenges. Underlying net profit after tax increased 18.6% to \$299.6 million and was \$245.4 million on a statutory basis. Underlying earnings per share increased 23.4% to 30.5 cents. Furthermore, we will distribute \$408 million to shareholders in dividends and share buy-backs in relation to the FY22 year.

In addition to the standout financial performance, there was ongoing improvement in the Company's ESG credentials as outlined in the Company's FY22 results presentation, with further detail to be provided in this year's Sustainability Report.

As part of the Aon pay benchmarking review, some changes to KMP remuneration occurred in FY22.

No changes were made to the Group CEO's remuneration in FY22. This has resulted in the retiring Group CEO having had one change to his remuneration over his five-year tenure, with that increase applying to his variable remuneration only (STI and LTI opportunity) last year to give even stronger alignment in his pay mix to market practice and increase further the 'at risk' component of his total remuneration. His total remuneration remains below his peer group benchmark.

## DIRECTORS' REPORT



Our recently appointed new Group CEO commenced in his role on a slightly lower total remuneration than his predecessor. We retained the higher weighting to variable pay in keeping with current practice in our peer group and to maintain alignment with shareholder interests from the very start of his tenure. As is frequently the case at Group CEO level, in joining Metcash, our new Group CEO forfeited on-foot STI and LTI with his previous employer and Metcash put in place a buy-out grant to cover a portion of that forfeiture. A \$1.2 million buy-out grant was issued as performance rights, with 50% vesting to each of a one- and two-year performance period, subject to the achievement of Earnings Before Tax and Interest (EBIT) targets, tenure hurdles and behavioural expectations.

Given the increase last year to the CEO Food's remuneration, taking him to slightly below his peer group benchmark, no further increase was applied in FY22. However, given the business importance of the ongoing transformation agenda in the Food business, the Board recognised the criticality of the CEO Food during a period of transition from one Group CEO to the next. Consequently, a retention plan was put in place in October 2021, comprising both financial and developmental components. A \$1.0 million retention grant incentivises the CEO Food to remain at Metcash for at least three years. The grant was issued as performance rights and partially vests at the end of each of the three years in the performance period, with a heavy weighting of 50% unavailable until the end of the third year. The performance metrics comprise the achievement of EBIT targets, tenure hurdles and behavioural expectations.

As foreshadowed last year, a modest increase was awarded to each of the Group CFO and the CEOs of Liquor and Hardware, representing the first increases since their appointments.

Also, as foreshadowed last year, most Metcash Board fees remained below peer group medians and a modest increase of 2.5% took some slightly closer to and others slightly above the FY22 market medians with a range of 90% to 108%.

These remuneration adjustments ensure we remain competitive against our peer group from a reward perspective. In a tightening talent market, where wage inflation is likely to be a reality, further increases in Board fees and KMP salaries may be necessary in FY23 to ensure ongoing alignment to the market.

STI outcomes for KMP are based on pool and scorecard results and ranged from 73% to 85% of maximum, reflecting another outstanding performance in which market share gains and improved shareholder returns were sustained.

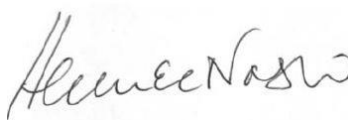
Our FY20 LTI vested at 100% reflecting an excellent Return on Funds Employed (ROFE) outcome of 28.2%, representing an average of the ROFE in each of the three financial years in the performance period and an absolute total shareholder return (aTSR) of 25.5%, representing growth of 89.1% in our share price and dividends over the three-year performance period ended 30 April 2022.

For non-KMP team members, we have also rewarded performance in keeping with our 'pay for performance' principles, with our exceptional performers consistently receiving higher merit increases and incentive payments. To maintain our outstanding record of paying equitably, we again ensured those sitting lower in our salary bands, our more junior team members, and those whose pay was lower than their colleagues of a different gender received higher increases.

I am very pleased to advise that Metcash has again been awarded an Employer of Choice citation by the Workplace Gender Equality Agency. This recognises our deep commitment to gender pay parity and gender equality in the workforce. This is the fourth time we have received this citation. Metcash also received awards for its learning and development offerings.

In summary, I believe our remuneration framework and outcomes for the year deliver a balanced and equitable outcome for all stakeholders.

Following positive feedback about the changes we made to this Report, we have retained its structure and high level of disclosure. I trust you continue to find the Report informative.



**HELEN NASH**  
Chair, People and Culture Committee

## DIRECTORS' REPORT

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### 1. OVERVIEW OF THE REMUNERATION REPORT

The Directors present the Remuneration Report for the Company and its controlled entities (the 'Group') for the year ended 30 April 2022 ('FY22'). This report forms part of the Directors' Report and has been audited in accordance with section 308(3C) of the *Corporations Act 2001* and Australian Accounting Standards.

The report sets out the remuneration arrangements for the Group's Key Management Personnel (KMP), comprising its Non-executive Directors ('NED'), Group Chief Executive Officer ('Group CEO') and Group Executives of Metcash, who together have the authority and responsibility for planning, directing, and controlling the activities of the Group.

The KMP in FY22 are listed below.

Name	Position	Term as KMP in FY22
<b>NON-EXECUTIVE DIRECTORS</b>		
Robert Murray	Chair	Full year
Peter Birtles	Director	Full year
Margaret Haseltine	Director	Commenced 3 May 2021
Christine Holman	Director	Full year
Murray Jordan	Director	Full year
Helen Nash	Director	Full year
Tonianne Dwyer	Director	1 May 2021 to 30 June 2021
<b>EXECUTIVE DIRECTOR</b>		
Doug Jones <sup>1</sup>	Group Chief Executive Officer ('Group CEO')	Commenced 11 March 2022
Jeff Adams <sup>2</sup>	Group Chief Executive Officer ('Group CEO')	1 May 2021 to 10 March 2022
<b>GROUP EXECUTIVES</b>		
Alistair Bell	Group Chief Financial Officer ('Group CFO')	Full year
Chris Baddock	Chief Executive Officer, Australian Liquor Marketers ('ALM')	Full year
Scott Marshall	Chief Executive Officer, Food	Full year
Annette Welsh	Chief Executive Officer, Independent Hardware Group ('IHG')	Full year

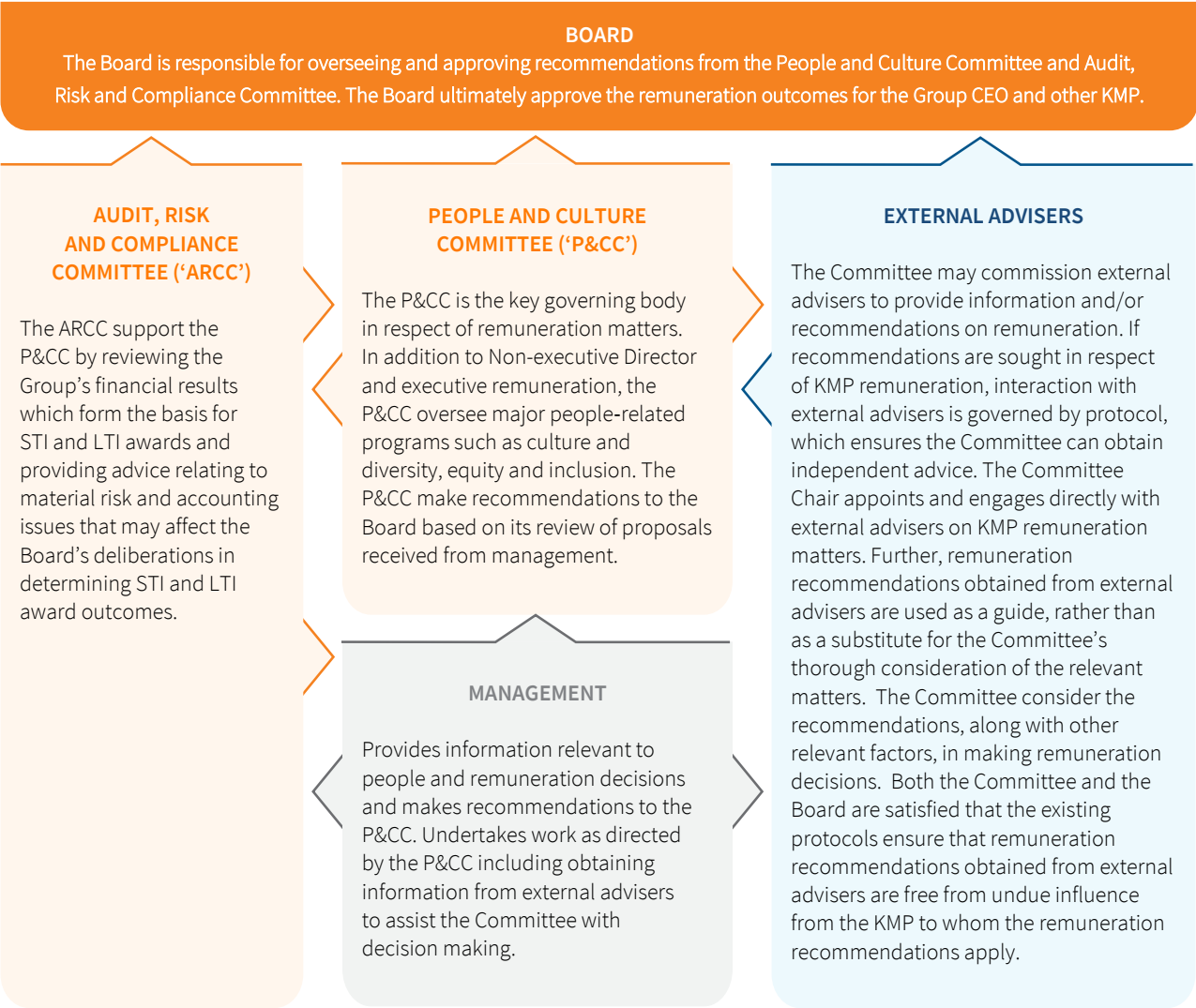
1. Mr Jones commenced employment on 1 February 2022 as Group CEO-elect and was appointed Group CEO on 11 March 2022.

2. Mr Adams stood aside as operational Group CEO on 10 March 2022 and will retire from Metcash on 6 October 2022.

For the remainder of this report, the Group CEO and Group Executives are referred to as KMP.

2. REMUNERATION GOVERNANCE






The following diagram illustrates Metcash's remuneration governance framework.



The People & Culture Committee engage and consider advice from independent remuneration consultants where appropriate in relation to remuneration matters and Non-executive Director fees. During the year, no remuneration recommendations as defined in section 9B of the *Corporations Act 2001* were provided.

## 3. SNAPSHOT OF EXECUTIVE REMUNERATION POLICY

### Our Remuneration Principles

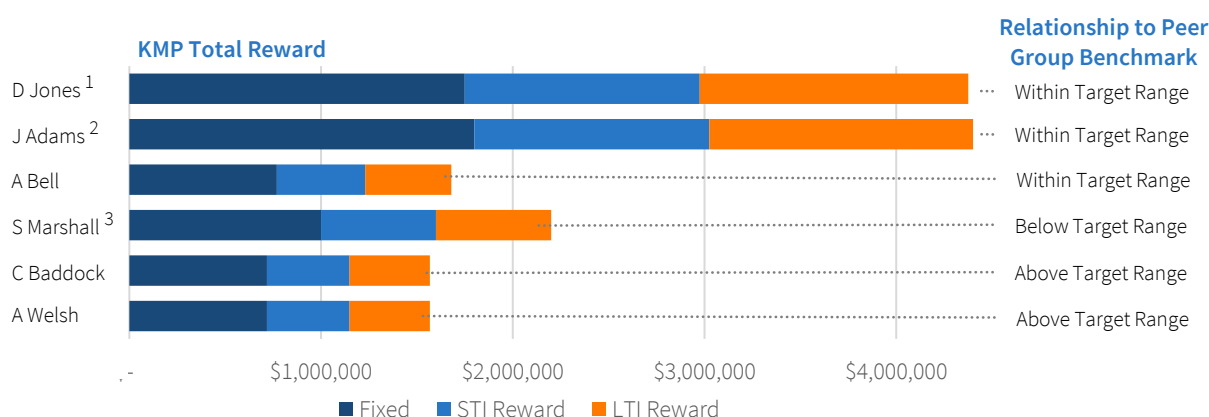
 Purpose, Vision & Values	 Market competitive	 Performance based	 Shareholder alignment	 Fair and simple
Enabling our people to unleash their passion and give local Independents a fighting chance.	Attracting and retaining people who can make a difference in 'Championing successful Independents'.	Rewarding the individual contributions made to empowering our local Independents who turn postcodes into communities.	Standing side by side with our local Independents through the generations, to sustain long-term value for shareholders.	Making it easy to see how we recognise those who make their mark in our business.

### Our Remuneration Framework

 Fixed remuneration	 Short-Term Incentive	 Long-Term Incentive
Salary, superannuation, and salary sacrificed benefits. Fixed Remuneration is set at a level that is competitive in the market with reference to comparably sized peers. Fixed Remuneration is referred to as Total Employment Cost ('TEC').	12-month performance period. STI pool is distributed when threshold financial performance is met and scaled based on performance up to a prescribed maximum. Performance is then assessed against a scorecard of financial (70%) and strategic (30%) objectives and modified by a behavioural rating. 33% of the Group CEO and 25% of other KMP's vested awards will be deferred for 1 year into Performance Rights.	3-year performance period. Delivered in Performance Rights. Performance is assessed against Return on Funds Employed (ROFE) (50%) and Absolute Total Shareholder Return (TSR) (50%).

### KMP Target Remuneration

KMP Target Reward comprises the three framework components above (Fixed or TEC in dark blue, STI in light blue and LTI in orange) and is reviewed annually in line with the above principles and market benchmarks. A review may result in no adjustment to Target Remuneration.



<sup>1</sup> Represents Mr Jones' annualised FY22 KMP target remuneration excluding his FY22 LTI buy out grant. Refer Section 4.3 'FY 22 Group CEO buy-out grant' for details.

<sup>2</sup> Represents Mr Adams' annualised FY22 KMP target remuneration including his non-KMP period from 11 March 2022 to 30 April 2022.

<sup>3</sup> Represents Mr Marshall's FY22 KMP target remuneration excluding the additional LTI incentive granted to him in FY22. Refer Section 4.4 'FY22 CEO Food retention LTI grant' for details.

## 4. INCENTIVE PLAN OPERATION

### 4.1 'At-risk' STI plan

The 'at-risk' STI plan provides executives the opportunity to earn an incentive that is contingent upon performance against a combination of agreed financial and non-financial performance targets, which are set by the Board in consultation with the Group CEO at the start of each financial year. The operation of the plan was reviewed by KMPG in FY22 and was confirmed as being broadly aligned to market practice and best practice in its key components.

Feature	Description																																																																																								
Delivery	Delivered in a combination of cash and deferred equity (33% for the Group CEO and 25% for other KMP).  Deferred equity comprises performance rights that convert into fully paid ordinary shares in Metcash, which only become unrestricted at the end of the deferral period.																																																																																								
Performance period	1 May each year to 30 April the following year.																																																																																								
Eligibility	The Group CEO and all other KMP participate in the STI plan.  The Group CEO and Group CFO participate in the Group STI pool. The Pillar CEOs participate in their respective Pillar STI pools which are determined by a combination of their respective pillar EBIT and the consolidated Group EBIT.																																																																																								
Performance measures	<p>STI awards are paid out of the Group and Pillar STI pools. STI pools are only released for distribution when the threshold Group or Pillar underlying EBIT budget result, as applicable, is achieved. The STI pools are generally made available for distribution on the following basis:</p> <table><tr><th>Achievement</th><th>Distribution of STI pool</th></tr><tr><td>Below threshold 95% of budget EBIT</td><td>0% - no pool is available for distribution</td></tr><tr><td>Threshold 95% of budget EBIT</td><td>50% of the respective STI pools</td></tr><tr><td>Budget or 'Target' EBIT</td><td>100% of the respective STI pools</td></tr><tr><td>Over-achievement 105% of budget EBIT</td><td>150% of the respective STI pools</td></tr></table> <p>Once an STI pool is released for distribution and scaled as noted above, a participant's individual STI award is determined based on individual performance and behaviours. An individual's overall performance rating is equally weighted between their scorecard results and Metcash behaviours. Individual performance and behavioural outcomes act as a multiplier against the pool reward by a factor of 0% to 150%. Individual results are also scaled so that the collective individual participants' results are distributed in a manner consistent with a normal distribution curve.</p> <p>The STI Balanced Scorecard performance measures vary for each KMP based on the budgets and strategies for their respective pillars. KPMG also reviewed the mechanics of Metcash's scorecards, which were found to be in keeping with the broader market and best practice in the key components.</p> <table><tr><th colspan="7">Balanced Scorecard</th></tr><tr><th>Financial &amp; Value Creation Objectives (70%)</th><th>Measure</th><th>Group Target</th><th>Group Outcome</th><th>Threshold</th><th>Target</th><th>Stretch</th></tr><tr><td rowspan="6">Deliver Financial Results</td><td>Sales revenue<sup>1</sup></td><td>\$16.0 billion</td><td>\$17.4 billion</td><td>- 2.5%</td><td>Budget</td><td>+ 2.5%</td></tr><tr><td>UPAT<sup>2</sup></td><td>\$252.4 million</td><td>\$299.6 million</td><td>- 5.0%</td><td>Budget</td><td>+ 5.0%</td></tr><tr><td>EBIT<sup>2</sup></td><td>\$410.6 million</td><td>\$472.3 million</td><td>- 5.0%</td><td>Budget</td><td>+ 5.0%</td></tr><tr><td>ROFE</td><td>25%</td><td>31%</td><td>- 50bps</td><td>Budget</td><td>+ 50bps</td></tr><tr><td>Cash conversion</td><td>96%</td><td>91%</td><td>- 1000bps</td><td>Budget</td><td>+ 1000bps</td></tr><tr><td>Project Horizon<sup>3</sup></td><td>95% of stretch targets</td><td>90% of stretch targets</td><td>- 5.0%</td><td>Budget</td><td>+ 5.0%</td></tr><tr><td>Strategic Objectives (30%)</td><td>Measure</td><td colspan="5">Group Target</td></tr><tr><td rowspan="2">Our Future (ESG priorities)</td><td>Safety (TRIFR)<sup>4</sup></td><td colspan="5">Improvement of 5% on FY21 result</td></tr><tr><td>Engagement</td><td colspan="5">Improvement of 5% on FY21 result</td></tr><tr><td>Our Business</td><td>Business metrics<sup>5</sup></td><td colspan="5">95% of stretch targets</td></tr></table>	Achievement	Distribution of STI pool	Below threshold 95% of budget EBIT	0% - no pool is available for distribution	Threshold 95% of budget EBIT	50% of the respective STI pools	Budget or 'Target' EBIT	100% of the respective STI pools	Over-achievement 105% of budget EBIT	150% of the respective STI pools	Balanced Scorecard							Financial & Value Creation Objectives (70%)	Measure	Group Target	Group Outcome	Threshold	Target	Stretch	Deliver Financial Results	Sales revenue <sup>1</sup>	\$16.0 billion	\$17.4 billion	- 2.5%	Budget	+ 2.5%	UPAT <sup>2</sup>	\$252.4 million	\$299.6 million	- 5.0%	Budget	+ 5.0%	EBIT <sup>2</sup>	\$410.6 million	\$472.3 million	- 5.0%	Budget	+ 5.0%	ROFE	25%	31%	- 50bps	Budget	+ 50bps	Cash conversion	96%	91%	- 1000bps	Budget	+ 1000bps	Project Horizon <sup>3</sup>	95% of stretch targets	90% of stretch targets	- 5.0%	Budget	+ 5.0%	Strategic Objectives (30%)	Measure	Group Target					Our Future (ESG priorities)	Safety (TRIFR) <sup>4</sup>	Improvement of 5% on FY21 result					Engagement	Improvement of 5% on FY21 result					Our Business	Business metrics <sup>5</sup>	95% of stretch targets				
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Our Business	Business metrics <sup>5</sup>	95% of stretch targets																																																																																							

1 Sales revenue (including charge-through sales).













2 Analyst consensus for FY22 at time of setting the FY22 budget was UPAT of \$238.0 million and EBIT of \$382.9 million which is supportive of the stretch nature of these earnings targets.

3 These comprise quality and timing of the deliverables, cost of the program and value of the benefits realised.

4 Total Recordable Injury Frequency Rate

5 Examples of business metrics include Team Score (target = maintain FY21 result), Loyalty Programs (target = 12% uplift on FY21), Cost Management (target = achieve approved budget) and IBA Store Count (target = 10% uplift on FY21 result).

## DIRECTORS' REPORT

Feature	Description															
	<p>Behavioural ratings act to modify performance against scorecard objectives and can result in an increase for exceptional behaviour, a decrease for unacceptable behaviour or no change for successful behaviours in the overall performance rating.</p> <p>Our Metcash Behaviours are:</p>															
	<table><tr><td></td><td></td><td></td><td></td></tr><tr><td><b>Accountability</b></td><td><b>Continuous Improvement</b></td><td><b>Team Work</b></td><td><b>Think Customer</b></td></tr><tr><td>I am open and honest, accepting responsibility and delivering on promises. I act with integrity.</td><td>I learn from success and failure and seek out a better way and collaborate with others to reach the best outcome.</td><td>I am responsible for the strength and diversity of my team, and I own my development. I build a strong culture.</td><td>I understand and anticipate my customer / retailer / supplier / shopper needs and drive innovation for mutual benefit.</td></tr></table>					<b>Accountability</b>	<b>Continuous Improvement</b>	<b>Team Work</b>	<b>Think Customer</b>	I am open and honest, accepting responsibility and delivering on promises. I act with integrity.	I learn from success and failure and seek out a better way and collaborate with others to reach the best outcome.	I am responsible for the strength and diversity of my team, and I own my development. I build a strong culture.	I understand and anticipate my customer / retailer / supplier / shopper needs and drive innovation for mutual benefit.			
																
<b>Accountability</b>	<b>Continuous Improvement</b>	<b>Team Work</b>	<b>Think Customer</b>													
I am open and honest, accepting responsibility and delivering on promises. I act with integrity.	I learn from success and failure and seek out a better way and collaborate with others to reach the best outcome.	I am responsible for the strength and diversity of my team, and I own my development. I build a strong culture.	I understand and anticipate my customer / retailer / supplier / shopper needs and drive innovation for mutual benefit.													
	<p>The maximum reward is only paid on achievement of ‘stretch’ outcomes, which include:</p> <ul style="list-style-type: none"><li>– Maximum achievement against Group and/or pillar EBIT financial performance hurdles, as applicable (‘STI pool’);</li><li>– Maximum achievement in overall individual performance results against all financial and all non-financial measures contained in the individual’s Balanced Scorecard; and</li><li>– An exceptional or successful rating against Metcash’s behaviours framework.</li></ul>															
<b>Target setting</b>	Challenging performance targets are set against each performance measure following a rigorous budget setting process that considers many factors including market conditions. This process includes draft budgets being initially prepared by leadership teams, followed by Pillar CEO and CFO reviews. Once these reviews are complete, including the Pillar CEO and CFO being confident in them, these draft budgets are thoroughly reviewed and challenged by the Group CEO and Group CFO. Following satisfaction at this level, each Pillar presents the draft budgets to the Board over a two-day process during which they are challenged on all matters to ensure the Board is comfortable that the budgets are sufficiently challenging and achievable.															
<b>STI opportunities</b>	<p>The STI opportunities as a percentage of TEC for KMP are outlined below:</p> <table><tr><th>Position</th><th>Below threshold % of TEC</th><th>Threshold % of TEC</th><th>Target % of TEC</th><th>Maximum % of TEC</th></tr><tr><td>Group CEO (D Jones)</td><td>0%</td><td>17.5%</td><td>70.0%</td><td>157.5%</td></tr><tr><td>Other KMPs</td><td>0%</td><td>15.0%</td><td>60.0%</td><td>135.0%</td></tr></table> <p>The Group CEO’s pay mix reflects peer group practice for Group CEOs and is therefore different to other KMP.</p>	Position	Below threshold % of TEC	Threshold % of TEC	Target % of TEC	Maximum % of TEC	Group CEO (D Jones)	0%	17.5%	70.0%	157.5%	Other KMPs	0%	15.0%	60.0%	135.0%
Position	Below threshold % of TEC	Threshold % of TEC	Target % of TEC	Maximum % of TEC												
Group CEO (D Jones)	0%	17.5%	70.0%	157.5%												
Other KMPs	0%	15.0%	60.0%	135.0%												
<b>Deferred vesting criteria</b>	The deferred performance rights are conditional and only vest if the executive remains employed by the Company up to and including 15 April of the year following the performance period. Shares are issued to participants by 25 April and are then restricted from trading until the annual results release which typically occurs in late June.															
<b>Valuing deferred awards</b>	The number of performance rights issued to participants is calculated by dividing 33% (Group CEO) and 25% (other KMP) of the STI award dollar value by the volume weighted average price (VWAP) of Metcash ordinary shares over the 20 trading days prior to the end of the performance period which ends on 30 April.															
<b>Board discretion</b>	The Board may exercise discretion to adjust the STI pool to more appropriately reflect the performance of the Group or a specific Pillar. The Board also retain discretion to adjust vesting outcomes in any circumstances to ensure they are appropriate.															
<b>Clawback</b>	KMP STI awards are subject to clawback for cause or material misstatement of the Group’s financial statements.															

## 4.2 'At-risk' LTI plan

The Group's LTIs are designed to enable Metcash to attract and retain key executives (including all KMP), whilst incentivising these executives to achieve challenging hurdles aligned to shareholder value.

Feature	Description										
<b>Delivery</b>	Delivered in Performance Rights. Each Performance Right is a right to acquire Metcash shares at no cost, subject to the satisfaction of performance and service conditions.										
<b>Performance period</b>	<b>LTI grant</b>										
	<b>Performance period</b>										
	FY22-FY24 LTI 1 May 2021 to 30 April 2024										
	FY21-FY23 LTI 1 May 2020 to 30 April 2023										
	FY20-FY22 LTI 1 May 2019 to 30 April 2022										
<b>Eligibility</b>	The Group CEO and all other KMP participate in the LTI plan.										
<b>Performance measures</b>	<p>At each performance period, the LTI grants are subject to two performance conditions: ROFE and TSR.</p> <p><b>ROFE</b></p> <p>ROFE is calculated as underlying EBIT divided by the average of funds employed at the beginning and end of the financial year. The overall ROFE result will be determined as the average of the individual ROFE result in respect of each of the three financial years over the performance period.</p> <p><b>TSR</b></p> <p>TSR is measured as the growth in share price over the performance period plus dividends paid to shareholders and assumes dividends are reinvested when they are paid. The opening and closing share prices used in the calculation are typically set with reference to the VWAP of Metcash shares over the 20 business days prior to the end of the Metcash financial year. The Board may exercise discretion to include other share capital transactions, including buybacks and otherwise adjust the calculation for capital transactions as deemed appropriate. The TSR result is expressed as a percentage and reported as the compound annual growth rate over the performance period.</p>										
<b>Vesting hurdles</b>	<p><b>ROFE and TSR</b></p> <p>The rights vest against the ROFE and TSR hurdles as follows:</p> <table> <tr> <th>Vesting scale</th><th>Vesting %</th></tr> <tr> <td>Threshold</td><td>25%</td></tr> <tr> <td>Target</td><td>50%</td></tr> <tr> <td>Stretch</td><td>75%</td></tr> <tr> <td>Equal to or above maximum</td><td>100%</td></tr> </table> <p><b>ROFE</b></p> <p>Vesting occurs on a straight-line basis between each hurdle, with nil vesting below threshold. Full vesting will only occur if Metcash achieves a ROFE of greater than 26% over the performance period.</p> <p><b>TSR</b></p> <p>Vesting occurs on a straight-line basis between each hurdle, with nil vesting below threshold. Full vesting will only occur if Metcash achieves a TSR CAGR of 10% or higher over the performance period. The opening VWAP in relation to the FY20-FY22 LTI was \$2.71 per share (VWAP to 30 April 2019), the FY21-FY23 LTI was \$2.58 per share (pre-COVID-19 VWAP to 16 March 2020) and the FY22-FY24 LTI was \$3.74 per share (VWAP to 30 April 2021).</p>	Vesting scale	Vesting %	Threshold	25%	Target	50%	Stretch	75%	Equal to or above maximum	100%
Vesting scale	Vesting %										
Threshold	25%										
Target	50%										
Stretch	75%										
Equal to or above maximum	100%										
<b>Board discretion</b>	The grant is subject to the Board's absolute discretion, at all times.										
<b>Clawback</b>	KMP LTI awards are subject to clawback for cause or material misstatement of the Group's financial statements.										



## DIRECTORS' REPORT

### 4.3 FY22 Group CEO buy-out grant

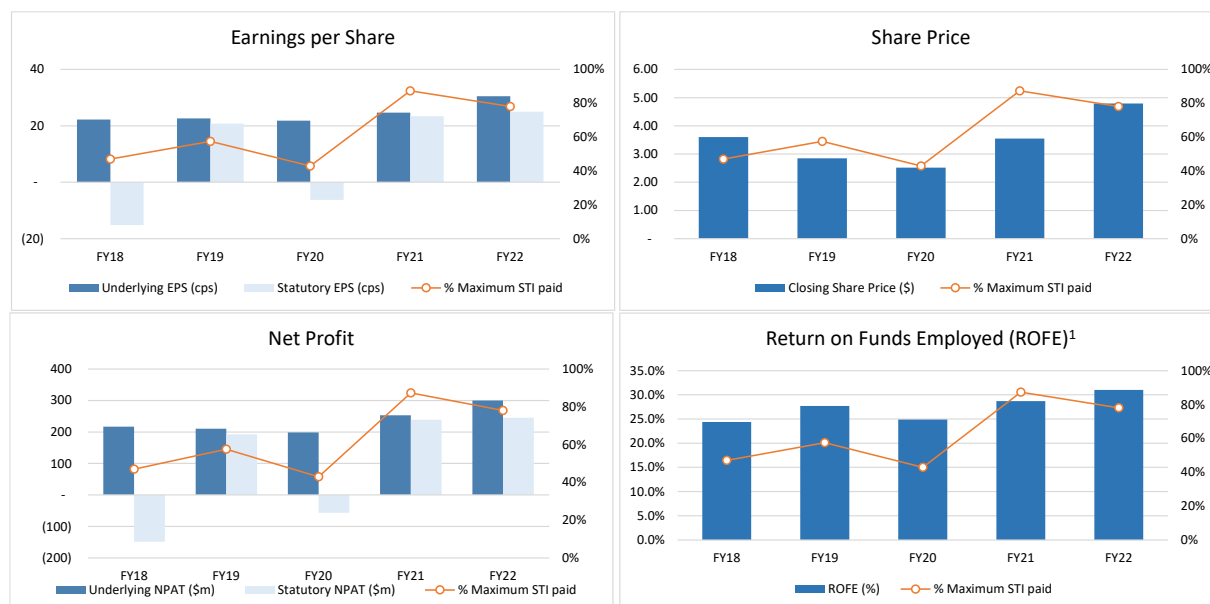
Feature	Description
<b>Delivery</b>	Delivered in Performance Rights. Each Performance Right is a right to acquire Metcash shares at no cost, subject to the satisfaction of performance and service conditions.
<b>Performance period</b>	<b>LTI grant</b>
	<b>Performance period</b>
	Tranche 1 1 February 2022 to 31 January 2023 Tranche 2 1 February 2022 to 31 January 2024
<b>Eligibility</b>	Group CEO
<b>Performance measures</b>	<p>To secure Mr Jones' appointment, Mr Jones' on-foot executive incentives with his previous employer required a buyout. This grant, which represented only a portion of his on-foot incentives, is subject to two performance conditions:</p> <ul style="list-style-type: none"> <li>– a service condition and;</li> <li>– a Group underlying EBIT performance hurdle for each tranche, as set out in section 6 below. The EBIT hurdles align to the Group's annual budget and STI metrics.</li> </ul> <p>In addition, Mr Jones' ongoing performance and behaviours must be deemed as acceptable over each performance period by the Board.</p>
<b>Vesting hurdles</b>	Vesting occurs when all the performance measures have been satisfied. Failure to achieve any of the two performance conditions will result in nil vesting. Each tranche is tested separately and operates independently.
<b>Board discretion</b>	The grant is subject to the Board's absolute discretion, at all times.
<b>Clawback</b>	The grant is subject to clawback for cause or material misstatement of the Group's financial statements.

### 4.4 FY22 CEO Food retention LTI grant

Feature	Description
<b>Delivery</b>	Delivered in Performance Rights. Each Performance Right is a right to acquire Metcash shares at no cost, subject to the satisfaction of performance and service conditions.
<b>Performance period</b>	<b>LTI grant</b>
	<b>Performance period</b>
	Tranche 1 1 October 2021 to 30 September 2022
	Tranche 2 1 October 2021 to 30 September 2023
	Tranche 3 1 October 2021 to 30 September 2024
<b>Eligibility</b>	CEO Food
<b>Performance measures</b>	<p>This is a retention incentive issued to Mr Marshall and is subject to two performance conditions:</p> <ul style="list-style-type: none"> <li>– a service condition and;</li> <li>– a Food underlying EBIT performance hurdle for each tranche, as set out in section 6 below. The EBIT hurdles align to the Group's annual budget and STI metrics.</li> </ul> <p>In addition, Mr Marshall's ongoing performance and behaviours must be deemed as acceptable over each performance period by the Board.</p>
<b>Vesting hurdles</b>	Vesting occurs when all the performance measures have been satisfied. Failure to achieve any of the two performance conditions will result in nil vesting. Each tranche is tested separately and operates independently.
<b>Board discretion</b>	The grant is subject to the Board's absolute discretion, at all times.
<b>Clawback</b>	The grant is subject to clawback for cause or material misstatement of the Group's financial statements.

## 5. BUSINESS PERFORMANCE AND AT-RISK REMUNERATION OUTCOMES

The charts below show Metcash's financial performance and percentage of maximum STI paid to KMP in the five-year period ended 30 April 2022.



1. ROFE is calculated based on average of opening and closing funds employed and based on underlying EBIT.

Other Group performance metrics over the last five years were as follows:

Financial year	FY18	FY19	FY20	FY21	FY22
Revenue (\$b)	12.4	12.7	13.0	14.3	15.2
Cash realisation ratio (%)	101%	92%	33%	114%	91%
Dividends declared per share (cents)	13.0	13.5	12.5	17.5	21.5
Average STI payments to KMP as a % of maximum	47.0%	57.5%	43.0%	84.1%	78.1%

Following an exceptional year in FY21, the Group and the pillars have continued to deliver strong EBIT results in FY22. All pillars have delivered EBIT results above the 'maximum' vesting level with Group EBIT increasing 17.7% on FY21 outcomes. Accordingly, the STI outcomes awarded to KMP ranged from 73% to 85% of maximum.

In FY21, the Group and the pillars performed exceptionally well, delivering EBIT results against already stretching targets at a 19.9% increase on FY20 outcomes in extremely challenging circumstances.

In FY20, whilst the Group and the Food pillar delivered strong EBIT results, the Board exercised its discretion to reduce the overall STI award to the 'on target' level. The Liquor pillar was determined to have performed 'on target' and the Hardware pillar 'below target'.

In FY19, the Group delivered EBIT results that were marginally above target level. The Food and Hardware pillars performed marginally above target level and the Liquor pillar performed at target.

In FY18, Hardware and Corporate delivered EBIT results at or above the maximum hurdle. The Liquor pillar performed at target level and the Food pillar performed between threshold and target.

## DIRECTORS' REPORT

### 6. FY22 REMUNERATION OUTCOMES

#### Actual FY22 KMP remuneration

The table below reflects actual cash payments made or due to KMP in respect of performance during FY22. The table does not comply with IFRS requirements. The required statutory disclosures are shown in section 9 of this report:

KMP	Total employment cost \$	FY22 STI cash <sup>1</sup> \$	FY21 STI deferred <sup>2</sup> \$	LTI <sup>3</sup> \$	Total \$
D Jones <sup>4</sup>	249,375	194,006	-	-	443,381
J Adams (retiring) <sup>5</sup>	1,548,000	1,164,644	794,351	2,059,038	5,566,033
A Bell	768,750	570,797	86,640	-	1,426,187
C Baddock	717,500	605,391	202,388	720,666	2,245,945
S Marshall	1,000,000	860,625	288,182	918,840	3,067,647
A Welsh	717,500	593,282	213,413	180,178	1,704,373

- 1 Represents the cash component of the FY22 STI reward amount of 67% (Group CEO) and 75% (other KMP) payable in cash in July 2022. The deferred equity component of the FY22 STI reward of 33% (Group CEO) and 25% (other KMP) is not presented above because the reward is conditional upon the executive being employed by the Company on 15 April 2023. Shares are issued to participants by 25 April 2023 and are then restricted from trading until the close of 26 June 2023.
- 2 Represents the deferred equity component of the FY21 STI reward of 33% (Group CEO) and 25% (other KMP) which were deferred as equity. The KMPs have subsequently met the continuity of employment service condition. Accordingly, the performance rights have vested and the shares were issued to the KMPs in April 2022. The shares are restricted from trading until the close of 27 June 2022. The amounts presented above are based on the number of rights vested multiplied by the VWAP of Metcash shares over the 20 business days ending 30 April 2021 of \$3.74 per share.
- 3 The FY20-FY22 LTI will vest during FY22 at 100%, subject only to the KMP remaining in employment until 15 August 2022. The amounts presented above are based on the number of rights that will vest multiplied by the VWAP of Metcash shares over the 20 business days until 30 April 2022 of \$4.65 per share.
- 4 Mr Jones commenced employment on 1 February 2022 as Group CEO-elect and was appointed Group CEO on 11 March 2022, with a fixed remuneration of \$1,750,000. The amounts disclosed above reflect Mr Jones' total fixed remuneration and actual STI award for the period from 11 March 2022 to 30 April 2022 as KMP. In addition, Mr Jones received total fixed remuneration of \$188,125 and FY22 STI cash award of \$144,553 as non-KMP relating to the period from 1 February 2022 to 10 March 2022.
- 5 Mr Adams stood aside as operational Group CEO on 10 March 2022 and will retire from Metcash on 6 October 2022. The amounts disclosed above reflect Mr Adams' total fixed remuneration and actual STI and LTI award for the period from 1 May 2021 to 10 March 2022 as KMP. In addition, Mr Adams received total actual FY22 remuneration of \$441,593 as non-KMP relating to the period from 11 March 2022 to 30 April 2022. In line with Metcash's good leavers policy, the Board exercised its discretion not to issue performance rights in relation to 33% of Mr Adams' FY22 STI reward which was deferred to and will be payable in cash on the date of his retirement and retain (on a pro-rata basis) 100,354 and 192,048 of his FY21-FY23 and FY22-FY24 LTI performance rights, respectively, which will be tested in accordance with existing performance conditions.

#### FY22 STI outcomes

Metcash's performance in FY22 exceeded expectations driven by the exceptional performance of our executive team.

Performance against each financial STI measure comfortably exceeded 'stretch' targets, allowing each STI pool to be funded to its maximum level.

As outlined on the following page, these financial results combined with KMP exceeding expectations against their overall individual objectives resulted in STI outcomes ranging from 73% to 85% of maximum. Across the KMP, performance against a number of targets, mainly non-financial targets, while being solid, were below target in the balanced scorecard which adversely affected their overall STI reward.

The Board view these FY22 STI outcomes as an appropriate recognition of the KMP's performance. This outcome also recognises that FY22 performance was reflected in strong outcomes for shareholders, customers and the broader workforce (who were also eligible for maximum bonus payments in FY22).

## DIRECTORS' REPORT

The FY22 STI outcomes against each of the KMPs Balanced Scorecards are summarised below:

Balanced Scorecard Outcomes	D Jones Group CEO	J Adams (retiring) Group CEO	A Bell Group CFO	C Baddock CEO ALM	S Marshall CEO Food	A Welsh CEO IHG
<b>FINANCIAL &amp; VALUE CREATION OBJECTIVES (70%)</b>						
Sales revenue <sup>1</sup>	Stretch	Stretch	Stretch	Stretch	Stretch	Stretch
UPAT	Stretch	Stretch	Stretch	N/A	N/A	N/A
EBIT	Stretch	Stretch	Stretch	Stretch	Stretch	Stretch
ROFE	Stretch	Stretch	Stretch	Stretch	Stretch	Stretch
Cash Conversion	Below target	Below target	Below target	N/A	N/A	N/A
Working Capital	N/A	N/A	N/A	Stretch	Stretch	Target
Project Horizon Delivery	Target	Below target	Below target	Below target	Target	Below target
<b>STRATEGIC OBJECTIVES (30%)</b>						
<b>Our Future (ESG priorities)</b>						
Strong & Positive Culture	Below target	Below target	Below target	Target	Target	Stretch
Safety	Below target	Below target	Below target	Stretch	Below target	Target
<b>Our Business</b>						
Improve Pillar Metrics	Above target	Above target	N/A	Target	Stretch	Above target
Finance Initiatives	N/A	N/A	Above target	N/A	N/A	N/A
<b>Behaviours</b>	Exceptional	Strong	Strong	Strong	Exceptional	Strong
<b>Overall rating</b>	<b>Above target</b>	<b>Above target</b>	<b>Above target</b>	<b>Above target</b>	<b>Stretch</b>	<b>Above target</b>
<b>STI % of maximum awarded</b>	<b>75%</b>	<b>73%</b>	<b>73%</b>	<b>83%</b>	<b>85%</b>	<b>82%</b>

1. Sales revenue (including charge-through sales).

The table below reflects the KMP's FY22 STI outcomes when compared against target and maximum potential STI:

KMP	Target potential STI \$	Maximum potential STI \$	STI awarded % of maximum	STI cash <sup>1</sup> \$	STI deferred <sup>2</sup> \$	Total STI awarded \$	Maximum STI forfeited \$
D Jones <sup>3</sup>	171,165	385,120	73.3%	194,066	95,555	289,561	95,559
J Adams (retiring) <sup>4</sup>	1,053,500	2,370,375	73.3%	1,164,644	573,631	1,738,275	632,100
A Bell	461,250	1,037,813	73.3%	570,797	190,266	761,063	276,750
C Baddock	430,500	968,625	83.3%	605,391	201,797	807,188	161,437
S Marshall	600,000	1,350,000	85.0%	860,625	286,875	1,147,500	202,500
A Welsh	430,500	968,625	81.7%	593,282	197,762	791,044	177,582

- The cash component of the FY22 STI reward of 67% (Group CEO) and 75% (other KMP) is payable in cash in July 2022.
- The deferred equity component of the FY22 STI reward of 33% (Group CEO) and 25% (other KMP) is deferred and released through the issue of Metcash performance rights, conditional upon the executive being employed by the Company on 15 April 2023. Shares are issued to participants by 25 April 2023 and are then restricted from trading until the close of 26 June 2023.
- Mr Jones commenced employment on 1 February 2022 as Group CEO-elect and was appointed as Group CEO on 11 March 2022 with a fixed remuneration of \$1,750,000. The amounts disclosed above reflect Mr Jones' STI award for the period from 11 March 2022 to 30 April 2022 as KMP. In addition, Mr Jones received an STI award of \$215,752 as non-KMP relating to the period from 1 February 2022 to 10 March 2022.
- Mr Adams stood aside as operational Group CEO on 10 March 2022 and will retire from Metcash on 6 October 2022. The amounts disclosed above reflect Mr Adams' STI award for the period from 1 May 2021 to 10 March 2022 as KMP. In line with Metcash's good leavers policy, the Board exercised its discretion not to issue performance rights in relation to 33% of Mr Adams' FY22 STI reward which was deferred to and will be payable in cash on the date of his retirement. Accordingly, Mr Adams received an STI cash award of \$282,975 as non-KMP relating to the period from 11 March 2022 to 30 April 2022.

## DIRECTORS' REPORT

### FY21 STI deferred equity component outcomes

The following table presents the vesting of the FY21 STI deferred equity component, following completion of the employment service condition on 15 April 2022:

Participant	Vesting date	No. of rights held	No. of rights vested	No. of rights forfeited
J Adams (retiring) <sup>1</sup>	15 April 2022	212,393	212,393	—
A Bell	15 April 2022	38,771	38,771	—
C Baddock	15 April 2022	54,114	54,114	—
S Marshall	15 April 2022	77,054	77,054	—
A Welsh	15 April 2022	57,062	57,062	—

1. Mr Adams stood aside as operational Group CEO on 10 March 2022 and will retire from Metcash on 6 October 2022.

The number of performance rights were calculated by dividing 33% (Group CEO) and 25% (other KMP) of the FY21 STI award dollar value by the VWAP of Metcash ordinary shares over the 20 trading days ending 30 April 2021 of \$3.74 per share. The FY21 STI deferred equity component subsequently vested on 15 April 2022 following the KMP's completion of the service condition. These performance rights have now been released as shares and are restricted for trading until the close of 27 June 2022.

### Long-term incentives

#### Details of LTI grants made to KMP during the financial year

##### FY22-FY24 LTI grant

The following FY22-FY24 LTI grant was made to KMP during FY22:

Participant	Grant date	Hurdle	Vesting date	No. of rights	Fair value per right \$	Grant entitlement (% of TEC) <sup>1</sup>
D Jones <sup>2</sup>	1 February 2022	ROFE	15 August 2024	139,990	3.72	80%
		TSR	15 August 2024	139,990	1.88	
J Adams (retiring) <sup>3</sup>	1 September 2021	ROFE	15 August 2024	183,823	3.50	76%
		TSR	15 August 2024	183,823	1.77	
A Bell	12 July 2021	ROFE	15 August 2024	60,160	3.38	60%
		TSR	15 August 2024	60,160	1.71	
C Baddock	12 July 2021	ROFE	15 August 2024	56,150	3.38	60%
		TSR	15 August 2024	56,150	1.71	
S Marshall	12 July 2021	ROFE	15 August 2024	80,214	3.38	60%
		TSR	15 August 2024	80,214	1.71	
A Welsh	12 July 2021	ROFE	15 August 2024	56,150	3.38	60%
		TSR	15 August 2024	56,150	1.71	

1 The grant entitlement is expressed as a percentage of the face value of performance rights divided by the participants' annual TEC at grant date.

2 Mr Jones commenced employment on 1 February 2022 as Group CEO-elect and was appointed as Group CEO on 11 March 2022 with a fixed remuneration of \$1,750,000. Mr Jones was granted an FY22-FY24 LTI grant on a pro-rata basis, under the same vesting timelines and performance conditions as the other participants.

3 Mr Adams stood aside as operational Group CEO on 10 March 2022 and will retire from Metcash on 6 October 2022. In FY22, Mr Adams was issued 367,646 performance rights in relation to the FY22-FY24 LTI grant. Mr Adams retained (on a pro-rata basis) 175,598 FY22-FY24 LTI performance rights, which remain on foot subject to existing performance hurdles and timeframes. The number of performance rights retained was determined on a pro-rata basis up to the date of cessation of employment. The balance of 192,048 performance rights will be forfeited on his retirement.

##### FY21-FY23 LTI grant

The following FY21-FY23 LTI grant was made to the Group CEO during FY22:

Participant	Grant date	Hurdle	Vesting date	No. of rights	Fair value per right \$	Grant entitlement (% of TEC) <sup>1</sup>
J Adams (retiring) <sup>1</sup>	1 September 2021	ROFE	15 August 2023	266,473	3.67	76%
		TSR	15 August 2023	266,473	2.55	

1 The grant entitlement is expressed as a percentage of the face value of performance rights divided by the participants' annual TEC at grant date.

2 As a result of the COVID-19-related uncertainty in the early months of FY20, Mr Adams' FY21-FY23 LTI grant was not put forward to shareholders for approval at the 2020 AGM. Mr Adams' FY21-FY23 LTI grant was put to shareholders and approved at the 2021 AGM held on September 2021. Mr Adams stood aside as operational Group CEO on 10 March 2022 and will retire from Metcash on 6 October 2022. In FY22, Mr Adams was issued 532,946 performance rights in relation to the FY21-FY23 LTI grant. Mr Adams retained (on a pro-rata basis) 432,592 FY21-FY23 LTI performance rights, which remain on foot subject to existing performance hurdles and timeframes. The number of performance rights retained was determined on a pro-rata basis up to the date of cessation of employment. The balance of 100,354 performance rights will be forfeited on his retirement.

## DIRECTORS' REPORT

### FY22 Group CEO buy-out grant

The FY22 Group CEO buy-out grant operates under the following terms.

Participant	Grant date	Hurdles	No. of rights	Fair value per right \$	Grant entitlement (% of TEC) <sup>1</sup>
D Jones	1 February 2022	Service condition to 31 January 2023. FY23 Group underlying EBIT performance hurdle <sup>2</sup>	160,428	3.97	34.3%
		Service condition to 31 January 2024. FY24 Group underlying EBIT performance hurdle <sup>2</sup>	160,428	3.80	34.3%

- 1 The grant entitlement is expressed as a percentage of the face value of performance rights issued divided by the participants' annual TEC at grant date. The face value of the shares and performance rights were based on the VWAP of Metcash ordinary shares over the 20 trading days ended 30 April 2021 of \$3.74 per share.
- 2 The Group underlying EBIT performance hurdle for each tranche requires achievement against a minimum level of EBIT in relation to the FY23 and FY24 financial years respectively, which are each tested at the end of each performance period based on the prevailing Board approved forecast. The EBIT hurdles align to the Group's annual budget and STI metrics.

The two tranches are tested independently and will vest as soon as is practicable after 31 January 2023 and 31 January 2024 respectively, following Board review and approval.

### FY22 CEO Food retention LTI grant

The FY22 CEO Food LTI grant operates under the following terms.

Participant	Grant date	Hurdles	No. of rights	Fair value per right \$	Grant entitlement (% of TEC) <sup>1</sup>
S Marshall	8 October 2021	Service condition to 30 September 2022. FY23 Food EBIT performance hurdle <sup>2</sup>	54,376	3.82	20%
		Service condition to 30 September 2023. FY24 Food EBIT performance hurdle <sup>2</sup>	80,214	3.66	30%
		Service condition to 30 September 2024. FY25 Food STI pool performance hurdle <sup>2</sup>	133,690	3.52	50%

- 1 The grant entitlement is expressed as a percentage of the face value of performance rights issued divided by the participants' annual TEC at grant date. The face value of the shares and performance rights were based on the VWAP of Metcash ordinary shares over the 20 trading days ended 30 April 2021 of \$3.74 per share.
- 3 The Food underlying EBIT performance hurdle for each tranche requires achievement against a minimum level of EBIT in relation to the FY23, FY24 and FY25 financial years respectively, which are each tested at the end of each performance period based on the prevailing Board approved forecast. The EBIT hurdles align to the Group's annual budget and STI metrics.

The three tranches are tested independently and will vest as soon as is practicable after 30 September 2022, 30 September 2023 and 30 September 2024 respectively, following Board review and approval.

### LTI Vesting outcomes

#### FY20-FY22 LTI grant

The plan is expected to vest on 15 August 2022 at 100%, subject only to the active participants remaining in employment until 15 August 2022.

The FY20-FY22 LTI grant vesting results are set out below:

Performance condition	Weighting	Performance result	Vesting result (%)
ROFE	50%	ROFE performance over the three-year plan period was 28.2%	100%
ATSR	50%	ATSR CAGR performance over the three-year plan period was 25.5%	100%

The ROFE vesting scale ranged from 23.2% (threshold 25% vesting) to 26% (maximum 100% vesting). The TSR vesting scale ranged from 6% CAGR (threshold 25% vesting) to 10% CAGR (maximum 100% vesting). Vesting occurs on a straight-line basis between each hurdle, with nil vesting below threshold. Full vesting only occurs if Metcash achieves a ROFE of greater than 26% and TSR CAGR of greater than 10% over the performance period.

The Board applied their customary diligence when performance testing this LTI grant and ensured that all significant items were prudently considered, before determining 100% vesting outcomes. Significant items primarily comprised valuation adjustments related to the Total Tools put options and non-capitalisable *Project Horizon* implementation costs which included resource costs, accelerated amortisation of legacy software assets and incremental software licence and maintenance costs.

## DIRECTORS' REPORT

Participant	Hurdle	No. of rights held	No. of rights expected to vest	No. of rights expected to be forfeited
J Adams (retiring)	ROFE	221,402	221,402	-
	ATSR	221,402	221,402	-
C Baddock	ROFE	77,491	77,491	-
	ATSR	77,491	77,491	-
S Marshall	ROFE	98,800	98,800	-
	ATSR	98,800	98,800	-
A Welsh	ROFE	19,374	19,374	-
	ATSR	19,374	19,374	-

### FY21-FY23 LTI grant

The ATSR component is currently performing at the maximum level on the vesting scale. This interim performance assessment is based on a VWAP of \$4.65 per share, measured across the 20 business days to 30 April 2022. In FY22, the Group provided for the ROFE component based on the maximum level of performance.

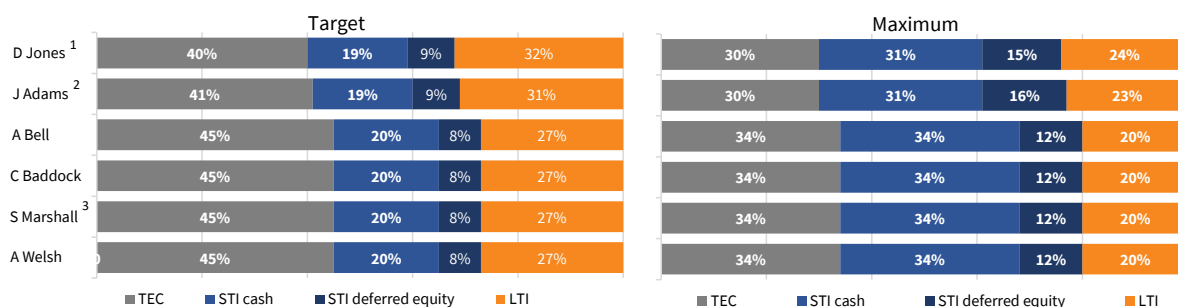
### FY22-FY24 LTI grant

The ATSR component is currently performing at the maximum level on the vesting scale. This interim performance assessment is based on a VWAP of \$4.65 per share, measured across the 20 business days to 30 April 2022. In FY22, the Group provided for the ROFE component based on the maximum level of performance.

### Remuneration mix

The chart below outlines the FY22 remuneration mix for KMP at the end of the year including the deferral of the 33% (Group CEO) and 25% (other KMP) of STI 'at risk' equity component. Each remuneration component is shown as a percentage of total remuneration measured at Target and at Maximum earnings opportunity. LTI values have been measured at grant date, based on the face value of incentives granted in FY22.

The KMP remuneration weighting as a percentage of TEC during FY22 was as follows:



1. Represents Mr Jones' annualised FY22 KMP remuneration excluding his FY22 LTI buy out grant. Refer Section 4.3 'FY 22 Group CEO buy-out grant' for details.
2. Represents Mr Adams' annualised FY22 KMP remuneration including his non-KMP period from 11 March 2022 to 30 April 2022.
3. Represents Mr Marshall's FY22 KMP remuneration excluding the additional LTI incentive granted to him in FY22. Refer Section 4.4 'FY22 CEO Food retention LTI grant' for details.

## 7. KMP SERVICE AGREEMENTS

Name	Agreement term	Executive notice	Metcash notice	Redundancy
D Jones	Four years (based on 482 visa limitations) <sup>1</sup>	12 months	12 months	12 months
A Bell	Ongoing unless notice given	12 months	12 months	12 months
C Baddock	Ongoing unless notice given	12 months	12 months	12 months
S Marshall	Ongoing unless notice given	12 months	12 months	12 months
A Welsh	Ongoing unless notice given	12 months	12 months	12 months

1. Mr Jones' visa expires in November 2025.

In the event of cessation of employment, a KMP's unvested performance rights will ordinarily lapse, however, this is subject to Board discretion which may be exercised in circumstances such as death, disability, retirement, redundancy or special circumstances.

In some circumstances on termination of employment, the Group may require individuals to enter into non-compete arrangements with the Group. These arrangements may require a payment to the individual.

## DIRECTORS' REPORT

### Minimum shareholding guidelines

Minimum shareholding guidelines have been implemented for all KMP commencing as of the effective date specified below or upon the date of appointment as KMP, whichever occurs later.

Position	Value	Time to achieve	Effective date
Group CEO	1 x TEC	5 years	1 May 2018
Other KMP	0.5 x TEC	5 years	1 May 2019

## 8. NON-EXECUTIVE DIRECTOR REMUNERATION

### Remuneration policy

The objectives of Metcash's policy regarding Non-executive Director fees are:

- To preserve the independence of Non-executive Directors by not including any performance-related element; and
- To be market competitive with regard to Non-executive Director fees in comparable ASX-listed companies and to the time and professional commitment in discharging the responsibilities of the role.

All Non-executive Directors are paid a fixed annual fee. In addition, Committee fees are paid to recognise the additional responsibilities associated with participating on a Board Committee. The fixed fee to the Board Chair is to remunerate the Chair for all responsibilities, including participating on any Board Committees.

To align individual interests with shareholders' interests, Non-executive Directors are encouraged to hold Metcash shares. Non-executive Directors fund their own share purchases and must comply with Metcash's share trading policy.

### Aggregate fee limit

Non-executive Director fees are limited to a maximum aggregate amount approved by shareholders. The current limit of \$2,000,000 was approved in 2021.

### Minimum shareholding guidelines

Minimum shareholding guidelines have been implemented for all Non-executive Directors of one year's base fees to be accumulated in five years from the effective date of 1 May 2019 or upon their date of appointment as a Non-executive Director, whichever occurs later.

### Non-executive Director fee structure

Consistent with all executive remuneration practices in Metcash, extensive annual independent data benchmarking is undertaken on Board fees. Averaged over the last 4 years, the Board fees have increased by 3% per annum and this results in Metcash sitting below the market benchmark of our peer group. In FY22, an increase in fees of 2.5% was made, which moves the position to between 95% and 112% of the market benchmark.

	FY22 \$ <sup>1</sup>	FY21 \$ <sup>1,2</sup>
<b>BOARD</b>		
Chair	462,761	451,474
Non-executive Director	156,832	153,007
<b>COMMITTEE</b>		
Audit, Risk & Compliance		
Chair	37,472	36,558
Member	16,856	16,444
People & Culture		
Chair	37,472	36,558
Member	16,856	16,444
Nomination		
Chair	—	—
Member	—	—

1. Per annum fees as at the end of the financial year, including superannuation.

2. The increase in per annum fees was effective 1 May 2020 except for the Chairman of the Board which was effective 1 December 2020.



## DIRECTORS' REPORT

### Non-executive Director remuneration

Name	Financial year	Fees \$	Superannuation \$	Total \$
R Murray	FY22	439,505	23,256	462,761
	FY21	417,352	21,581	438,933
P Birtles	FY22	176,775	17,530	194,305
	FY21	170,057	16,155	186,212
M Haseltine <sup>1</sup>	FY22	158,018	15,670	173,688
	FY21	-	-	-
C Holman	FY22	158,018	15,670	173,688
	FY21	90,271	8,576	98,847
M Jordan	FY22	173,353	17,190	190,543
	FY21	169,767	16,128	185,895
H Nash	FY22	185,472	8,832	194,304
	FY21	181,211	8,354	189,565
T Dwyer (retired) <sup>2</sup>	FY22	26,436	2,511	28,947
	FY21	160,873	15,283	176,156
<b>Total</b>	<b>FY22</b>	<b>1,317,577</b>	<b>100,659</b>	<b>1,418,236</b>
	<b>FY21</b>	<b>1,189,531</b>	<b>86,077</b>	<b>1,275,608</b>

1. Ms Haseltine was appointed a Non-executive Director on 3 May 2021.

2. Ms Dwyer retired as a Non-executive Director on 30 June 2021.

### Non-executive Director shareholdings

Name	Balance at 1 May 2021	Acquired during the year	Other adjustments	Balance at 30 April 2022	Balance at report date
<b>DIRECTORS</b>					
R Murray	84,005	-	-	84,005	84,005
P Birtles	40,000	-	-	40,000	40,000
M Haseltine <sup>1</sup>	-	57,839	-	57,839	57,839
C Holman	30,000	-	-	30,000	30,000
M Jordan	57,441	-	-	57,441	57,441
H Nash	51,189	-	-	51,189	51,189
T Dwyer (retired) <sup>2</sup>	60,000	-	(60,000)	-	-
	<b>322,635</b>	57,839	(60,000)	320,474	320,474

1. Ms Haseltine was appointed a Non-executive Director on 3 May 2021.

2. Ms Dwyer retired as a Non-executive Director on 30 June 2021.

## 9. STATUTORY DISCLOSURES

### Fixed and 'at-risk' remuneration

KMP	Year	Fixed remuneration \$	STI cash <sup>1</sup> \$	STI deferred <sup>2,3</sup> \$	Super-annuation \$	Leave <sup>4</sup> \$	LTI (share-based payments) \$	Total \$	Performance-related %
D Jones <sup>5</sup>	FY22	244,897	194,006	47,777	4,478	43,888	179,536	714,582	59.0%
	FY21	—	—	—	—	—	—	—	—
J Adams (retiring) <sup>6</sup>	FY22	1,548,000	1,164,644	970,806	—	55,385	1,625,793	5,364,628	70.1%
	FY21	1,800,000	1,612,774	697,176	—	69,099	1,385,992	5,565,041	66.4%
A Bell <sup>7</sup>	FY22	745,494	570,797	138,453	23,256	51,145	86,649	1,615,794	49.3%
	FY21	290,113	259,923	43,320	8,642	35,208	47,614	684,820	51.2%
C Baddock	FY22	694,244	605,391	202,092	23,256	3,638	309,496	1,838,117	60.8%
	FY21	678,419	607,163	185,194	21,581	(8,106)	280,130	1,764,381	60.8%
S Marshall <sup>8</sup>	FY22	976,744	860,625	287,529	23,256	51,889	731,521	2,931,564	64.1%
	FY21	949,253	864,547	251,191	21,581	29,275	570,642	2,686,489	62.8%
A Welsh	FY22	694,244	593,282	205,588	23,256	40,574	247,426	1,804,370	58.0%
	FY21	678,419	640,238	130,360	21,581	22,340	212,481	1,705,419	57.6%
B Soller (retired) <sup>9</sup>	FY22	—	—	—	—	—	—	—	—
	FY21	548,940	379,354	170,326	13,067	167,528	502,350	1,781,565	59.1%
<b>Total</b>	<b>FY22</b>	<b>4,903,623</b>	<b>3,988,745</b>	<b>1,852,245</b>	<b>97,502</b>	<b>246,519</b>	<b>3,180,421</b>	<b>14,269,055</b>	<b>63.2%</b>
	<b>FY21</b>	<b>4,945,144</b>	<b>4,363,999</b>	<b>1,477,567</b>	<b>86,452</b>	<b>315,344</b>	<b>2,999,209</b>	<b>14,187,715</b>	<b>62.3%</b>

- 1 The cash component of the FY22 STI reward of 67% (Group CEO) and 75% (other KMP) is payable in cash in July 2022. The cash component of the FY21 STI reward of 67% (Group CEO) and 75% (other KMP) was paid in cash in July 2021.
- 2 The deferred equity component of the FY22 STI reward of 33% (Group CEO) and 25% (other KMP) is deferred and released through the issue of Metcash performance rights, conditional upon the executive being employed by the Company on 15 April 2023. Shares are issued to participants by 25 April 2023 and are then restricted from trading until the close of 26 June 2023. The fair value of the deferred share component is amortised over the two-year performance period.
- 3 The deferred equity component of the FY21 STI reward of 33% (Group CEO) and 25% (other KMP) vested during the year. Shares were issued to participants in April 2022 and are restricted from trading until the close of 27 June 2022. The fair value of the deferred share component is amortised over the two-year performance period.
- 4 Includes changes in annual and long service leave entitlements.
- 5 Mr Jones commenced employment on 1 February 2022 as Group CEO-elect and was appointed as Group CEO on 11 March 2022, with fixed remuneration of \$1,750,000. The amounts disclosed above reflect Mr Jones' remuneration for the period from 11 March 2022 to 30 April 2022 as KMP. In addition, Mr Jones received total remuneration of \$502,049 as non-KMP relating to the period from 1 February 2022 to 10 March 2022. Mr Jones' LTI also included his FY22 Group CEO buy-out grant as set out in Section 4.3.
- 6 Mr Adams stood aside as operational Group CEO on 10 March 2022 and will retire from Metcash on 6 October 2022. The amounts disclosed above reflect Mr Adams' remuneration relating to the period from 1 May 2021 to 10 March 2022 as KMP. In addition, Mr Adams received (a) total remuneration of \$799,037 as non-KMP relating to the period from 11 March 2022 to 30 April 2022 and (b) is expected to receive total remuneration of \$1,825,556 as non-KMP relating to the period 1 May 2022 to 6 October 2022. The terms of Mr Adams' employment prohibit him from accepting employment at a competitor company for 12 months following his cessation of employment on 6 October 2022. In line with Metcash's good leavers policy, the Board exercised its discretion not to issue performance rights in relation to 33% of Mr Adams' FY22 STI reward which was deferred to and will be payable in cash on the date of his retirement and retain 432,592 and 175,598 of his FY21-FY23 and FY22-FY24 LTI performance rights, respectively, which will be tested in accordance with existing performance conditions.
- 7 Mr Bell commenced employment on 1 September 2020 and was appointed as Group CFO on 7 December 2020, with fixed remuneration of \$750,000. The amounts disclosed in FY21 above reflect Mr Bell's remuneration for the period from 7 December 2020 to 30 April 2021 as KMP.
- 8 Mr Marshall's LTI includes his FY22 CEO Food retention LTI grant as set out in Section 4.4.
- 9 Mr Soller retired as Group CFO on 7 December 2020.

## DIRECTORS' REPORT

### KMP performance rights holdings

Name	Balance at 1 May 2021	Granted	Vested/ Exercised <sup>1</sup>	Forfeited	Balance at 30 April 2022	Balance at report date
D Jones <sup>2</sup>	—	600,836	—	—	600,836	600,836
J Adams (retiring) <sup>3</sup>	810,902	1,112,985	(543,681)	(36,810)	1,343,396	1,343,396
A Bell	155,020	159,091	(38,771)	—	275,340	275,340
C Baddock	317,772	166,414	(54,114)	—	430,072	430,072
S Marshall	587,672	504,862	(241,317)	(18,251)	832,966	832,966
A Welsh	241,980	169,362	(93,460)	(4,044)	313,838	313,838
<b>Total</b>	<b>2,113,346</b>	<b>2,713,550</b>	<b>(971,343)</b>	<b>(59,105)</b>	<b>3,796,448</b>	<b>3,796,448</b>

- 1 As foreshadowed in the FY21 financial report, a total of 531,949 performance rights from the FY19-FY21 LTI plan partially vested on 15 August 2021. The vested shares were acquired on market and allocated to the participants on 15 August 2021. In addition, a total of 439,394 performance rights were granted to the KMPs and have then subsequently vested in relation to the deferred component of the FY21 STI plan.
- 2 Mr Jones commenced employment on 1 February 2022 as Group CEO-elect and was appointed as Group CEO on 11 March 2022.
- 3 As set out in section 6, 442,804 performance rights held by Mr Adams in relation to the FY20-22 LTI plan are expected to vest on 15 August 2022. Mr Adams retained (on a pro-rata basis) 432,592 and 175,598 of his FY21-FY23 and FY22-FY24 LTI performance rights, respectively, which will be tested in accordance with existing performance conditions. The number of rights retained was determined on a pro-rata basis up to the date of Mr Adams' retirement on 6 October 2022. The balance of the performance rights in relation to the FY21-FY23 and FY22-FY24 LTI plans will be forfeited on his retirement.

### KMP shareholdings

Name	Balance at 1 May 2021	Acquired during the year <sup>1</sup>	Sold during the year	Other adjustments <sup>2</sup>	Balance at 30 April 2022	Balance at report date
D Jones <sup>3</sup>	—	—	—	—	—	—
J Adams (retiring)	547,858	543,681	—	(1,091,539)	—	—
A Bell	—	38,771	—	—	38,771	38,771
C Baddock	286,516	54,114	(143,258)	—	197,372	197,372
S Marshall	387,369	241,317	(387,369)	—	241,317	241,317
A Welsh	72,209	93,460	—	—	165,669	165,669
<b>Total</b>	<b>1,293,952</b>	<b>971,343</b>	<b>(530,627)</b>	<b>(1,091,539)</b>	<b>1,173,756</b>	<b>1,173,756</b>

- 1 Includes vesting of shares in relation to Metcash deferred STI and LTI plans.
- 2 Reflects changes in KMP composition following retirement or resignation.
- 3 Mr Jones commenced employment on 1 February 2022 as Group CEO-elect and was appointed as Group CEO on 11 March 2022.

**This concludes the Remuneration Report.**

## DIRECTORS' REPORT

### OTHER DISCLOSURES

#### Unissued shares under share options and performance rights

At the date of this report, there were 7,609,890 performance rights (7,609,890 at the reporting date). There were no share options on issue at the reporting date or at the date of this report. Refer to note 7.1 of the financial statements for further details regarding performance rights.

#### Shares issued as a result of options and performance rights

During the year, a total of 1,374,136 shares and 621,872 shares were acquired on market in relation to the vesting of the FY19-FY21 LTI grant and FY21 STI deferred equity component, respectively, and these shares were issued to employees and executives. There were no other shares issued to employees or executives during or since the end of the financial year in respect of the exercise of options or performance rights.

#### Indemnification of Auditors

Pursuant to the terms of engagement the Company has with its auditors, EY Australia, the Company has agreed to indemnify EY Australia to the extent permitted by law and professional regulations, against any losses, liabilities, costs or expenses incurred by EY Australia where they arise out of or occur in relation to any negligent, wrongful or wilful act or omission by the Company. No payment has been made to EY Australia by the Company pursuant to this indemnity, either during or since the end of the financial year.

#### Non-audit services

Details of the non-audit services undertaken by, and amounts paid to the Company's auditor, EY Australia are detailed in note 7.2 of the financial statements.

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

The auditor's independence declaration for the year ended 30 April 2022 has been received and is included on page 81.

#### Subsequent events

In May 2022, Metcash announced that it entered into an agreement with Australian United Retailers Limited (AUR) to supply its national network of supermarkets and convenience stores, including its FoodWorks bannered supermarkets, for a further five-year period, commencing 1 July 2022. In addition, the Group also announced that it extended the term of its agreement to supply Drakes Supermarkets stores in Queensland for a further five years, up to 3 June 2029.

On 27 June 2022, Metcash announced that it has signed a long-term lease agreement with the Goodman Group for the construction and leasing of a new 'best in class' wholesale Distribution Centre (DC) at Truganina, Victoria. The new ~115,000m<sup>2</sup> DC, which will replace Metcash's existing ~90,000m<sup>2</sup> DC at Laverton, is expected to help further improve the competitiveness of our independent retailers in Victoria through delivery of greater efficiencies and by providing access to a wider range of products. It is also expected to benefit local suppliers by providing an efficient route to market through access to Metcash's extensive distribution network. Construction of the DC is scheduled to commence in the first half of FY23, with completion expected mid-2024.

Other than matters disclosed in this report, there were no events that have occurred after the end of the financial 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. The Company is an entity to which the legislative instrument applies.

Signed in accordance with a resolution of the Directors.



**DOUG JONES**

Director

Sydney, 27 June 2022

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## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 APRIL 2022

	Notes	FY22 \$m	FY21 \$m
Sales revenue	3.1, 3.2	15,164.8	14,315.3
Cost of sales		(13,482.3)	(12,834.0)
<b>Gross profit</b>		<b>1,682.5</b>	<b>1,481.3</b>
Other income	3.3	23.8	24.0
Share of profit from equity-accounted investments	4.4	19.2	20.1
Employee benefit expenses	3.3	(823.4)	(727.2)
Depreciation and amortisation	3.3	(175.9)	(163.7)
Lease expenses	3.3	(67.7)	(69.2)
Provisions for impairment, net of reversals	3.3	(41.0)	(42.9)
Other expenses		(145.2)	(121.0)
Finance costs, net	3.3	(48.5)	(42.6)
Significant items	3.3	(65.6)	(17.0)
<b>Profit before income tax</b>		<b>358.2</b>	<b>341.8</b>
Income tax expense	3.4	(111.1)	(100.4)
<b>Net profit for the year</b>		<b>247.1</b>	<b>241.4</b>
Other comprehensive loss for the year, net of tax		—	(1.8)
<b>Total comprehensive income for the year</b>		<b>247.1</b>	<b>239.6</b>
Net profit for the year is attributable to:			
Equity holders of the parent		245.4	239.0
Non-controlling interests		1.7	2.4
		<b>247.1</b>	<b>241.4</b>
Total comprehensive income for the year is attributable to:			
Equity holders of the parent		245.4	237.2
Non-controlling interests		1.7	2.4
		<b>247.1</b>	<b>239.6</b>
<b>Earnings per share attributable to the ordinary equity holders of the company:</b>			
Basic earnings per share (cents)	3.5	25.0	23.4
Diluted earnings per share (cents)	3.5	24.9	23.3

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

## STATEMENT OF FINANCIAL POSITION

AS AT 30 APRIL 2022

	Notes	FY22 \$m	FY21 \$m
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		104.7	124.6
Trade receivables and loans	4.1	1,764.0	1,622.4
Lease receivables	4.2	40.7	41.5
Inventories	4.3	1,125.2	1,008.0
Assets held for sale		9.2	11.0
Other financial assets		2.3	2.8
<b>Total current assets</b>		<b>3,046.1</b>	<b>2,810.3</b>
<b>Non-current assets</b>			
Trade receivables and loans	4.1	18.2	15.7
Lease receivables	4.2	234.4	239.0
Equity-accounted investments	4.4	102.5	82.5
Net deferred tax assets	3.4	139.6	125.8
Property, plant and equipment	4.5	245.9	231.8
Right-of-use assets	4.2	615.4	618.9
Intangible assets	4.6	798.8	722.8
<b>Total non-current assets</b>		<b>2,154.8</b>	<b>2,036.5</b>
<b>TOTAL ASSETS</b>		<b>5,200.9</b>	<b>4,846.8</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		2,321.9	2,094.7
Interest-bearing borrowings	5.2	45.0	—
Lease liabilities	4.2	148.1	146.6
Provisions	4.8	152.6	139.7
Income tax payable		33.8	25.6
Put options and other financial liabilities	5.3	23.5	21.9
<b>Total current liabilities</b>		<b>2,724.9</b>	<b>2,428.5</b>
<b>Non-current liabilities</b>			
Interest-bearing borrowings	5.2	248.7	—
Lease liabilities	4.2	882.5	888.0
Provisions	4.8	42.9	44.4
Put options and other financial liabilities	5.3	211.5	194.8
<b>Total non-current liabilities</b>		<b>1,385.6</b>	<b>1,127.2</b>
<b>TOTAL LIABILITIES</b>		<b>4,110.5</b>	<b>3,555.7</b>
<b>NET ASSETS</b>		<b>1,090.4</b>	<b>1,291.1</b>
<b>EQUITY</b>			
Contributed equity	5.4	818.3	867.0
Retained earnings		265.0	414.6
Other reserves	5.4	(3.4)	(1.7)
<b>Equity holders of the parent</b>		<b>1,079.9</b>	<b>1,279.9</b>
Non-controlling interests		10.5	11.2
<b>TOTAL EQUITY</b>		<b>1,090.4</b>	<b>1,291.1</b>

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

**STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED 30 APRIL 2022

		Contributed equity	Retained earnings	Other reserves	Equity holders of the parent	Non- controlling interests	Total equity
	Notes	\$m	\$m	\$m	\$m	\$m	\$m
<b>At 1 May 2021</b>		<b>867.0</b>	<b>414.6</b>	<b>(1.7)</b>	<b>1,279.9</b>	<b>11.2</b>	<b>1,291.1</b>
Total comprehensive income, net of tax		—	245.4	—	245.4	1.7	247.1
<b>Transactions with owners</b>							
Dividends paid	5.5	—	(198.5)	—	(198.5)	(2.4)	(200.9)
Recognition of put option liabilities	6.1	—	(44.8)	—	(44.8)	—	(44.8)
Share buyback and related costs	5.4	(48.7)	(151.7)	—	(200.4)	—	(200.4)
Shares issued to employees	7.1	—	—	(9.4)	(9.4)	—	(9.4)
Share-based payments expense		—	—	7.7	7.7	—	7.7
<b>At 30 April 2022</b>		<b>818.3</b>	<b>265.0</b>	<b>(3.4)</b>	<b>1,079.9</b>	<b>10.5</b>	<b>1,090.4</b>
<b>At 1 May 2020</b>		<b>853.5</b>	<b>505.5</b>	<b>(2.3)</b>	<b>1,356.7</b>	<b>14.9</b>	<b>1,371.6</b>
Total comprehensive income/(loss), net of tax		—	239.0	(1.8)	237.2	2.4	239.6
<b>Transactions with owners</b>							
Dividends paid	5.5	—	(148.3)	—	(148.3)	(1.4)	(149.7)
Recognition of put option liabilities		—	(172.6)	—	(172.6)	(4.7)	(177.3)
Share of associate's adjustment on initial adoption of AASB 16 <i>Leases</i>		—	(9.0)	—	(9.0)	—	(9.0)
Proceeds from equity raising, net of costs	5.4	13.5	—	—	13.5	—	13.5
Shares issued to employees	7.1	—	—	(6.3)	(6.3)	—	(6.3)
Share-based payments expense		—	—	8.7	8.7	—	8.7
<b>At 30 April 2021</b>		<b>867.0</b>	<b>414.6</b>	<b>(1.7)</b>	<b>1,279.9</b>	<b>11.2</b>	<b>1,291.1</b>

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



**STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED 30 APRIL 2022

	Notes	FY22 \$m	FY21 \$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		18,796.9	17,845.6
Payments to suppliers and employees		(18,210.9)	(17,256.7)
Financing component of lease payments, net	4.2	(34.3)	(30.3)
Interest paid, net		(12.3)	(10.2)
Dividends received		9.9	6.0
Income tax paid, net of tax refunds		(117.0)	(78.9)
<b>Net cash generated from operating activities</b>	<b>5.1</b>	<b>432.3</b>	<b>475.5</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of assets		2.4	0.6
Payments for acquisition of assets		(121.7)	(85.6)
Payments for acquisition of subsidiaries, net of cash acquired	6.1	(44.4)	(141.8)
Payments for acquisition of additional interest in associate	6.1	(11.0)	(1.3)
Receipts from subleases, excluding the financing component	4.2	42.7	44.3
Loans repaid by other entities, net		10.3	12.1
<b>Net cash used in investing activities</b>		<b>(121.7)</b>	<b>(171.7)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		6,789.1	3,568.0
Repayments of borrowings		(6,495.4)	(3,758.9)
Payments for lease liabilities, excluding the financing component	4.2	(149.4)	(122.0)
Payment for off-market buyback of shares, including costs	5.4	(200.4)	—
Proceeds from equity raising, net of costs	5.4	—	13.5
Payments for on-market purchase of shares		(8.3)	(5.2)
Payments for acquisition of non-controlling interests	6.1	(59.4)	—
Payment of dividends to owners of the parent	5.5	(198.5)	(148.3)
Payment of dividends to non-controlling interests		(8.2)	(1.4)
<b>Net cash used in financing activities</b>		<b>(330.5)</b>	<b>(454.3)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(19.9)</b>	<b>(150.5)</b>
Add: opening cash and cash equivalents		124.6	275.1
<b>Cash and cash equivalents at the end of the year</b>		<b>104.7</b>	<b>124.6</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 APRIL 2022

### 1. CORPORATE INFORMATION

The financial statements of Metcash Limited (the 'Company') and its controlled entities (together the 'Group') for the year ended 30 April 2022 were authorised for issue in accordance with a resolution of the Directors on 27 June 2022.

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 nature of the operations and principal activities of the Group are described in the Directors' Report. The registered office of the Company is 1 Thomas Holt Drive, Macquarie Park NSW 2113.

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The financial statements are a general-purpose financial report that has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial statements have been prepared using the historical cost basis except for derivative financial instruments and share-based payments which are measured at fair value.

The financial statements are presented in Australian dollars and all values are rounded to the nearest \$100,000 unless otherwise stated under the option available to the Company under *ASIC Corporations Instrument 2016/191*. The Company is an entity to which the legislative instrument applies.

The current financial year comprises a 53-week period that commenced on 26 April 2021 and ended on 1 May 2022. The prior financial year comprised a 52-week period that commenced on 27 April 2020 and ended on 25 April 2021.

The financial statements comply with Australian Accounting Standards. The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The accounting policies adopted are consistent with those of the previous period. Refer Appendix A for new or amended Accounting Standards and Interpretations.

Certain comparative information was amended in these financial statements to conform to the current year presentation. These amendments do not impact the Group's financial results and do not have any significant impact on the Group's balance sheet.

#### 2.2 Significant accounting policies

##### 2.2.1 Basis of consolidation

###### Controlled entities

The financial statements comprise the consolidated financial statements of Metcash Limited and its controlled entities for the year ended 30 April 2022. Refer Appendix B for a list of controlled entities.

Controlled entities are all those entities over which the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

###### Consolidation procedures

Controlled entities are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

In preparing the consolidated financial statements, all intercompany balances and transactions have been eliminated in full.

Non-controlling interests are allocated their share of total comprehensive income and are presented as a separate category within equity.

The financial statements of controlled entities are prepared for the same reporting period as the parent entity, using consistent accounting policies. For those controlled entities with non-coterminous year-ends, management accounts for the relevant period to the Group's reporting date have been consolidated. In the opinion of the Directors, the expense of providing additional coterminous statutory accounts, together with consequential delay in producing the Group's financial statements, would outweigh any benefit to shareholders.

###### Separate financial statements

Investments in entities controlled by Metcash Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from controlled entities are recorded as income in the separate financial statements of the parent entity, and do not impact the recorded cost of the investment unless the dividends effectively represent a return of capital.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### 2.3 Significant accounting judgements, estimates and assumptions

The Group has incorporated judgements, estimates and assumptions specific to the impact of the COVID-19 pandemic in determining the amounts recognised in the financial statements based on conditions existing at balance date, recognising uncertainty still exists over the potential impact of any future COVID-19 pandemic-related restrictions and changes in consumer behaviour.

##### 2.3.1 Significant accounting judgements

In the process of applying the Group's accounting policies, the following judgements were made, apart from those involving estimations, which have a significant effect on the amounts recognised in the financial statements.

Note	Areas	Judgements
Note 3.2	Sales revenue	<ul style="list-style-type: none"> <li>- Charge-through sales – 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.</li> <li>- The Group determined that it is an agent in these contracts as it does not control the goods before they are being transferred to customers.</li> </ul>
Note 4.2	Leases	<ul style="list-style-type: none"> <li>- Determination of lease term of contracts with renewal options.</li> </ul>
Note 4.3	Inventories	<ul style="list-style-type: none"> <li>- Supplier income – The recognition and measurement of supplier income requires the use of judgement, due to a high degree of variability and complexity in arrangements with suppliers, and due to timing differences between stock purchases and the provision of promotional services.</li> </ul>
Note 6.1	Business combinations	<ul style="list-style-type: none"> <li>- Determining the existence of control, joint control or significant influence over the Group's acquisitions. Where the Group exercises significant influence or joint control, the acquisitions are accounted for as joint arrangements (note 4.4); and where the Group exercises control, the acquisitions are accounted for as business combinations.</li> <li>- Determining the acquisition date fair value of assets acquired and liabilities assumed on acquisition of controlled entities.</li> </ul>

##### 2.3.2 Significant accounting estimates

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Note	Areas	Estimates
Note 4.1	Trade receivables and loans	Allowance for impairment loss
Note 4.4	Equity-accounted investments	Assessment of recoverable amount
Note 4.7	Impairment of non-financial assets	Assessment of recoverable amount
Note 4.2 and 4.8	Provisions	Property provisions, restructuring
Note 5.3	Put option liabilities	Determining put option consideration including Total Tools and Ritchies

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

### 3. GROUP PERFORMANCE

#### 3.1 Segment information

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

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

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

The Group operates predominantly in Australia. The Group has operations in New Zealand that represent less than 5% of revenue, results 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 and are eliminated from the results below.

#### Segment results

	Segment revenue		Segment results	
	FY22 \$m	FY21 \$m	FY22 \$m	FY21 \$m
Food	8,379.3	8,316.3	200.3	192.4
Hardware	2,033.1	1,624.7	191.3	136.0
Liquor	4,752.4	4,374.3	97.4	88.7
<b>Segment total</b>	<b>15,164.8</b>	<b>14,315.3</b>	<b>489.0</b>	<b>417.1</b>
Corporate			(16.7)	(15.7)
<b>Group underlying earnings before interest and tax ('EBIT')</b>			<b>472.3</b>	<b>401.4</b>
Finance costs, net (Note 3.3)			(48.5)	(42.6)
Significant items (Note 3.3)			(65.6)	(17.0)
<b>Profit before income tax</b>			<b>358.2</b>	<b>341.8</b>

#### 3.2 Sales revenue

##### Sale of goods

The Group's revenue principally arises from the sale of goods within its wholesale distribution and retail operations. 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 volumetric and other trade rebates.

##### 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 with the gross sale value included in trade receivables and the gross purchase cost included in trade payables. Gross charge-through sales to customers during the year were \$2.241 billion (FY21: \$2.046 billion).

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### 3.3 Other income and expenses

	FY22 \$m	FY21 \$m
<b>(I) OTHER INCOME</b>		
Lease income – rent	8.1	7.1
Lease income – outgoing recoveries	15.4	16.3
Net gain from disposal of plant and equipment	0.3	0.6
	<b>23.8</b>	<b>24.0</b>
<b>(II) EMPLOYEE BENEFIT EXPENSES</b>		
Salaries and wages, incentives, and on-costs	763.3	673.1
Superannuation expense	52.7	45.4
Share-based payments expense	7.4	8.7
	<b>823.4</b>	<b>727.2</b>
<b>(III) DEPRECIATION AND AMORTISATION</b>		
Depreciation of right-of-use assets	117.0	106.8
Depreciation of property, plant and equipment	34.8	29.5
Amortisation of software	19.5	22.8
Amortisation of other intangible assets	4.6	4.6
	<b>175.9</b>	<b>163.7</b>
<b>(IV) LEASE EXPENSES</b>		
Property rent	5.2	3.9
Property outgoing	56.5	54.7
Equipment and other leases	6.0	10.6
	<b>67.7</b>	<b>69.2</b>
<b>(V) PROVISIONS FOR IMPAIRMENT, NET OF REVERSALS</b>		
Trade receivables and loans	10.3	14.1
Inventories	31.7	31.2
Property provisions	(0.1)	(6.8)
Other impairments (net)	(0.9)	4.4
	<b>41.0</b>	<b>42.9</b>
<b>(VI) FINANCE COSTS, NET</b>		
Interest expense	11.0	9.8
Transaction fees in relation to customer charge cards (Note 4.1)	2.5	2.0
Deferred borrowing costs	1.6	1.7
Finance component of lease payments, net	34.3	30.3
Finance costs from discounting of liabilities	2.9	2.7
Interest income	(3.8)	(3.9)
	<b>48.5</b>	<b>42.6</b>

#### SIGNIFICANT ACCOUNTING POLICIES

##### Finance costs

Finance costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other finance costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Certain provisions are measured at their discounted value. During each period the provision is increased by an amount that is equal to the provision multiplied by the discount rate. This increment, including any change in the value of the provision as a result of a change in discount rate, is treated as a finance cost.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

	FY22 \$m	FY21 \$m
<b>(VII) SIGNIFICANT ITEMS</b>		
<i>Project Horizon</i> implementation costs	31.4	7.9
Put option valuation and business acquisition costs	27.6	6.1
<i>MFuture</i> implementation costs	3.6	3.5
COVID-19 impairments	3.0	(0.5)
Total significant items before tax	65.6	17.0
Income tax benefit attributable to significant items	(11.4)	(3.3)
<b>Total significant items after tax</b>	<b>54.2</b>	<b>13.7</b>

#### ***Project Horizon* implementation costs**

In late FY21, Metcash launched *Project Horizon*, aimed at driving further efficiencies through simplification, as well as growth through making it easier to do business with Metcash. In addition to these aims, the first stage of this program will also include a focus on the Group's technical infrastructure consolidation and replacement, process efficiency foundations and better alignment of the Group's infrastructure across the pillars through the development of a single operating system across the Group. Metcash has delivered the first component, with the core finance module having gone live in November 2021. The remaining components of the first stage are expected to be progressively delivered through to completion, which is anticipated to occur by the end of calendar year 2023. In FY22, which was the first full year of the project, the Group incurred \$46.9 million (FY21: \$17.3 million) of capital expenditure and \$31.4 million (FY21: \$7.9 million) of expenses on the project. The project expenses included resource costs, accelerated amortisation of legacy software assets and incremental software licence and maintenance costs. These costs are separately disclosed within significant items in the Statement of Comprehensive Income to enable a better understanding of the Group's results.

#### **Put option valuation and business acquisition costs**

The carrying amount of the Group's put option liabilities at balance date was remeasured to reflect the estimated put option exercise price, with the change in value of \$24.0 million (FY21: nil) recorded as a significant item within the Statement of Comprehensive Income, together with the net present value interest unwind on the put option liability of \$5.4 million (FY21: \$3.2 million).

In addition, a gain of \$3.2 million was recognised upon the acquisition of the additional 15% ownership interest in the Total Tools Group in June 2021, being the difference between the consideration paid to minority shareholders of \$59.4 million and the carrying amount of the put option held by the minority shareholders of \$62.6 million. The Group also incurred transaction costs of \$1.4 million in relation to the acquisition of the 15 Total Tools JV Stores and the additional 15% ownership interest in the Total Tools Group. Refer note 6.1 for further details about the acquisitions.

#### ***MFuture* implementation costs**

The five-year *MFuture* program initiatives are focused on growth opportunities and maximising the effectiveness of the Group's cost of doing business ('CODB'). During the current year, the Group incurred \$3.6 million (FY21: \$3.5 million) of implementation costs related to the *MFuture* program. These costs are non-routine in nature, and included project development and restructuring costs.

#### **COVID-19 impairments**

In FY22, the Group recognised a \$3.0 million impairment charge (FY21: \$0.5 million reversal of impairment loss) primarily in relation to certain inventory items that were impacted by COVID-19 related demand factors. The Group continues to be subject to volatility and uncertainty in its trading environment and operations, as well as from the dynamic economic landscape. Accordingly, the Group has retained provisions for COVID-19 impairments of \$8.7 million (FY21: \$10.7 million) at balance date.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### 3.4 Income Taxes

	FY22 \$m	FY21 \$m
<b>MAJOR COMPONENTS OF INCOME TAX EXPENSE</b>		
Current income tax charge	120.7	102.4
Adjustments in respect of income tax of previous years	0.3	0.3
Deferred income tax relating to origination and reversal of temporary differences	(9.9)	(2.3)
<b>Total income tax expense</b>	<b>111.1</b>	<b>100.4</b>
<b>RECONCILIATION OF INCOME TAX EXPENSE</b>		
Profit before income tax	358.2	341.8
At the Group's statutory income tax rate of 30% (FY21: 30%)	107.4	102.5
Other assessable/(non-assessable) amounts – net	3.4	(2.4)
Adjustments in respect of income tax of previous years	0.3	0.3
<b>Income tax expense</b>	<b>111.1</b>	<b>100.4</b>
<b>COMPONENTS OF NET DEFERRED TAX ASSETS</b>		
Provisions	137.8	131.1
Accelerated depreciation for accounting purposes	18.2	16.5
Other	16.4	12.3
Intangible assets	(32.8)	(34.1)
	<b>139.6</b>	<b>125.8</b>
<b>MOVEMENTS IN NET DEFERRED TAX ASSETS</b>		
Opening balance	125.8	120.0
Credited to net profit for the year	12.7	2.3
Tax benefit associated with share issue/buyback costs	0.1	(0.2)
Adjustments related to business combinations	1.0	3.7
<b>Closing balance</b>	<b>139.6</b>	<b>125.8</b>

The Group has unrecognised gross capital losses of \$19.5 million (FY21: \$19.5 million) that are available indefinitely for offset against future capital gains.

#### Tax consolidation

Metcash Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2005. Metcash Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a modified standalone basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

#### Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with a group allocation method using modified standalone tax calculations as the basis for allocation. Deferred taxes of members of the tax consolidated group are measured and recognised in accordance with the principles of AASB 112 *Income Taxes*.

Under the tax funding agreement, funding is based upon the amounts allocated and recognised by the member entities. Accordingly, funding results in an increase/decrease in the subsidiaries' intercompany accounts with the tax consolidated group head entity, Metcash Limited.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### SIGNIFICANT ACCOUNTING POLICIES

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the relevant reporting date.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

### 3.5 Earnings per share

The following reflects the earnings data used in the basic and diluted earnings per share (EPS) computations:

	FY22 \$m	FY21 \$m
<b>EARNINGS USED IN CALCULATING BASIC AND DILUTED EPS</b>		
Net profit attributable to ordinary equity holders of Metcash Limited	245.4	239.0

The following reflects the share data used in the basic and diluted EPS computations:

	FY22 Number	FY21 Number
Weighted average number of ordinary shares used in calculating basic EPS	982,848,334	1,021,936,877
Effect of dilutive securities	3,369,269	3,228,702
<b>Weighted average number of ordinary shares used in calculating diluted EPS</b>	<b>986,217,603</b>	<b>1,025,165,579</b>

At the reporting date, 7,609,890 performance rights (FY21: 6,496,163) were outstanding, of which 4,240,621 (FY21: 3,267,461) were not included in the calculation of diluted EPS as they are not dilutive for the periods presented. Refer note 7.1 for more details about performance rights.

#### SIGNIFICANT ACCOUNTING POLICIES

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### 4. ASSETS AND LIABILITIES

##### 4.1 Trade receivables and loans

	FY22 \$m	FY21 \$m
<b>CURRENT</b>		
Trade receivables	1,415.7	1,294.7
Allowance for impairment loss	(59.8)	(55.4)
Trade receivables	1,355.9	1,239.3
Customer charge cards agreement (a)	235.9	211.9
Other receivables and prepayments	169.4	156.6
<b>Trade and other receivables</b>	<b>1,761.2</b>	<b>1,607.8</b>
Customer loans	3.2	15.8
Allowance for impairment loss	(0.4)	(1.2)
<b>Customer loans</b>	<b>2.8</b>	<b>14.6</b>
<b>Total trade receivables and loans – current</b>	<b>1,764.0</b>	<b>1,622.4</b>
<b>NON-CURRENT</b>		
Customer loans	18.2	16.4
Allowance for impairment loss	—	(0.7)
<b>Total trade receivables and loans – non-current</b>	<b>18.2</b>	<b>15.7</b>

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

##### Movements in allowance for impairment loss

	FY22 \$m	FY21 \$m
Opening balance	57.3	63.5
Charged as an expense during the year	10.3	8.0
Accounts written off as non-recoverable	(7.4)	(14.2)
<b>Closing balance</b>	<b>60.2</b>	<b>57.3</b>

##### Weighted average interest

Trade and other receivables are non-interest-bearing and repayment terms vary by pillar. As at 30 April 2022, \$nil (FY21: \$4.7 million) of customer loans are non-interest-bearing and \$21.4 million (FY21: \$27.5 million) of customer loans have a weighted average annual interest rate of 6.1% (FY21: 5.9%).

##### Maturity of trade receivables

At 30 April 2022, 90.3% (FY21: 89.2%) of trade receivables are either due or required to be settled within 30 days, 8.7% (FY21: 9.5%) have terms extending from 30 to 60 days and 1.0% (FY21: 1.3%) have terms greater than 60 days.

##### Customer charge cards agreement

Under an agreement between Metcash and American Express (Amex), eligible retail customers make trade purchases from Metcash using their Amex customer charge cards. Metcash's trade receivable is settled in full by Amex. Amex subsequently collects the amounts outstanding on the customer charge cards directly from the retailers.

Under the agreement, in the event a customer defaults on their payment obligation to Amex, Metcash must reacquire the trade receivable from Amex. The maximum amount payable by Metcash to Amex is limited to the actual face value of the outstanding trade receivable and does not include any interest or any other costs incurred by Amex. Once reacquired, Metcash will seek to collect the trade receivable from the retail customer through its normal credit processes.

The agreement was renewed during the year and operates on an evergreen basis until either Metcash or Amex provides a 12-month notice of cancellation. The earliest date on which the agreement could be cancelled is 30 June 2025.

The customer charge cards agreement is presented as part of current trade and other receivables and a matching current liability of \$235.9 million (FY21: \$211.9 million) is included within trade and other payables, with no impact to the Group's net asset position.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### Customer loan security

The Group has access to security against most customer loans in the event of default. Security held may include bank and personal guarantees, fixed and floating charges and security over property and other assets. Due to the large number and the varied nature of security held, their fair value cannot be practicably estimated. The fair value of the security against a loan is determined when the loan is not deemed to be recoverable and an allowance for impairment loss is raised to cover any deficit in recoverability.

#### Ageing of unimpaired trade receivables and loans

	Trade receivables (a)		Customer loans		Other receivables and prepayments	
Days overdue	\$m	%	\$m	%	\$m	%
<b>AT 30 APRIL 2022</b>						
Neither past due nor impaired	1,463.8	91.9%	19.9	95%	169.4	100.0%
Less than 30 days	122.5	7.7%	0.1	1%	—	—
Between 30 and 60 days	4.0	0.3%	—	—	—	—
Between 60 and 90 days	1.5	0.1%	0.3	1%	—	—
Between 90 and 120 days	—	—	—	—	—	—
More than 120 days	—	—	0.7	3%	—	—
<b>Total</b>	<b>1,591.8</b>	<b>100.0%</b>	<b>21.0</b>	<b>100.0%</b>	<b>169.4</b>	<b>100.0%</b>
<b>AT 30 APRIL 2021</b>						
Neither past due nor impaired	1,389.5	95.7%	23.4	77.2%	156.6	100.0%
Less than 30 days	58.0	4.0%	0.2	0.7%	—	—
Between 30 and 60 days	3.7	0.3%	0.4	1.3%	—	—
Between 60 and 90 days	—	—	0.3	1.0%	—	—
Between 90 and 120 days	—	—	0.5	1.7%	—	—
More than 120 days	—	—	5.5	18.1%	—	—
<b>Total</b>	<b>1,451.2</b>	<b>100.0%</b>	<b>30.3</b>	<b>100.0%</b>	<b>156.6</b>	<b>100.0%</b>

(a) The ageing profile of trade receivables includes amounts receivable under the customer charge cards agreement.

The Group expects that the unimpaired trade receivables and loans presented above are fully recoverable.

#### SIGNIFICANT ACCOUNTING POLICIES

##### Trade receivables

Trade receivables are measured at the transaction price determined under the 'Sales Revenue' significant accounting policy (Note 3.2).

##### Allowance for impairment loss

The Group recognises an allowance for impairment loss based on expected credit losses (ECL) for its trade and other receivables. The Group has established a provision rate matrix, under the simplified approach in calculating ECL, that is based on its historical credit loss experience, adjusted for forward-looking factors specific to a group of debtors and the economic environment.

#### SIGNIFICANT ACCOUNTING ESTIMATES

##### Allowance for impairment loss

The Group uses a provision rate matrix to calculate ECLs for receivables. The provision rates are initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information (e.g., any known changes in market conditions with reference to the most recent gross domestic product data). At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

**4.2 Right-of-use assets, lease receivables and lease liabilities**

	Right-of-use assets (a)			Lease receivables (b)(c) \$m	Lease liabilities \$m
	Leasehold properties \$m	Motor vehicles and equipment \$m	Total \$m		
<b>As at 1 May 2021</b>	<b>565.7</b>	<b>53.2</b>	<b>618.9</b>	<b>280.5</b>	<b>(1,034.6)</b>
New and modified leases	78.2	3.3	81.5	9.0	(88.9)
Additions through business combinations	18.1	—	18.1	—	(18.1)
Leases exited	(1.0)	—	(1.0)	(1.3)	6.3
Lease remeasurements	13.5	0.6	14.1	25.2	(44.7)
Impairments, net	1.4	(0.6)	0.8	4.4	—
Depreciation	(101.0)	(16.0)	(117.0)	—	—
Cash (receipts)/payments	—	—	—	(56.3)	197.3
Financing component of lease receipts/(payments)	—	—	—	13.6	(47.9)
<b>As at 30 April 2022</b>	<b>574.9</b>	<b>40.5</b>	<b>615.4</b>	<b>275.1</b>	<b>(1,030.6)</b>
Current	—	—	—	40.7	(148.1)
Non-current	574.9	40.5	615.4	234.4	(882.5)
<b>As at 1 May 2020</b>	<b>452.4</b>	<b>33.0</b>	<b>485.4</b>	<b>292.7</b>	<b>(886.1)</b>
New and modified leases	165.5	34.4	199.9	11.4	(211.0)
Additions through business combinations	36.5	—	36.5	2.9	(39.5)
Leases exited	—	—	—	(1.3)	1.1
Lease remeasurements	3.8	—	3.8	16.9	(21.1)
Impairments, net	(0.4)	—	(0.4)	2.7	—
Depreciation	(92.6)	(14.2)	(106.8)	—	—
Reclassifications	0.5	—	0.5	(0.5)	—
Cash (receipts)/payments	—	—	—	(57.6)	165.6
Financing component of lease receipts/(payments)	—	—	—	13.3	(43.6)
<b>As at 30 April 2021</b>	<b>565.7</b>	<b>53.2</b>	<b>618.9</b>	<b>280.5</b>	<b>(1,034.6)</b>
Current	—	—	—	41.5	(146.6)
Non-current	565.7	53.2	618.9	239.0	(888.0)

(a) The cost and accumulated depreciation and impairment of the right-of-use assets are presented below:

	Right-of-use assets		
	Leasehold properties \$m	Motor vehicles and equipment \$m	Total \$m
Cost	856.5	85.5	942.0
Accumulated depreciation and impairment	(281.6)	(45.0)	(326.6)
<b>As at 30 April 2022</b>	<b>574.9</b>	<b>40.5</b>	<b>615.4</b>
Cost	765.2	89.9	855.1
Accumulated depreciation and impairment	(199.5)	(36.7)	(236.2)
<b>As at 30 April 2021</b>	<b>565.7</b>	<b>53.2</b>	<b>618.9</b>

(b) As at 30 April 2022, lease receivables include a gross carrying amount of \$290.5 million (FY21: \$299.3 million) and allowance for impairment losses of \$15.4 million (FY21: \$18.8 million).

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

(c) The future minimum rentals receivable under non-cancellable finance leases are as follows:

	FY22 \$m	FY21 \$m
Within one year	53.6	55.1
After one year but not more than five years	203.4	171.7
More than five years	94.9	139.6
	351.9	366.4
Unearned finance income	(61.4)	(67.1)
Impairment of receivables	(15.4)	(18.8)
	<b>275.1</b>	<b>280.5</b>

(d) The future minimum rentals receivable under non-cancellable operating leases are as follows:

	FY22 \$m	FY21 \$m
Within one year	2.2	2.1
After one year but not more than five years	7.6	5.8
More than five years	4.6	6.8
	<b>14.4</b>	<b>14.7</b>

(e) Lease cash receipts and payments are presented in the following lines of the statement of cash flows:

	FY22 \$m	FY21 \$m
Receipts from subleases, excluding the financing component	42.7	44.3
Payment for lease liabilities, excluding the financing component	(149.4)	(122.0)
Financing component of lease payments, net	(34.3)	(30.3)
<b>Net cash payments</b>	<b>(141.0)</b>	<b>(108.0)</b>

(f) In FY22, the Group recognised rent expense of \$11.2 million (FY21: \$14.5 million) from short-term leases and variable lease payments.

(g) Extension options are included in a number of lease contracts across the Group. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. The extension options are exercisable only by the Group and not by the lessors. The present value of lease payments to be made under these options that are considered reasonably certain to be exercised have been included in the lease liability balance at 30 April 2022. The undiscounted potential future payments at current rental rates under options that are not considered reasonably certain to be exercised is approximately \$2.0 billion, which includes potential lease payments within the next five years of approximately \$286.4 million.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### SIGNIFICANT ACCOUNTING POLICIES

##### Group as a lessee

###### *Right-of-use assets*

The Group recognises right-of-use assets at the commencement of a lease (i.e., the date the underlying asset is available for use). The initial measurement of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessments under AASB 136 *Impairment of Assets*.

###### *Depreciation*

Depreciation is provided on a straight-line basis on all right-of-use assets. Major depreciation periods are:

	FY22	FY21
Leasehold properties	1-30 years	1-30 years
Motor vehicles and equipment	4-5 years	4-5 years

Useful lives are reassessed on an annual basis and adjustments, where applicable, are made on a prospective basis.

###### *Lease liabilities*

At the commencement of a lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and amounts expected to be paid under residual value guarantees. The lease payments also include renewal periods where the Group is reasonably certain to exercise the renewal option. Outgoings and other variable lease payments that do not depend on an index or a rate are recognised as incurred.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

##### Group as a lessor

###### *Lease receivables*

The Group enters into back-to-back lease agreements with independent retailers where the terms of the lease transfer substantially all the risks and rewards of ownership to the sublessee and these are classified as a finance lease.

Amounts due from finance leases are recognised as lease receivables at the amount of the Group's net investment in the lease. Lease receivables are subsequently remeasured if there is a change in the lease term. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

All other leases are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

##### Short-term leases and leases of low-value assets

The Group applies a recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies a recognition exemption to leases that are considered of low value. Lease payments and rental income from short-term and low-value leases are recognised on a straight-line basis over the lease term.

#### SIGNIFICANT ACCOUNTING JUDGEMENT

##### Determination of lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

After initial recognition, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

#### SIGNIFICANT ACCOUNTING ESTIMATES

##### Property provisions

The Group recognises provisions for rental agreements on acquisition. In measuring these provisions, assumptions are made about future retail sales, rental costs and in determining the appropriate discount rate to be used in the cash flow calculations.

The Group has recognised a provision in accordance with the accounting policy described above. The Group assesses obligations on property make-good, restructuring and other costs. These estimates are determined using assumptions on property-related costs, redundancy and other closure or restructure costs.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### 4.3 Inventories

	FY22 \$m	FY21 \$m
Inventories	1,125.2	1,008.0

##### SIGNIFICANT ACCOUNTING POLICIES

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.

#### 4.4 Equity-accounted investments

##### Nature and extent

Appendix C contains key information about the nature and extent of the Group's equity-accounted investments.

##### Share of investees' financial information

The following table illustrates the summarised financial information (proportionate share) of the Group's equity-accounted investments.

	FY22 \$m	FY21 \$m
Current assets	110.9	96.7
Non-current assets	278.5	232.2
Total assets	389.4	328.9
Current liabilities	151.2	133.7
Non-current liabilities	157.0	136.7
Total liabilities	308.2	270.4
<b>Net assets</b>	<b>81.2</b>	<b>58.5</b>
Revenue	822.1	751.5
<b>Profit before income tax</b>	<b>27.4</b>	<b>28.7</b>
Income tax expense	(8.2)	(8.6)
<b>Net profit for the year</b>	<b>19.2</b>	<b>20.1</b>

At the reporting date, the Group's share of unrecognised gains or losses is not material.

Refer note 7.3 for details of the Group's contingent liabilities in relation to equity-accounted investments.

##### SIGNIFICANT ACCOUNTING POLICIES

The Group's investments in joint ventures and associates are accounted for using the equity method. Associates are those entities over which the Group exercises significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Equity-accounted investments are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the investee, less any impairment in value.

For those associates and joint ventures with non-coterminous year ends, management accounts for the relevant period to the Group's reporting date have been equity-accounted. In the opinion of the Directors, the expense of providing additional coterminous statutory accounts, together with consequential delay in producing the Group's financial statements, would outweigh any benefit to shareholders.

##### SIGNIFICANT ACCOUNTING ESTIMATES

###### *Impairment of equity-accounted investments*

The Group assesses the recoverable amount of its equity-accounted investments when objective evidence of impairment is identified under AASB 136 *Impairment of Assets*. In assessing the recoverable amount, assumptions are made about the growth prospects of the investment and in determining the discount rate used to calculate the net present value of future cash flows when a discounted cash flow model is used.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### 4.5 Property, plant and equipment

	Land & buildings \$m	Plant & equipment \$m	Total \$m
<b>YEAR ENDED 30 APRIL 2022</b>			
Opening balance	36.8	195.0	231.8
Additions	—	50.4	50.4
Additions through business combinations	—	12.1	12.1
Disposals	—	(0.7)	(0.7)
Impairments	—	(3.4)	(3.4)
Reclassifications	(0.6)	(8.9)	(9.5)
Depreciation	(0.5)	(34.3)	(34.8)
<b>Closing balance</b>	<b>35.7</b>	<b>210.2</b>	<b>245.9</b>
<b>AT 30 APRIL 2022</b>			
Cost	43.6	479.7	523.3
Accumulated depreciation and impairment	(7.9)	(269.5)	(277.4)
<b>Net carrying amount</b>	<b>35.7</b>	<b>210.2</b>	<b>245.9</b>

<b>YEAR ENDED 30 APRIL 2021</b>			
Opening balance	37.7	176.3	214.0
Additions	0.5	58.7	59.2
Additions through business combinations	—	9.0	9.0
Disposals	—	(4.7)	(4.7)
Reclassifications	(1.1)	(15.1)	(16.2)
Depreciation	(0.3)	(29.2)	(29.5)
<b>Closing balance</b>	<b>36.8</b>	<b>195.0</b>	<b>231.8</b>
<b>AT 30 APRIL 2021</b>			
Cost	44.2	431.1	475.3
Accumulated depreciation and impairment	(7.4)	(236.1)	(243.5)
<b>Net carrying amount</b>	<b>36.8</b>	<b>195.0</b>	<b>231.8</b>

Additions to plant and equipment include \$25.3 million (FY21: \$30.6 million) of assets under construction. The closing balance of plant and equipment includes \$24.4 million (FY21: \$28.3 million) of assets under construction.

#### SIGNIFICANT ACCOUNTING POLICIES

##### Recognition and measurement

All classes of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

##### Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than freehold land and assets under construction. Major depreciation periods are:

	FY22	FY21
Freehold buildings	25-40 years	25-40 years
Plant and equipment	2-20 years	2-20 years

##### Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is derecognised.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### 4.6 Intangible assets

	Software development costs	Customer contracts	Trade names and other	Goodwill	Total
	\$m	\$m	\$m	\$m	\$m
<b>YEAR ENDED 30 APRIL 2022</b>					
Opening balance	68.1	39.9	73.8	541.0	722.8
Additions	71.3	—	—	—	71.3
Additions through business combinations	—	—	—	26.9	26.9
Adjustments to business combinations	—	—	—	(0.2)	(0.2)
Disposals	(0.5)	—	—	(0.4)	(0.9)
Reclassifications	9.5	—	—	—	9.5
Amortisation	(26.0)	(4.5)	(0.1)	—	(30.6)
<b>Closing balance</b>	<b>122.4</b>	<b>35.4</b>	<b>73.7</b>	<b>567.3</b>	<b>798.8</b>

#### AT 30 APRIL 2022

Cost	311.7	176.1	77.2	1,549.7	2,114.7
Accumulated amortisation and impairment	(189.3)	(140.7)	(3.5)	(982.4)	(1,315.9)
<b>Net carrying amount</b>	<b>122.4</b>	<b>35.4</b>	<b>73.7</b>	<b>567.3</b>	<b>798.8</b>

#### YEAR ENDED 30 APRIL 2021

Opening balance	55.5	44.3	40.3	441.7	581.8
Additions	24.6	—	2.0	—	26.6
Additions through business combinations	—	—	31.7	97.6	129.3
Adjustments to business combinations	—	—	—	1.7	1.7
Impairment	(2.0)	—	—	—	(2.0)
Disposals	(0.7)	—	—	—	(0.7)
Reclassifications	16.2	—	—	—	16.2
Amortisation	(25.5)	(4.4)	(0.2)	—	(30.1)
<b>Closing balance</b>	<b>68.1</b>	<b>39.9</b>	<b>73.8</b>	<b>541.0</b>	<b>722.8</b>

#### AT 30 APRIL 2021

Cost	231.7	176.1	77.2	1,523.4	2,008.4
Accumulated amortisation and impairment	(163.6)	(136.2)	(3.4)	(982.4)	(1,285.6)
<b>Net carrying amount</b>	<b>68.1</b>	<b>39.9</b>	<b>73.8</b>	<b>541.0</b>	<b>722.8</b>

#### SIGNIFICANT ACCOUNTING POLICIES

##### Recognition and measurement

Intangible assets acquired separately or in a business combination are initially measured at cost. Following initial recognition, the cost model is applied to the class of intangible assets.

Intangible assets (excluding software development costs) created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Goodwill acquired in a business combination is initially measured at cost; being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Trade names are acquired either through business combinations or through direct acquisition. Trade names are recognised as intangible assets where a registered trademark is acquired with attributable value. Trade names are valued on a relief from royalty method. Trade names are considered to be indefinite life intangibles and are not amortised, unless there is an intention to discontinue use of the name in which case it is amortised over its estimated remaining useful life.

Customer contracts are acquired through business combinations. Customer contracts are recognised as intangible assets when the criteria specified in AASB 138 *Intangible Assets* have been met. Customer contracts are valued by applying a discounted cash flow valuation methodology with consideration given to customer retention and projected future cash flows to the end of the contract period. The amortisation has been recognised in the statement of comprehensive income.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Software development costs incurred on an individual project are capitalised at cost when future recoverability can reasonably be assured and where the Group has an intention and ability to use the asset. Following the initial recognition of software development costs, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Any costs carried forward are amortised over the assets' useful economic lives.

Configuration and customisation costs incurred in implementing cloud-based arrangements are only capitalised if the implementation activities create an intangible asset that the Group controls in accordance with the requirements of AASB 138 *Intangible Assets*. Costs that do not result in intangible assets should be expensed as incurred. The exception is where they are paid to the suppliers of the cloud-based arrangement to significantly customise the cloud-based software for the Group. In this case, the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement.

#### Derecognition

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

When goodwill forms part of a group of cash generating units and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the groups of cash-generating units retained.

#### Useful lives

The useful lives of intangible assets are assessed to either be finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is recognised in the statement of comprehensive income on a straight-line basis.

The estimated useful lives of existing finite life intangible assets are as follows:

	FY22	FY21
Customer contracts	15 years	15 years
Software development costs	5-10 years	5-10 years
Other	10 years	10 years

Useful lives are reassessed on an annual basis and adjustments, where applicable, are made on a prospective basis.

## 4.7 Impairment of non-financial assets

### Impairment tests for goodwill and intangibles with indefinite useful lives

#### Description of cash generating units

Goodwill acquired through business combinations is allocated to the lowest level within the entity at which the goodwill is monitored, being the three cash-generating units (or 'CGU's) – Food, Liquor and Hardware. Indefinite life intangibles primarily comprise trade names and licences.

#### Allocation to CGUs

The carrying amounts of goodwill and indefinite life intangibles are allocated to the Group's CGUs as follows:

Cash-generating units	Allocated goodwill		Trade names and other intangibles		Post-tax discount rates	
	FY22 \$m	FY21 \$m	FY22 \$m	FY21 \$m	FY22 %	FY21 %
Food	214.3	214.3	2.1	2.1	10.6%	10.6%
Liquor	142.7	142.0	13.0	13.1	9.4%	9.4%
Hardware	210.3	184.7	58.6	58.6	9.4%	9.4%
	<b>567.3</b>	<b>541.0</b>	<b>73.7</b>	<b>73.8</b>		

#### Assessment of recoverable amounts

The recoverable amounts were determined based on value-in-use calculations using cash flow projections covering a five-year period, which are based on approved strategic plans or forecasts. Estimates beyond the five-year period are calculated using terminal growth rates that are applicable to the trading environment in which the CGU operates.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### *Key assumptions used in assessment*

The valuations used to support the carrying amounts of intangible assets are based on forward looking key assumptions that are, by nature, uncertain. The nature and basis of the key assumptions used to estimate future cash flows and the discount rates used in the projections, when determining the recoverable amount of each CGU, are set out below and in the table above:

- Operating cash flows – Operating cash flow projections are extracted from the most recent approved strategic plans or forecasts that relate to the existing asset base. For each CGU, the cash flow projections for a five-year period have been determined based on expectations of future performance. Key assumptions in the cash flows include sales volume growth, costs of sales and costs of doing business. These assumptions are based on expectations of market demand and operational performance.

Cash flow projections are based on risk-adjusted forecasts allowing for estimated changes in the business, the competitive trading environment, legislation and economic growth whilst noting that uncertainties remain over the potential impact of any future COVID-19 related restrictions and changes to consumer behaviour. Other uncertainties surrounding macroeconomic indicators such as unemployment and GDP growth create future uncertainty over the Group's operating cash flows.

- Discount rates – Discount rates are based on the weighted average cost of capital ("WACC") for the Group adjusted for an asset-specific risk premium assigned to each CGU. The asset-specific risk premium is determined based on risk embedded within the cash flow projections and other factors specific to the industries in which the CGUs operate.

The calculation of WACC is market-driven and key inputs include target capital structure, equity beta, market risk premium, risk-free rate of return and debt risk premium. Pre-tax equivalents of the adopted discount rates are derived iteratively and differ based on the timing and extent of tax cash flows. Pre-tax rates were 15.1% (FY21: 15.1%) for Food, 13.4% (FY21: 13.4%) for Liquor and 13.4% (FY21: 13.4%) for Hardware.

- Terminal growth rates – Cash flows beyond the projection period are extrapolated indefinitely using estimated long-term growth rates applicable to the trading environment in which the CGUs operate. A terminal growth rate of 1.5% was applied to all CGUs.

#### *Results of assessment*

Based on the FY22 assessment, no impairment of goodwill was identified in any of the Group's CGUs.

#### *Sensitivity to changes in key assumptions*

At the assessment date, no reasonably likely change in key assumptions would cause the carrying amount of any CGU to exceed its recoverable amount.

#### **SIGNIFICANT ACCOUNTING POLICIES**

At each reporting date, the Group assesses whether there is any indication that the value of a non-financial asset may be impaired. Goodwill and indefinite life intangible assets are tested for impairment at least annually and more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of a non-financial asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case, the recoverable amount is determined for the CGU to which the asset belongs.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated pre-tax future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the Statement of Comprehensive Income.

#### **SIGNIFICANT ACCOUNTING ESTIMATES**

##### **Impairment of goodwill**

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the recoverable amount of the CGUs to which the goodwill is allocated.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### 4.8 Provisions

	Employee entitlements \$m	Property provisions \$m	Total \$m
<b>30 APRIL 2022</b>			
Current	144.0	8.6	152.6
Non-current	12.3	30.6	42.9
	<b>156.3</b>	<b>39.2</b>	<b>195.5</b>
<b>30 APRIL 2021</b>			
Current	128.2	11.5	139.7
Non-current	11.2	33.2	44.4
	<b>139.4</b>	<b>44.7</b>	<b>184.1</b>

#### Movements in property provisions

	FY22 \$m	FY21 \$m
Opening balance	44.7	58.1
Charged as an expense/(reversals) during the year, net	1.6	(6.8)
Utilised during the year, net	(9.0)	(9.3)
Finance cost discount rate adjustment	1.9	2.7
<b>Closing balance</b>	<b>39.2</b>	<b>44.7</b>

#### SIGNIFICANT ACCOUNTING POLICIES

##### Employee Entitlements

###### *Wages, salaries, incentives, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, incentives, annual leave and accumulating sick leave, are recognised in provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities due to be settled within 12 months of the reporting date are classified as current liabilities. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

###### *Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments at the reporting date are discounted using market yields on high-quality corporate bonds with terms to maturity that match as closely as possible, the estimated future cash outflows.

##### Property Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Property provisions include the value of certain retail store lease obligations recognised as part of the acquisition of Franklins in FY12. The provision is initially recognised at the acquisition date fair value and subsequently utilised to settle lease obligations. The provision related to an individual lease is derecognised when the Group has met or otherwise extinguished its obligations in full under that lease.

Provisions are also recognised for obligations such as guarantees, property make-good and other costs. Depending on the nature of these obligations, they are expected to be settled over the term of the lease, at the conclusion of the lease or otherwise when the obligation vests.

If the effect of the time value of money is material, provisions are measured at the net present value of the expected future cash outflows using a current pre-tax rate that reflects the risks specific to the liability. During each period the provision is increased by an amount that is equal to the provision multiplied by the discount rate. This increment, including any change in the value of the provision as a result of a change in discount rate, is treated as a finance cost.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### SIGNIFICANT ACCOUNTING ESTIMATES

##### Property provisions

The Group recognises provisions for rental agreements on acquisition. In measuring these provisions, assumptions are made about future retail sales, rental costs and in determining the appropriate discount rate to be used in the cash flow calculations.

The Group assesses obligations on property make-good, restructuring and other costs. These estimates are determined using assumptions on property-related costs, redundancy and other closure or restructure costs.

## 5. CAPITAL STRUCTURE, FINANCING AND RISK MANAGEMENT

### 5.1 Reconciliation of cash flows from operating activities

	FY22 \$m	FY21 \$m
Net profit for the year	247.1	241.4
<b>ADJUSTMENTS FOR:</b>		
Depreciation and amortisation	175.9	163.7
Provisions for impairment, net of reversals	41.0	42.9
Share of profit from equity-accounted investments	(19.2)	(20.1)
Movements in put option liabilities	30.5	3.2
Share-based payments expense	7.4	8.7
Net gain from disposal of property, plant and equipment	(0.3)	(0.6)
Other adjustments	17.8	10.8
<b>CHANGES IN ASSETS AND LIABILITIES:</b>		
Increase in trade and other receivables	(154.3)	(30.7)
(Increase)/decrease in inventories	(122.3)	37.6
(Decrease)/ increase in tax balances	(6.0)	21.5
Increase/(decrease) in payables and provisions	214.7	(2.9)
<b>Cash flows from operating activities</b>	<b>432.3</b>	<b>475.5</b>

### 5.2 Interest-bearing borrowings

	FY22 \$m	FY21 \$m
<b>CURRENT</b>		
Bank loans – working capital	45.0	—
	<b>45.0</b>	<b>—</b>
<b>NON-CURRENT</b>		
Bank loans – syndicated	200.0	—
Bank loans – bilateral	51.5	—
Deferred borrowing costs	(2.8)	—
	<b>248.7</b>	<b>—</b>

#### Financial covenants

See note 5.6 for details of the Group's core borrowing facilities. The core borrowings of the Group must comply with two primary covenants which apply to the syndicated, bilateral and working capital bank facilities. They include a Fixed Charges Cover Ratio and a Senior Leverage Ratio. There were no defaults or breaches on the Group's core borrowings in FY22 and FY21.

#### Weighted average interest

The weighted average effective interest rate on the syndicated, bilateral and working capital loans was 1.7% (FY21: 1.9%) over the financial year. These rates exclude line fees on unutilised facility balances.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### SIGNIFICANT ACCOUNTING POLICIES

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

#### 5.3 Put options and other financial liabilities

	Put option liabilities \$m	Other financial liabilities \$m	Total \$m
<b>30 APRIL 2022</b>			
Current	21.1	2.4	23.5
Non-current	210.6	0.9	211.5
	<b>231.7</b>	<b>3.3</b>	<b>235.0</b>
<b>30 APRIL 2021</b>			
Current	17.7	4.2	21.9
Non-current	194.8	—	194.8
	<b>212.5</b>	<b>4.2</b>	<b>216.7</b>

#### Put option liabilities

##### Total Tools Group put options

The Group has a put option with Total Tools Holdings Pty Ltd (Total Tools), which is the parent entity in the Total Tools Group, comprising the franchisor operations, 8 company-owned stores and ownership interests in 27 Total Tools independent retail stores (JV stores).

In June 2021, Metcash acquired an additional 15% interest in Total Tools increasing its ownership from 70% to 85%. The remaining shareholders in Total Tools have the right to put their 15% ownership interest to Metcash, via a put option, exercisable between 1 November 2023 and 31 January 2024. Metcash has the right to acquire the remaining 15% equity interest via a call option, exercisable at any time from 1 November 2023. The exercise price of the put option is based on a multiple of the Total Tools Group EBITDA over the 12-month period ending on 29 October 2023, adjusted for a number of items, including net debt and working capital and was valued at \$79.3 million at balance date.

In addition, Total Tools has ownership of between 51% and 60% in 27 Total Tools JV stores, including the 15 JV stores acquired in FY22 (refer note 6.1). Accordingly, at balance date, Metcash holds an effective ownership interest of between 43% and 51% in these JV Stores.

The Total Tools JV Store put option agreements allow individual minority shareholders to sell their remaining equity interests in the 27 JV Stores to Total Tools, subject to the satisfaction of certain criteria, exercisable between May 2024 and July 2024 (13 stores, valued at \$80.1 million) and between May 2025 and July 2025 (14 stores, valued at \$51.2 million). Metcash has the right to acquire the remaining equity interests via call options, exercisable at any time. The exercise price of the put options are based on a multiple of the respective store's EBITDA over the 12-month period immediately prior to the respective exercise dates, adjusted for a number of items, including net debt and working capital.

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

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

At balance date, the carrying amount of the Total Tools Group put option liabilities is \$210.6 million (FY21: \$194.8 million). Refer note 3.3 of the financial report for details in relation to the put option valuation adjustments recognised during the period.

##### Other put options

The Group has also recognised a liability of \$21.1 million (FY21: \$17.7 million) in respect of an additional three put options written over non-controlling interests in non-wholly owned subsidiaries within the Hardware pillar. These put option arrangements allow minority shareholders to sell their equity interests to Metcash, subject to specific terms and conditions. These put options are measured at the present value of the redemption amount under the option.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### Contingent put option liabilities

##### Ritchies Stores Pty Ltd (Ritchies) put option

The Group has a put option with Ritchies Stores Pty Ltd (Ritchies). Metcash has a 28.9% (FY21: 26.4%) ownership interest in Ritchies, which is recognised as an equity-accounted investment on the Group's balance sheet. The remaining shareholders in Ritchies have the right to put their 71.1% (FY21: 73.6%) ownership interests to Metcash, via put option, subject to a margin related annual financial hurdle ('hurdle') being achieved.

The put option can be exercised collectively by all shareholders during a prescribed period following the approval of Ritchies' annual audited financial report ('group put option' representing the remaining 71.1% shareholding) or in certain circumstances by individual minority shareholders within a prescribed period ('small shareholder put option').

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

Whilst the financial hurdle was achieved in respect of Ritchies' 2021 financial year, the group put option was not exercised in relation to that year. Metcash estimates that the group put option consideration payable to Ritchies shareholders in respect of the 2021 financial year would have been between \$310 million and \$320 million.

During FY22, eight small shareholders holding an aggregate of 13,750 shares (or 2.5% stake in Ritchies) exercised their option under the 'small shareholder put option' in relation to Ritchies' 2021 financial year, bringing Metcash's share in Ritchies to 28.9%.

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

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

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

##### Other put options

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

#### SIGNIFICANT ACCOUNTING POLICIES

Arrangements within certain business combinations entitle the non-controlling interests to require the Group to acquire their shareholding via exercise of a put option, 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 arrangement. The initial recognition of the put option liability is charged directly to retained earnings and the non-controlling interest is derecognised.

The put option liability is subsequently remeasured at each reporting date at the estimated put option exercise price, with any change in value recorded within the Statement of Comprehensive Income, together with the net present value interest unwind on the put option liability.

#### SIGNIFICANT ACCOUNTING ESTIMATE

The valuations used to determine the carrying amount of put option liabilities are based on forward looking key assumptions that are, by nature, uncertain. This requires an estimation of future earnings and cash flows which includes assumptions in relation to sales volume growth, cost of sales and costs of doing business.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### 5.4 Contributed equity and reserves

##### Contributed equity

	FY22		FY21	
	Number of shares	\$m	Number of shares	\$m
At 1 May	1,022,362,821	867.0	1,016,399,606	853.5
Share buyback and related costs, net of tax	(56,821,219)	(48.7)	—	—
Issued under equity raising, net of share issue costs	—	—	5,963,215	13.5
<b>At 30 April</b>	<b>965,541,602</b>	<b>818.3</b>	<b>1,022,362,821</b>	<b>867.0</b>

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Shares have no par value.

In August 2021, the Group completed an off-market buyback of 56,821,219 ordinary shares (or 5.6% of total shares in issue) for \$200.0 million. The ordinary shares were bought back at \$3.52 per share, which represented a 14% discount to Metcash market price of \$4.10 (being the volume weighted average price of Metcash ordinary shares on the ASX over the five trading days up to and including 13 August 2021). The buyback comprised a fully franked dividend of \$2.67 per share (\$151.7 million) and a capital component of \$0.85 per share (\$48.3 million). These amounts, along with \$0.4 million of transaction costs, were debited to the Company's profit reserve and share capital account, respectively. The shares bought back were subsequently cancelled.

In May 2020, Metcash issued 5,963,215 shares under its Share Purchase Plan ("SPP") at \$2.28 per share which raised \$13.5 million of equity, net of transaction costs.

##### Other reserves

	Share-based payments reserve	Foreign currency translation reserve	Cash flow hedge reserve	Total other reserves
	\$m	\$m	\$m	\$m
At 1 May 2020	2.6	(5.0)	0.1	(2.3)
Total comprehensive income, net of tax	—	(0.3)	(1.5)	(1.8)
Shares issued to employees	(6.3)	—	—	(6.3)
Share-based payments expense	8.7	—	—	8.7
<b>At 30 April 2021</b>	<b>5.0</b>	<b>(5.3)</b>	<b>(1.4)</b>	<b>(1.7)</b>
Movement in fair value of derivatives	—	—	0.9	0.9
Movement in foreign currency valuations	—	(0.9)	—	(0.9)
Total comprehensive (loss)/income, net of tax	—	(0.9)	0.9	—
Shares issued to employees	(9.4)	—	—	(9.4)
Share-based payments expense	7.7	—	—	7.7
<b>At 30 April 2022</b>	<b>3.3</b>	<b>(6.2)</b>	<b>(0.5)</b>	<b>(3.4)</b>

#### SIGNIFICANT ACCOUNTING POLICIES

##### Share-based payments reserve

The share-based payments reserve is used to record the value of equity benefits provided to executives as part of their remuneration. Once a performance right has lapsed the Group no longer has any obligation to convert these performance rights into share capital. The amount transferred to retained earnings represents the value of share-based payments previously recognised as an expense that have subsequently lapsed.

##### Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

##### Cash flow hedge reserve

The cash flow hedge reserve records the portion of the unrealised gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### 5.5 Dividends

	FY22 \$m	FY21 \$m
<b>DIVIDENDS PAID ON ORDINARY SHARES DURING THE YEAR</b>		
Final fully franked dividend for FY21: 9.5c (FY20: 6.5c)	97.1	66.5
Interim fully franked dividend for FY22: 10.5c (FY21: 8.0c)	101.4	81.8
	<b>198.5</b>	<b>148.3</b>
<b>DIVIDENDS DETERMINED (NOT RECOGNISED AS A LIABILITY AS AT 30 APRIL)</b>		
Final fully franked dividend for FY22: 11.0c (FY21: 9.5c)	106.2	97.1

On 27 June 2022, the Board determined to pay a fully franked FY22 final dividend of 11.0 cents per share, sourced from the profit reserve established by Metcash Limited (Parent Company), with a record date of 13 July 2022 and payable in cash on 10 August 2022. The Dividend Reinvestment Plan remains suspended with effect from 26 June 2017.

#### Franking credit balance of Metcash Limited

	FY22 \$m	FY21 \$m
Franking account balance as at the end of the financial year at 30% (FY21: 30%)	156.2	216.8
Franking credits that will arise from the payment of income tax payable at the reporting date	23.9	16.5
Franking credits on dividends determined but not distributed to shareholders during the year	(45.5)	(41.6)
	<b>134.6</b>	<b>191.7</b>

#### 5.6 Financial risk management

##### Objectives and policies

The Group's principal financial instruments comprise bank loans and overdrafts, leases, cash and short-term deposits and derivatives. The main purpose of these instruments is to finance the Group's operations. The Group also has various other financial assets and liabilities such as trade receivables and payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk, credit risk and foreign exchange risk. The Board reviews and agrees policies for managing each of these risks and they are detailed below. The objective of the Group's risk management policy is to support delivery of the Group's financial targets while protecting future financial security.

##### Liquidity risk and funding management

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and extreme circumstances. To limit this risk, the Group manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. The Group's primary sources of debt funding are syndicated, bilateral and working capital facilities, of which 33.6% (FY21: 1.2%) has been utilised at 30 April 2022. The Group monitors forecasts of liquidity reserves on the basis of expected cash flow.

##### Available credit facilities

At the reporting date, the Group had the following unused credit facilities available for its immediate use:

	Total facilities \$m	Debt usage \$m	Guarantees & other usage \$m	Facilities available \$m
<b>AT 30 APRIL 2022</b>				
Syndicated facilities	525.0	200.0	—	325.0
Working capital, including guarantees	250.0	45.0	6.3	198.7
Bilateral loans	126.5	51.5	—	75.0
	<b>901.5</b>	<b>296.5</b>	<b>6.3</b>	<b>598.7</b>
<b>AT 30 APRIL 2021</b>				
Syndicated facilities	675.0	—	—	675.0
Working capital, including guarantees	230.0	—	10.7	219.3
	<b>905.0</b>	<b>—</b>	<b>10.7</b>	<b>894.3</b>



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### Syndicated facilities

Syndicated bank loans are senior unsecured revolving facilities. The facilities are due to expire in May 2024 (\$100.0 million), September 2024 (\$125.0 million), September 2025 (\$100.0 million) and May 2026 (\$200.0 million). Interest is payable on the facilities based on BBSY plus a margin. The applicable margin is dependent upon an escalation matrix linked to the Senior Leverage Ratio achieved. These bank loans are subject to certain financial undertakings as detailed in note 5.2.

#### Working capital

Working capital bank loans are represented by four unsecured revolving facilities totalling \$250.0 million. These facilities mature in September 2022 (\$55.0 million), February 2023 (\$75.0 million) and July 2023 (\$120.0 million). Interest payable on any loans drawn under these facilities is based on BBSY or the RBA cash rate plus a margin. These bank loans are subject to certain financial undertakings as detailed in note 5.2.

#### Bilateral loans

Bilateral bank loans are represented by three unsecured revolving facilities totalling \$126.5 million. These facilities mature in June 2024 (\$26.5 million), June 2025 (\$50.0 million) and December 2028 (\$50.0 million). Interest payable on any loans drawn under these facilities is based on BBSY plus a margin. These bank loans are subject to certain financial undertakings as detailed in note 5.2.

#### Maturity analysis of financial liabilities based on contracted date

The following table reflects the gross contracted values of financial liabilities categorised by their contracted dates of settlement.

Gross settled derivatives comprise forward exchange contracts that are used to hedge anticipated purchase commitments. Under the terms of these agreements, the settlements at expiry include both a cash payment and receipt.

	1 year or less \$m	1 – 5 years \$m	More than 5 years \$m	Total \$m
<b>AS AT 30 APRIL 2022</b>				
Trade and other payables	2,321.9	—	—	2,321.9
Bank loans	50.0	209.6	51.5	311.1
Financial guarantee contracts	0.5	0.9	—	1.4
Other financial liabilities	1.9	—	—	1.9
Put options written over non-controlling interests	21.1	224.4	—	245.5
Lease liabilities	193.4	637.3	437.3	1,268.0
Derivative liabilities – gross settled:				
— Inflows	4.9	—	—	4.9
— Outflows	(4.9)	—	—	(4.9)
<b>Net maturity</b>	<b>2,588.8</b>	<b>1,072.2</b>	<b>488.8</b>	<b>4,149.8</b>
<b>AS AT 30 APRIL 2021</b>				
Trade and other payables	2,094.7	—	—	2,094.7
Financial guarantee contracts	0.4	—	—	0.4
Other financial liabilities	3.8	—	—	3.8
Put options written over non-controlling interests	17.4	191.6	—	209.0
Lease liabilities	189.9	526.1	570.0	1,286.0
Derivative liabilities – gross settled:				
— Inflows	30.4	—	—	30.4
— Outflows	(30.4)	—	—	(30.4)
<b>Net maturity</b>	<b>2,306.2</b>	<b>717.7</b>	<b>570.0</b>	<b>3,593.9</b>

#### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank debt obligations with a floating interest rate.

The Group's treasury policy provides percentage ranges across yearly periods for the interest rate hedging of net debt. Core debt is defined as the minimum level of drawn debt which is expected to occur over the year. At 30 April 2022, Metcash has \$296.5 million (FY21: nil) bank debt obligations and has not entered into interest rate swap contracts (FY21: nil).

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

At the reporting date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that, except as indicated, are not designated in cash flow hedges:

	FY22 \$m	FY21 \$m
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	104.7	124.6
<b>FINANCIAL LIABILITIES</b>		
Bank loans – syndicated	(200.0)	—
Bank loans – working capital	(45.0)	—
Bank loans – bilateral	(51.5)	—
<b>Net exposure</b>	<b>(191.8)</b>	<b>—</b>

#### Sensitivity analysis

As the Group's treasury policy requires core debt to be appropriately hedged, there are no reasonably likely changes in interest rates that are expected to have a material impact on the Group's net profit after tax and other comprehensive income.

#### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

#### Trade receivables and loans

The Group trades with a large number of customers and it is Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, where a loan has been provided, the Group will obtain security over certain assets of the customer wherever possible.

Receivables and loans are monitored on an ongoing basis and a formal review of all balances occurs every six months to measure impairment losses. As identified in note 4.1, the current level of impairment provision represents 3.3% (FY21: 3.4%) of the Group's receivables and loans.

#### Lease receivables

The Group is exposed to credit risk on 'back-to-back' arrangements contained within its property leases where Metcash has subleased properties to retailers. The Group regularly reviews material lease arrangements on an ongoing basis and a formal review of all leases occurs every six months to measure impairment losses. Refer note 4.2 for further details.

#### Others

There are no other significant concentrations of credit risk within the Group.

#### Foreign exchange risk

The Group is exposed to foreign exchange fluctuations on transactions and balances in respect of its operations in New Zealand. This operation represents less than 5% of the Group's total sales revenue and total profit after tax.

In addition, the Group undertakes some foreign currency transactions when purchasing goods and services. The Group enters into forward foreign exchange contracts to manage the risk associated with anticipated purchase commitments denominated in foreign currencies.

The amount of foreign exchange cover is based on anticipated future purchases in light of current conditions in foreign markets, commitments from customers and experience.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### SIGNIFICANT ACCOUNTING POLICIES

Derivative financial instruments are initially recognised at fair value on the date at which a derivative contract is entered into and are subsequently remeasured to fair value.

The fair value of derivative contracts is determined by reference to market values for similar instruments. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to the Statement of Comprehensive Income for the year.

Instruments that meet the strict criteria for hedge accounting are classified as:

- fair value hedges, when they hedge the exposure to changes in the fair value of a recognised asset or liability; or
- cash flow hedges, when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction.

#### Fair value hedges

The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the Statement of Comprehensive Income as finance costs. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the Statement of Comprehensive Income.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the Statement of Comprehensive Income.

#### Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and carried forward to the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Statement of Comprehensive Income as finance costs.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the Statement of Comprehensive Income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects the Statement of Comprehensive Income.

#### Current versus non-current classification

Derivative instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances including the underlying contracted cash flows.

## 5.7 Capital management

For the purpose of the Group's capital management, capital includes all accounts classified as equity on the Statement of Financial Position. The Board's intention is to continue to invest in the business for future growth while maintaining a strong financial position and otherwise to assess returning surplus capital to shareholders.

On 27 June 2022, the Board determined to pay a fully franked FY22 final dividend of 11.0 cents per share. The FY22 final dividend represents a full year dividend payout ratio of ~70% of underlying profit after tax.

The Board and management set out to maintain appropriate Statement of Financial Position ratios. Certain Statement of Financial Position ratios are also imposed under the Group's banking facilities (refer to note 5.2).

Management monitor capital through the debt leverage ratio (net debt / underlying EBITDA - depreciation of ROU assets). The FY22 debt leverage ratio was 0.36x, which reflects a low gearing position.

No changes were made to the overall objectives, policies or processes for managing capital during the year.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### 6. GROUP STRUCTURE

##### 6.1 Business combinations and acquisition of additional interest in associate and subsidiaries

###### Acquisition of additional interest in the Total Tools Group

On 28 June 2021, Metcash acquired an additional 15% interest in Total Tools Holdings Pty Ltd, increasing its ownership from 70% to 85%. Cash consideration of \$59.4 million was paid to the non-controlling shareholders. The associated carrying amount of the put option held by the non-controlling shareholders of \$62.6 million was extinguished, resulting in a gain of \$3.2 million as follows:

	\$m
Consideration paid	59.4
Put option liability partly derecognised	(62.6)
<b>Difference recognised in significant items in the Statement of Comprehensive Income</b>	<b>(3.2)</b>

###### Acquisition of subsidiaries

###### Total Tools 'JV stores'

In FY22, Total Tools acquired ownership interests of between 51% and 60% in 15 Total Tools independent retail stores. Accordingly, Metcash holds an effective ownership interest of between 43% and 51% in these 'JV Stores'.

Details of the purchase consideration and the provisional fair values of the net assets acquired at the date of acquisition are as follows:

	Total Tools JV Stores \$m
<b>Net assets acquired</b>	
Cash and cash equivalents	7.9
Trade and other receivables	7.2
Inventories	26.1
Trade payables and provisions	(19.3)
Property, plant and equipment	3.3
Other assets	0.3
Deferred tax assets	1.7
Income tax payable	(2.5)
<b>Net identifiable assets acquired (a)</b>	<b>24.7</b>
Non-controlling interest	(10.2)
Goodwill	23.1
<b>Total purchase consideration</b>	<b>37.6</b>

(a) Net identifiable assets acquired include \$18.1 million of right-of-use assets and lease liabilities.

From their respective dates of acquisition, the Total Tools JV stores contributed \$66.7 million of sales revenue and \$5.1 million of earnings before interest and tax (EBIT) to the Metcash Group, with 14 of the 15 JV stores having been acquired during December 2021.

###### Put and call options written over non-controlling interests

In accordance with the AASB 10 *Consolidated Financial Statements*, the Group has recognised financial liabilities for the Total Tools JV Store put options at their provisional fair values totalling \$55.0 million and has derecognised the non-controlling interests of (\$10.2 million) related to the acquisitions. Details of these put options are set out in note 5.3 of the financial report. As at the date of acquisition, the net amount of \$44.8 million has been recognised as an adjustment to retained earnings as shown below:

	\$m
Non-controlling interests derecognised	10.2
Adjustment recognised directly in equity (retained earnings)	44.8
<b>Fair value of put options recognised as a financial liability</b>	<b>55.0</b>

Any changes in the value of the put option financial liabilities that occur subsequent to initial recognition will be recognised in the Statement of Comprehensive Income and will be disclosed within significant items. Refer note 3.3 for further details.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### Purchase consideration – cash outflow

	\$m
Cash consideration	37.6
Less: Cash and cash equivalents acquired	(7.9)
<b>Net cash outflow – investing activities</b>	<b>29.7</b>

Transaction costs of \$1.4 million incurred in relation to the acquisition of the Total Tools JV stores and the additional 15% ownership interest in the Total Tools Group are included in significant items in the Statement of Comprehensive Income and in operating cash flows in the Statement of Cash Flows.

#### Other subsidiaries acquired

During the year, the Group also entered into a number of other business combinations that were not material to the Group, individually or in aggregate. The total cash purchase price consideration for these businesses was \$14.7 million, of which \$3.8 million is allocated to goodwill.

The accounting for the above business combinations is provisional as at 30 April 2022.

#### SIGNIFICANT ACCOUNTING POLICIES

##### Business combinations

The acquisition of controlled entities is accounted for using the acquisition method of accounting. The acquisition method of accounting involves allocating the costs of the business combination to the acquisition date fair value of net assets acquired, including intangible assets, contingent liabilities and contingent consideration.

#### Acquisition of additional interest in associate

During the year, the Group acquired an additional 2.5% interest in the voting shares in Ritchies, increasing its ownership interest to 28.9% following the exercise of the 'small shareholder put options' by eight small shareholders. Cash consideration of \$11.0 million was paid to these shareholders. Refer note 5.3 for further details.

## 6.2 Parent entity information

	FY22 \$m	FY21 \$m
<b>STATEMENT OF FINANCIAL POSITION</b>		
Current assets – amounts receivable from subsidiaries	899.9	1,300.5
<b>Net assets</b>	<b>899.9</b>	<b>1,300.5</b>
Contributed equity (note 5.4)	818.3	867.0
Accumulated losses	(1,265.4)	(1,265.4)
Profit reserve	1,343.7	1,693.9
Share-based payments reserve	3.3	5.0
<b>Total equity</b>	<b>899.9</b>	<b>1,300.5</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>		
Net profit for the year	—	—
Total comprehensive income for the year, net of tax	—	—

#### Profit reserve

The parent entity, Metcash Limited, established a profit reserve in FY17 within its separate financial statements, in accordance with the Company's constitution. During the current financial year, the dividend component of the off-market buyback of \$151.7 million, the FY21 final dividend of \$97.1 million and the FY22 interim dividend of \$101.4 million were sourced and paid from the profit reserve.

#### Closed Group

The parent entity has provided guarantees as part of the Closed Group arrangements as disclosed in Appendix B.

#### Contingent liabilities

The contingent liabilities in relation to the parent entity are disclosed in note 7.3.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### 6.3 Related party disclosures

A list of the Group's subsidiaries is included in Appendix B and a list of equity-accounted investments is included in Appendix C.

##### Material transactions and balances with related parties – Group

	FY22 \$	FY21 \$
<b>TRANSACTIONS WITH RELATED PARTIES – EQUITY-ACCOUNTED INVESTMENTS</b>		
Sales revenue	1,332,521,928	1,318,698,814
Lease and other charges	996,955	1,217,712
Dividends received	9,827,925	6,048,119
Interest income from lease receivables	2,451,681	2,479,047
<b>BALANCES WITH RELATED PARTIES – EQUITY-ACCOUNTED INVESTMENTS</b>		
Trade receivables – gross	110,084,284	121,262,314
Provision for impairment loss	—	(148,148)
	<b>110,084,284</b>	<b>121,114,166</b>
Lease receivables – gross	48,694,583	52,661,428
Provision for impairment loss	—	—
	<b>48,694,583</b>	<b>52,661,428</b>

##### Parent entity

Details of the parent entity are set out in note 6.2.

##### Compensation of key management personnel of the Group

	FY22 \$	FY21 \$
Short-term	12,062,190	11,976,242
Long-term	246,519	315,344
Post-employment	198,161	172,528
Share-based payments	3,180,421	2,999,209
	<b>15,687,291</b>	<b>15,463,323</b>

Other transactions with key management personnel

- Mr Rob Murray is a director of Southern Cross Media Group Limited and Advisory Chairman of Hawkes Brewing Company.
- Ms Helen Nash is a director of Inghams Group Limited and Southern Cross Media Group Limited.
- Mr Peter Birtles is a director of GWA Group Limited.
- Ms Christine Holman is a director of CSR Limited, McGrath Foundation and Collins Food Group Pty Ltd.
- Ms Margaret Haseltine is a director of Real Pet Food Company Pty Ltd.

Metcash has business relationships with the above entities, including supply and purchase of trading goods and services. All transactions with the above entities are conducted on an arm's length basis in the ordinary course of business.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

## 7. OTHER DISCLOSURES

### 7.1 Share-based payments

#### Description of share-based payment arrangements

In FY22, the Group had the following share-based incentive schemes for employees:

Scheme name	Description
<b>SHORT-TERM INCENTIVES (STI SCHEMES)</b>	
FY22 at-risk STI plan – deferred component	The FY22 at-risk STI plan included a 33% (Group CEO) and 25% (other KMP and senior executives) deferred component which will be released through the issue of performance rights conditional upon the executives remaining employed by the Company until 15 April 2023.
FY21 at-risk STI plan – deferred component	The FY21 at-risk STI plan included a 33% (Group CEO) and 25% (other KMP and senior executives) deferred component which was released through the issue of performance rights to executives who remained employed by the Company until 15 April 2022.
<b>LONG-TERM INCENTIVES (LTI SCHEMES)</b>	
FY22-FY24 LTI grant	This grant was issued to KMP and senior executives during FY22 and is subject to two performance conditions: Return on Funds Employed ('ROFE') and Total Shareholder Returns ('TSR') over a three-year period from 1 May 2021 to 30 April 2024.
FY21-FY23 LTI grant	This grant was issued to KMP and senior executives during FY21 and is subject to two performance conditions: Return on Funds Employed ('ROFE') and Total Shareholder Returns ('TSR') over a three-year period from 1 May 2020 to 30 April 2023.
FY20-FY22 LTI grant	This grant was issued to KMP and senior executives during FY20 and is subject to two performance conditions: Return on Funds Employed ('ROFE') and Total Shareholder Returns ('TSR') over a three-year period from 1 May 2019 to 30 April 2022.
FY22 Group CEO buy-out grant	This grant was issued to the Group CEO during FY22 and is subject to two performance conditions: Service condition and a forecast achievement of a minimum Group underlying EBIT hurdle over two annual performance periods that are measured between 1 February 2022 and 31 January 2024. The EBIT hurdles align to the Group's annual budget and STI metrics. In addition, the Group CEO's ongoing performance and behaviours must be deemed as acceptable over each performance period by the Board.
FY22 CEO Food retention LTI grant	This grant was issued to the CEO Food during FY22 and is subject to two performance conditions: Service condition and a forecast achievement of a minimum Food underlying EBIT hurdle over three annual performance periods that are measured between 1 October 2021 and 30 September 2024. The EBIT hurdles align to the Food pillar's annual budget and STI metrics. In addition, the CEO Food's ongoing performance and behaviours must be deemed as acceptable over each performance period by the Board.
<i>Project Horizon</i> LTI plan	This grant was issued to employees dedicated to <i>Project Horizon</i> during FY22 and is subject to two performance conditions: Service condition and performance conditions such as quality and timing of the deliverables, cost of the program and value of the benefits realised.

The STI schemes (deferred component) and LTI schemes are also subject to service conditions, usually from grant date to the date of the allocation of shares.

The FY20-FY22 LTI is expected to vest at 100%. These vested performance rights will be converted to shares and allocated to the participants under the rights plan on 15 August 2022.

As foreshadowed in FY21, the FY19-FY21 LTI plan partially vested on 15 August 2021 at 90% which was equivalent to 1,686,728 performance rights. Each performance right entitled the participant to one Metcash share. Metcash acquired 1,374,136 shares on market and allocated these to the participants on 15 August 2021. The balance relating to good leavers was settled in cash.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### Measurement of fair values

##### FY22 at-risk STI plan – deferred component

The 33% (Group CEO) and 25% (other KMP and senior executives) components of the FY22 at-risk STI plan will be deferred and released through the issue of Metcash performance rights conditional upon the executive remaining employed by the Company until 15 April 2023. The number of performance rights will be calculated by dividing 33% (Group CEO) and 25% (other KMP and senior executives) of the STI award dollar value by the volume-weighted average price (VWAP) of Metcash ordinary shares over the 20 trading days ended 30 April 2022 of \$4.65 per share. The FY22 expense for the FY22 at-risk STI plan – deferred component has been based on an estimate of the fair value of the performance rights. The fair value per grant will be determined in accordance with AASB 2 *Share-based payments* at grant date.

##### FY21 at-risk STI plan – deferred component

The 33% (Group CEO) and 25% (other KMP and senior executives) components of the FY21 at-risk STI plan was deferred and released through the issue of Metcash performance rights conditional upon the executive remaining employed by the Company until 15 April 2022. The number of performance rights was calculated by dividing 33% (Group CEO) and 25% (other KMP and senior executives) of the STI award dollar value by the volume-weighted average price (VWAP) of Metcash ordinary shares over the 20 trading days ended 30 April 2021 of \$3.74 per share. The fair value per grant was determined in accordance with AASB 2 *Share-based payments* at grant date.

##### Performance rights

The weighted average inputs to the valuation of the STI deferred component and LTI performance rights valued at grant date using the Black-Scholes option pricing model are as follows:

	At-risk STI deferred FY21	LTI FY22–FY24 (ROFE)	LTI FY21–FY23 (ROFE)	LTI FY20–FY22 (ROFE)	FY22 Group CEO buy-out grant	FY22 CEO Food retention LTI grant	Project Horizon LTI plan
Dividend yield	4.5%	4.5%	4.2%	4.8%	4.5%	4.5%	4.5%
Risk free rate	0.1%	0.1%	0.1%	1.0%	0.1%	0.1%	0.1%
Expected volatility	35%	35%	37%	31%	35%	35%	35%
Days to vesting	274	1,095	895	1,121	546	357	1,094
Share price at grant date	3.97	3.98	3.62	2.81	4.01	4.00	3.92
Fair value at grant date	3.73	3.44	3.28	2.66	3.89	3.62	3.44

The weighted average inputs to the valuation of performance rights valued at grant date by an external specialist using the Monte Carlo option pricing model are as follows:

	LTI FY22–FY24 (TSR)	LTI FY21–FY23 (TSR)	LTI FY20–FY22 (TSR)
Dividend yield	4.5%	4.2%	4.8%
Risk free rate	0.1%	0.1%	1.0%
Expected volatility	35%	37%	31%
Days to vesting	1,095	895	1,121
Share price at grant date	3.98	3.62	2.81
Fair value at grant date	1.74	2.30	1.23

Service and non-market performance conditions attached to the grants were not taken into account in measuring fair value. Market performance conditions associated with the grants have been reflected in the fair value measurement. Expected volatility is based on an evaluation of the historical volatility of Metcash's share price, particularly over the historical period commensurate with the expected term. Performance rights are only exercisable on their vesting date.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### SIGNIFICANT ACCOUNTING POLICIES

##### Share-based payment transactions

The Group provides a portion of senior executive and key employee remuneration as equity-settled share-based payments, in the form of performance rights.

The value of the performance rights issued is determined on the date which both the employee and the Group understand and agree to the share-based payment terms and conditions (grant date). The value at grant date is based upon the fair value of a similar arrangement between the Group and an independent third party and is determined using an appropriate valuation model. The fair value does not consider the impact of service or performance conditions, other than conditions linked to the share price of Metcash Limited (market conditions).

The fair value of performance rights is recognised as an expense, together with a corresponding increase in the share-based payments reserve within equity, over the period between the grant date and the date on which the employee becomes fully entitled to the award (vesting date). This expense is recognised cumulatively by estimating the number of performance rights expected to vest. This estimate is formed based on the best available information at the reporting date. No adjustment is made for the likelihood of market conditions being met as the effect of these conditions is included in the determination of fair value at grant date. Where the performance rights are cancelled, any expense not yet recognised for the award is recognised immediately.

The dilutive effect, if any, of outstanding performance rights are reflected as additional share dilution in the computation of earnings per share.

#### Reconciliation of outstanding performance rights

The following table illustrates the movement in the number of performance rights during the year:

	FY22 Number	FY21 Number
Outstanding at the beginning of the year	6,496,163	6,370,539
Granted during the year	4,349,521	3,022,580
Vested/exercised during the year	(2,347,360)	(2,098,672)
Expired/forfeited during the year	(888,234)	(798,284)
<b>Outstanding at the end of the year</b>	<b>7,609,890</b>	<b>6,496,163</b>

The outstanding balance of performance rights as at 30 April 2022 is represented by:

Scheme name	Vesting date	Total outstanding (number)	Exercisable (number)	Remaining contractual life
LTI FY22 – FY24	15 August 2024	2,143,700	—	2 years 4 months
LTI FY21 – FY23	15 August 2023	2,590,366	—	1 year 4 months
LTI FY20 – FY22 <sup>1</sup>	15 August 2022	2,004,471	—	4 months
FY22 Group CEO buy-out grant	As soon as practicable <sup>2</sup>	320,856	—	9 months to 1 year and 9 months
FY22 CEO Food retention LTI grant	As soon as practicable <sup>3</sup>	267,380	—	5 months to 2 years and 5 months
<i>Project Horizon</i> LTI plan	15 August 2024	251,031	—	2 years 4 months
Others	15 August 2022	32,086	—	4 months
<b>Total outstanding at the reporting date</b>		<b>7,609,890</b>		

1. The FY20-FY22 LTI performance rights plan is expected to vest on 15 August 2022 at 100% subject only to the employees remaining in employment until 15 August 2022. These vested performance rights will be converted to shares and allocated to the participants under the Rights Plan on 15 August 2022.
2. This LTI comprises two tranches which will be tested independently and will vest as soon as is practicable after 31 January 2023 and 31 January 2024 respectively, following Board review and approval.
3. This LTI comprises three tranches which will be tested independently and will vest as soon as is practicable after 30 September 2022, 30 September 2023 and 30 September 2024 respectively, following Board review and approval.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### Key terms and conditions

All performance rights associated with the above schemes are equity-settled performance rights and were issued under the Metcash Executives and Senior Managers Performance Rights Plan (Rights Plan). Fully paid ordinary shares issued under this plan rank equally with all other existing fully paid ordinary shares in respect of voting and dividend rights.

The key terms of the 'LTI' and 'STI plan – deferred component' plans include:

1. Each performance right is an entitlement to receive a fully paid ordinary share in the Company on terms and conditions determined by the Board, including vesting conditions linked to service and performance over the contractual life of the rights;
2. Performance rights which do not vest are forfeited;
3. Performance rights are offered at no cost to participants;
4. Performance rights do not carry voting or dividend rights, however shares allocated upon vesting of performance rights will carry the same rights as other ordinary shares;
5. Ordinarily, in the event of cessation of employment, unvested performance rights will lapse; however, this is subject to Board discretion, which may be exercised in circumstances including death and disability, retirement, redundancy or special circumstances;
6. When testing performance conditions, the Board has full discretion in relation to its calculation and to include or exclude items if appropriate, including to better reflect shareholder expectations or management performance;
7. Some or all of a participant's performance rights may vest even if a performance condition has not been satisfied, if, using its discretion, the Board considers that to do so would be in the interests of the Group; and
8. If there is a change in control of the Group, the Board retains full discretion to vest or lapse some or all performance rights.

#### 7.2 Auditors remuneration

	FY22 \$	FY21 \$
Amounts received or due and receivable by the auditor of the parent entity and any other entity in the Group for:		
– Auditing the statutory financial report of the parent entity covering the Group and the statutory financial report of any controlled entities	2,021,000	1,825,000
– Fees for other assurance and agreed-upon procedure services	134,000	58,000
– Fees for tax compliance and other	335,000	399,000
	<b>2,490,000</b>	<b>2,282,000</b>

#### 7.3 Commitments and contingent liabilities

##### Commitments

##### *Capital expenditure commitments*

The Group had no material commitments for capital expenditure at 30 April 2022 (FY21: nil).

##### Contingent liabilities

	FY22 \$m	FY21 \$m
Bank guarantees to third parties in respect of property lease obligations	4.3	8.7
Bank guarantees in respect of Work Cover	2.0	2.0

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### 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 \$40.0 million (FY21: \$37.2 million).

Had the guarantee been exercised at 30 April 2022, the amount payable would have been \$31.2 million (FY21: \$35.2 million). The fair value of the financial guarantee contract at the reporting date was \$1.4 million (FY21: \$0.4 million) and is recognised as a financial liability.

#### Put options

Put options, including in relation to Ritchies Stores Pty Ltd, are detailed along with other contingent liabilities in note 5.3 of the financial statements.

#### 7.4 Subsequent events

In May 2022, Metcash announced that it entered into an agreement with Australian United Retailers Limited (AUR) to supply its national network of supermarkets and convenience stores, including its FoodWorks bannered supermarkets, for a further five-year period, commencing 1 July 2022. In addition, the Group also announced that it extended the term of its agreement to supply Drakes Supermarkets stores in Queensland for a further five years, up to 3 June 2029.

On 27 June 2022, Metcash announced that it has signed a long-term lease agreement with the Goodman Group for the construction and leasing of a new 'best in class' wholesale Distribution Centre (DC) at Truganina, Victoria. The new ~115,000m<sup>2</sup> DC, which will replace Metcash's existing ~90,000m<sup>2</sup> DC at Laverton, is expected to help further improve the competitiveness of our independent retailers in Victoria through delivery of greater efficiencies and by providing access to a wider range of products. It is also expected to benefit local suppliers by providing an efficient route to market through access to Metcash's extensive distribution network. Construction of the DC is scheduled to commence in the first half of FY23, with completion expected mid-2024.

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### APPENDIX A – NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS

##### (a) New or amended Accounting Standards and Interpretations

Several other amendments and interpretations apply for the first time in FY22, but do not have an impact on the financial report of the Group. These are as follows:

- AASB 2019-3 *Amendments to AASB 7, AASB 9 and AASB 139 Interest Rate Benchmark Reform on Hedge Accounting*
- AASB 2021-3 *Amendments to AASs – COVID-19-Related Rent Concessions beyond 30 June 2021*

##### (b) Australian Accounting Standards issued but not yet effective

A number of new accounting standards (including amendments and interpretations) have been issued but were not effective as at 30 April 2022. The following are the pronouncements that the Group has elected not to early adopt in these financial statements:

- Amendments to AASB 101: *Classification of Liabilities as Current or Non-current*
- Amendments to AASB 3: *Reference to Conceptual Framework*
- Amendments to AASB 9: Fees in the '10 per cent' test for derecognition of financial liabilities
- Amendments to AASB 108: *Definition of Accounting Estimates*
- Amendments to AASB 1 and AASB Practice Statement 2: *Disclosure of Accounting Policies*
- Amendments to AASB 116: *Property, Plant and Equipment: Proceeds before Intended Use*
- Amendments to AASB 137: *Onerous Contracts – Costs of Fulfilling a Contract*

The above standards are not expected to have a significant impact on the Group's financial statements in the year of their initial application.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### APPENDIX B – INFORMATION ON SUBSIDIARIES

Metcash Limited is the ultimate parent entity of the group. The consolidated financial statements include the financial statements of Metcash Limited and the Subsidiaries listed in the following table. All entities are incorporated in Australia except where specifically identified.

	FY22 %	FY21 %		FY22 %	FY21 %
<b>ENTITIES WITHIN THE CLOSED GROUP</b>			Independent Hardware Group Pty Ltd	100	100
Action Holdings Pty Ltd	100	100	Interfrank Group Holdings Pty Limited	100	100
Action Supermarkets Pty Ltd	100	100	Jewel Food Stores Pty Ltd	100	100
Australian Asia/Pacific Wholesalers Pty Ltd	100	100	JV Pub Group Pty Ltd	100	100
Australian Hardware Distributors Pty. Limited	100	100	K&B Timber and Hardware Pty Ltd	100	100
Australian Hardware Support Services Pty Ltd	100	100	Keithara Pty Ltd	100	100
Australian Liquor Marketers (QLD) Pty Ltd	100	100	Liquor Traders Pty Ltd	100	100
Australian Liquor Marketers (WA) Pty Ltd	100	100	Liquorsmart Pty Ltd	100	100
Australian Liquor Marketers Pty. Limited	100	100	M-C International Australia Pty Limited	100	100
Big Bargain Bottleshops Australia Pty Ltd	100	100	Mega Property Management Pty Ltd	100	100
Capeview Hardware Pty Ltd	100	100	Metcash Food & Grocery Convenience Division Pty Limited	100	100
City Ice & Cold Storage Company Proprietary Limited	100	100	Metcash Food & Grocery Pty Ltd	100	100
Clancy's Food Stores Pty Ltd	100	100	Metcash Holdings Pty Ltd	100	100
Composite Buyers Finance Pty Ltd	100	100	Metcash Management Pty Limited	100	100
Composite Buyers Pty Limited	100	100	Metcash Services Proprietary Limited	100	100
Community Co Australia Pty Ltd	100	100	Metcash Storage Pty Limited	100	100
Danks Holdings Pty Limited	100	100	Metcash Trading Limited	100	100
Davids Foodservices Pty Ltd	100	100	Metro Cash & Carry Pty Limited	100	100
Davids Group Staff Superannuation Fund Pty. Ltd.	100	100	Mirren (Australia) Pty Ltd	100	100
Echuca Hardware Pty Ltd	100	100	Mitre 10 Australia Pty Ltd	100	100
Foodland Properties Pty Ltd	100	100	Mitre 10 Mega Pty Ltd	100	100
Foodland Property Holdings Pty Ltd	100	100	Mitre 10 Pty Ltd	100	100
Franklins Pty Limited	100	100	Narellan Hardware Pty Ltd	100	100
Franklins Supermarkets Pty Limited	100	100	National Retail Support Services Pty Ltd	100	100
Fresco Supermarket Holdings Pty Ltd	100	100	Payless Superbarn (N S W) Pty Ltd	100	100
Garden Fresh Produce Pty Ltd	100	100	QIW Pty Limited	100	100
G Gay Hardware Pty Ltd	100	100	Queensland Independent Wholesalers Pty Limited	100	100
Global Liquor Wholesalers Pty Limited	100	100	Quickstop Pty Ltd	100	100
Hammer Hardware Stores Pty Ltd	100	100	Roma Hardware Pty Ltd	100	100
Hardings Hardware Pty Ltd	100	100	SE Hardware Pty Limited	100	100
Himaco Pty Ltd	100	100	South Coast Operations Pty Ltd	100	100
Home Hardware Australasia Pty Ltd	100	100	South West Operations Pty Ltd	100	100
Home Timber & Hardware Group Pty Ltd	100	100	Thrifty-Link Hardware Pty Ltd	100	100
Homestead Hardware Australasia Pty Ltd	100	100	Timberten Pty Ltd	100	100
HTH Events Pty Ltd	100	100	UIAL NSW/ACT Pty Ltd	100	100
HTH Stores Pty Limited	100	100	UIAL Tasmania Pty Ltd	100	100
Hudson Building Supplies Pty Limited	100	100	Vawn No 3 Pty Ltd	100	100
IGA Community Chest Limited	100	100	W.A. Hardware Services Pty. Ltd	100	100
IGA Distribution (SA) Pty Limited	100	100			
IGA Distribution (Vic) Pty Limited	100	100	<b>ENTITIES OUTSIDE OF THE CLOSED GROUP</b>		
IGA Distribution (WA) Pty Limited	100	100	Central Timber 10 Pty Ltd	50	50
IGA Fresh (Northern Queensland) Pty Limited	100	100	Faggs Geelong Pty Ltd	90	90
IGA Fresh (NSW) Pty Limited	100	100	Finlayson Installations Pty Ltd	100	100
IGA Retail Services Pty Limited	100	100	Finlayson Timber & Hardware Pty Ltd	100	100
Independent Brands Australia Pty Limited	100	100	Foodland Property Unit Trust	100	100
			Feldman Tools Pty Ltd	51	42
			Futura Machinery Sales and Service Pty Ltd	51	42

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

	FY22 %	FY21 %		FY22 %	FY21 %
Gympie Property Investment Pty Ltd	84.7	84.7	TT Brookvale Pty Ltd	85	70
Hardware Property Trust	100	100	Total Tools Fyshwick Pty Ltd <sup>1</sup>	43.4	35.7
IGA Retail Network Limited	50	50	Toolshack Pty Ltd <sup>1</sup>	43.4	35.7
Metoz Holding Limited (incorporated in South Africa) (In liquidation)	100	100	TT Brooklyn Pty Ltd <sup>1</sup>	43.4	35.7
Mitre 10 Mega Property Trust	100	100	TT Darwin Pty Ltd <sup>1</sup>	43.4	35.7
Napier Liquor Merchants Limited (incorporated in New Zealand)	100	-	TT Geelong Pty Ltd <sup>1</sup>	43.4	35.7
NFRF Developments Pty Ltd	51	51	TT Melton Pty Ltd <sup>1</sup>	43.4	35.7
Northern Hardware Group Pty Ltd	84.7	84.7	TT South Melbourne Pty Ltd <sup>1</sup>	43.4	35.7
Nu Fruit Pty. Ltd.	51	51	TT Adelaide West Pty Ltd	51	42
Produce Traders Trust	100	100	TT Mackay Pty Ltd	51	42
Rainbow Unit Trust	100	100	TT Albury Pty Ltd <sup>1</sup>	43.4	—
Rainfresh Vic Pty Ltd	51	51	Total Tools Wagga Wagga Pty Ltd <sup>1</sup>	43.4	—
Retail Merchandise Services Pty Limited	100	100	TT Traralgon Pty Ltd	51	—
Sunshine Hardware Pty Ltd	84.7	84.7	TT Ferntree Gully Pty Ltd	51	—
Tasman Liquor Company Limited (incorporated in New Zealand)	100	100	TT Kilsyth Pty Ltd	51	—
Tasmania Hardware Pty Ltd	80	80	TT Dandenong Pty Ltd	51	—
Timber and Hardware Exchange Pty Ltd	68.4	68.4	TT Narre Warren Pty Ltd	51	—
Total Tools (Importing) Pty Ltd	85	70	TT Mitcham Pty Ltd	51	—
Total Tools Commercial Pty Ltd	85	70	MOTS Support Services Pty Ltd	85	—
Total Tools Holdings Pty Ltd	85	70	Phar Management Pty Ltd <sup>1</sup>	43.4	—
Total Tools Industrial Pty. Limited	85	70	Alltools (Pakenham) Pty Ltd	51	—
Total Tools Licensing Pty Ltd	85	70	Four Of Six Pty Ltd	51	—
Total Tools Moorabbin Store Pty Ltd	85	70	Midland Tools Pty Ltd	51	—
Total Tools New Zealand Limited	85	70	Virginia Tools Pty Ltd	51	—
Total Tools Online Pty Ltd	85	70	Cado Tools Pty Ltd	51	—
Total Tools Stores Pty Ltd	85	70	Total Tools Preston Pty Ltd	51	—
			Wimbledon Unit Trust	100	100

1. The Group has an indirect ownership of 43.4% in these entities via its interest in Total Tools Holdings Pty Ltd. While the Group has beneficial ownership of less than 50% of these entities, the Group has control over key operating and financial decisions in these entities. Accordingly, these entities are accounted for as controlled entities.

#### Entities within the closed group as at 30 April 2022

Certain controlled entities of Metcash Limited, collectively referred to as the 'Closed Group', are party to a Deed of Cross Guarantee which meets the requirements of *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (Instrument)*. Pursuant to the Instrument, entities within the Closed Group that have lodged an opt-in notice with ASIC within the requisite time limits are granted relief from standalone financial reporting and audit requirements of the *Corporations Act 2001*. Under the Deed of Cross Guarantee, the entities within the Closed Group, including Metcash Limited, have guaranteed to pay any outstanding debts or claims in the event of a winding up of any other entity within the Closed Group.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### Summary Statement of Comprehensive Income of the Closed Group

	FY22 \$m	FY21 \$m
Distributions from subsidiaries outside the Closed Group	10.6	4.6
Other net income	322.9	302.7
Significant items	(53.8)	(17.0)
<b>Profit before income tax</b>	<b>279.7</b>	<b>290.3</b>
Income tax expense	(85.6)	(88.6)
<b>Net profit for the year</b>	<b>194.1</b>	<b>201.7</b>

#### Summary Statement of Financial Position of the Closed Group

	FY22 \$m	FY21 \$m
<b>ASSETS</b>		
Cash and cash equivalents	46.7	76.7
Trade receivables and loans	1,643.0	1,519.3
Lease receivables	40.3	41.1
Amounts due from related parties	13.1	—
Inventories	947.5	874.7
Other current assets	8.0	12.0
<b>Total current assets</b>	<b>2,698.6</b>	<b>2,523.8</b>
Investments	325.1	318.1
Lease receivables	232.2	236.8
Property, plant and equipment	193.7	191.3
Net deferred tax assets	124.3	114.5
Intangible assets and goodwill	604.8	562.1
Right-of-use assets	531.5	551.2
Other non-current assets	18.2	15.7
<b>Total non-current assets</b>	<b>2,029.8</b>	<b>1,989.7</b>
<b>Total assets</b>	<b>4,728.4</b>	<b>4,513.5</b>
<b>LIABILITIES</b>		
Trade and other payables	2,146.2	1,940.5
Lease liabilities	128.0	129.9
Interest-bearing borrowings	45.0	—
Income tax payable	25.5	22.3
Provisions	134.4	126.7
Put options and other financial liabilities	21.7	20.8
<b>Total current liabilities</b>	<b>2,500.8</b>	<b>2,240.2</b>
Interest-bearing borrowings	248.7	—
Lease liabilities	812.4	831.3
Amounts due to related parties	—	22.7
Provisions	39.8	41.7
Put options and other financial liabilities	80.2	124.6
<b>Total non-current liabilities</b>	<b>1,181.1</b>	<b>1,020.3</b>
<b>Total liabilities</b>	<b>3,681.9</b>	<b>3,260.5</b>
<b>Net assets</b>	<b>1,046.5</b>	<b>1,253.0</b>
<b>EQUITY</b>		
Contributed and other equity, opening balance	867.0	853.5
Share buyback and related costs	(48.7)	—
Equity raised, net of costs	—	13.5
<b>Contributed and other equity, closing balance</b>	<b>818.3</b>	<b>867.0</b>
Retained earnings, opening balance	387.7	456.7
Net profit for the year	194.1	201.7
Dividends paid	(198.5)	(148.3)
Share buyback and related costs	(151.7)	—
Recognition of put option liability	—	(113.4)
Share of associate's adjustment on initial adoption of AASB 16 Leases	—	(9.0)
<b>Retained earnings, closing balance</b>	<b>231.6</b>	<b>387.7</b>
<b>Other reserves</b>	<b>(3.4)</b>	<b>(1.7)</b>
<b>Total equity</b>	<b>1,046.5</b>	<b>1,253.0</b>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 APRIL 2022 CONTINUED

#### APPENDIX C – EQUITY-ACCOUNTED INVESTMENTS

Equity-accounted investments of the Group represent both associates and joint ventures and are structured through equity participation in separate legal entities. Metcash invests capital to support the independent retail network, strengthen relationships and fund growth. Relationships with co-investors are governed by contractual agreements which allow the Group to exercise either significant influence or joint control over these entities. Where the Group exercises joint control, key operating decisions are agreed unanimously, regardless of ownership interest.

The principal place of business for all of the Group's equity-accounted investments is Australia, with the exception of Metcash Export Services Pty Ltd, which primarily deals with customers in China.

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

Investee	Principal activities	Reporting date	FY22 %	FY21 %
<b>ASSOCIATES</b>				
Ritchies Stores Proprietary Limited	Grocery retailing	30 June	28.9	26.4
Dramet Holdings Pty Ltd	Grocery retailing	30 June	26.0	26.0
Metcash Export Services Pty Ltd	Grocery retailing	30 April	15.0	15.0
<b>JOINT VENTURES</b>				
Adcome Pty Ltd	Grocery retailing	30 April	45.0	45.0
BMS Retail Group Holdings Pty Ltd	Grocery retailing	30 June	49.0	49.0
Waltock Pty Ltd	Hardware retailing	30 June	49.0	49.0
LA United Pty Limited <sup>1</sup>	Liquor wholesaling	30 June	75.3	75.3
Liquor Alliance Proprietary Limited <sup>1</sup>	Liquor wholesaling	30 June	66.7	66.7

1. 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

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

1. In the opinion of the directors:
  - a. The financial statements, notes and the additional disclosures included in the directors' report designated as audited, of Metcash Limited are in accordance with the *Corporations Act 2001*, including:
    - i. Giving a true and fair view of the consolidated entity's financial position as at 30 April 2022 and of its performance for the year ended on that date; and
    - ii. Complying with Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*;
  - b. The financial statements and notes also comply with *International Financial Reporting Standards* as disclosed in Section 2; and
  - c. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 April 2022.
3. In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Appendix B will be able to meet any obligation or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

On behalf of the Board



**DOUG JONES**

Director

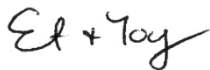
Sydney, 27 June 2022

## Auditor's Independence Declaration to the Directors of Metcash Limited

As lead auditor for the audit of the financial report of Metcash Limited for the financial year ended 30 April 2022, 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 audit;
- (b) No contraventions of any applicable code of professional conduct in relation to the audit; and
- (c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit

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



Ernst & Young



**CHRISTOPHER GEORGE**  
Partner  
27 June 2022

## Independent auditor's report to the members of Metcash Limited

### Report on the audit of the Financial Report

#### Opinion

We have audited the financial report of Metcash Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 April 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is 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 30 April 2022 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

## Impairment assessment for goodwill and other intangible assets

Why significant	How our audit addressed the key audit matter
<p>At 30 April 2022 the Group's consolidated statement of financial position includes goodwill and other intangible assets with a carrying value \$798.8 million, representing 15.4% of total assets. The Group recognised \$26.9 million, in goodwill and other intangible assets arising from business acquisitions during the year.</p> <p>The directors have assessed goodwill and other intangible assets for impairment. As disclosed within Note 4.7 to the financial statements, the assessment of the impairment of the Group's goodwill and other intangible assets incorporated significant judgments and estimates, based upon conditions existing as at 30 April 2022, specifically concerning factors such as forecast cashflows, discounts rates and terminal growth rates.</p> <p>The estimates and assumptions relate to the sustainability of future performance, market and economic conditions. Significant assumptions used in the impairment testing referred to above are inherently subjective.</p> <p>The disclosures in the financial report provide important information about the assumptions made in the impairment testing and the market conditions at 30 April 2022.</p> <p>Accordingly, we considered the impairment testing of goodwill and other intangible assets and the related disclosures in the financial report to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>▶ Assessed the Group's determination of the cash generating units (CGUs) used in the impairment model, based on our understanding of the nature of the Group's business and the economic environment in which the segments operate. We also considered internal reporting of the Group's results to assess how earnings and goodwill are monitored and reported</li> <li>▶ Assessed the Group's allocation of additional goodwill arising from business combinations to CGUs used in the impairment model</li> <li>▶ Assessed the cash flow forecasts, assumptions and estimates used by the Group, as outlined in Note 4.7 to the financial statements, by considering the reliability of the Group's historical cash flow forecasts, our knowledge of the business and corroborating data with external information where possible</li> <li>▶ Evaluated the appropriateness of discount and terminal growth rates applied with involvement from our valuation specialists</li> <li>▶ Tested the mathematical accuracy of the impairment testing models including the consistency of relevant data with latest Board approved forecasts</li> <li>▶ Performed sensitivity analysis on key assumptions including discount rates, terminal growth rates and EBIT forecasts for each of the Group's CGUs</li> <li>▶ Assessed the adequacy of the financial report disclosures contained in Note 4.7.</li> </ul>

## Accounting for Rebates

Why significant	How our audit addressed the key audit matter
<p>Note 4.3 of the financial report outlines the Group's accounting policy relating to supplier rebates, or supplier income as they are referred to in the financial report.</p> <p>The Group receives rebates and other similar incentives from suppliers which are determined based upon a number of measures which can include volumes of inventory purchased, sold, and the performance of promotional activities.</p> <p>We considered this to be a key audit matter as supplier rebates contributed significantly to the Group's results, there are a large number of specific agreements in place and some of the arrangements require judgment to be applied in determining the timing of rebate recognition and the appropriate classification within the financial statements based upon the terms of the agreement.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>▶ Evaluated the Group's processes and design of controls relating to the recognition and valuation of rebate amounts recognised and classified within the consolidated statement of comprehensive income</li> <li>▶ Assessed the operating effectiveness of relevant controls in place relating to the recognition and measurement of purchase-volume based, and non purchase-volume based rebates</li> <li>▶ Selected a sample of supplier rebates including non purchase-volume based rebates received and recorded as receivable at year-end and assessed whether the income was correctly calculated and recognised in the correct period</li> <li>▶ Considered the Group's assessment of the value of rebates associated with inventory on hand at year end that were deducted from the carrying value of inventory</li> <li>▶ Considered the impact of supplier claims during and subsequent to year end on amounts recognised</li> <li>▶ Inquired of the Group as to the existence of any non-standard agreements or side arrangements.</li> </ul>

## Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's 2022 Annual Report other than the financial report and our auditor's report thereon. We obtained the directors' report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on the audit of the Remuneration Report**

### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 18 to 34 of the Directors' report for the year ended 30 April 2022.

In our opinion, the Remuneration Report of Metcash Limited for the year ended 30 April 2022, complies with section 300A of the *Corporations Act 2001*.

### **Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Christopher George  
Partner  
Sydney  
27 June 2022