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

5 December 2022

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

Dear Sir/Madam

METCASH LIMITED – APPENDIX 4D AND FY23 HALF YEAR FINANCIAL REPORT

In accordance with ASX Listing Rule 4.2A, please find attached for release to the market the Appendix 4D and Financial Report (including the Directors' Report and Independent Auditor's Review Report) of Metcash Limited for the half year ended 31 October 2022.

These documents were authorised to be given to ASX by a Committee of the Board of Directors of Metcash Limited.

Yours faithfully

Julie Hutton
Company Secretary

METCASH GROUP

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

APPENDIX 4D FOR THE HALF YEAR ENDED 31 OCTOBER 2022 (1H23)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	1H23 $m	1H22 $m	Variance $m	Variance %
Sales revenue	**7,737.8**	**7,150.6**	**587.2**	**8.2**
Underlying earnings before interest, tax, depreciation and amortisation (EBITDA)	341.0	316.2	24.8	7.8
Depreciation and amortisation	(85.9)	(85.0)	(0.9)	(1.1)
Underlying earnings before interest and tax ('EBIT')	**255.1**	**231.2**	**23.9**	**10.3**
Net finance costs	(26.8)	(22.8)	(4.0)	(17.5)
Underlying profit before tax	228.3	208.4	19.9	9.5
Tax expense on underlying profit	(67.7)	(60.9)	(6.8)	(11.2)
Non-controlling interests	(0.7)	(0.9)	0.2	22.2
Underlying profit after tax ('UPAT') (i)	**159.9**	**146.6**	**13.3**	**9.1**
Significant items	(39.5)	(22.5)	(17.0)	(75.6)
Tax benefit attributable to significant items	5.3	4.7	0.6	(12.8)
Net profit for the year attributable to members	**125.7**	**128.8**	**(3.1)**	**(2.4)**
Underlying earnings per share (cents) (ii)	**16.6**	**14.6**	**2.0**	**13.7**
Reported earnings per share (cents)	13.0	12.9	0.1	0.8

(i) UPAT is defined as reported profit after tax attributable to equity holders of the parent, excluding significant items identified in Note 3.2 (vii) of Metcash's 2023 Half Year Financial Report.

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

EXPLANATORY NOTE ON RESULTS

Group reported revenue, which excludes charge-through sales[1], increased 8.2% to $7.7 billion (1H22: $7.2 billion). Including charge-through sales[1], Group revenue increased 7.8% to $8.9 billion (1H22: $8.2 billion) reflecting growth in all pillars despite cycling the impact of extensive lockdowns. This was underpinned by continued strong demand, inflation and acquisitions. On a three-year basis, which provides a comparison with pre-COVID trading, Group revenue including charge-through sales increased 31.7% on a normalised basis[2].

Group underlying EBIT increased 10.3% to $255.1 million, reflecting the robust sales performance and success of recent strategic acquisitions, partly offset by increased costs (fuel, freight and labour). On a three-year basis, Group underlying EBIT increased 63.8%.

The Food pillar continued to perform well, delivering EBIT growth of 3.2% despite cycling the impact of extensive lockdowns in New South Wales and Victoria. The lockdowns led to demand for Food being elevated in the prior corresponding half. On a three-year basis, Food EBIT is 11.1% higher.

In Hardware, EBIT increased 17.9% with growth in both IHG and Total Tools. Underlying demand in the Trade and DIY segments remained robust, and there was an increase in the contribution from majority-owned company and joint venture stores in IHG and Total Tools. Three-year EBIT growth in this pillar is 199.7%.

In Liquor, EBIT increased 11.3% reflecting the contribution from strong sales to retail customers, and a recovery in sales to on-premise customers post the lockdowns and easing of other COVID-related restrictions. The three-year EBIT growth in Liquor was 60.6%, with very little contribution from acquisitions.

Group underlying profit after tax[3] increased 9.1% to $159.9 million, and statutory profit after tax was $125.7 million, an increase of ~183% over three years[4]. Statutory profit after tax includes $34.2 million of after-tax significant items including put option valuation adjustments of $21.3 million and Project Horizon implementation costs of $12.8 million. Underlying earnings per share increased 13.7% to 16.6 cents, an increase on a three-year basis of 66.0% or 177.8% on a reported basis.

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 and Metcash ceased to supply Drakes in South Australia from September 2019. To enable comparison, normalised sales exclude the sales to Drakes and 7-Eleven in the relevant sales period, as appropriate.

3 Underlying profit after tax excludes significant items: put option valuation adjustments of $21.3 million, Project Horizon implementation costs of $12.8 million, Mega Distribution Centre transition costs of $1.5 million and a Covid-19 impairment reversal of $1.4 million (all post-tax).

4 1H20 Reported profit after tax includes asset impairments of $237.4 million.

This Appendix 4D should be read in conjunction with the Metcash 2022 Annual Report and the accompanying 2023 Half Year Financial Report.

APPENDIX 4D (CONTINUED)

FOR THE HALF YEAR ENDED 31 OCTOBER 2022

DIVIDENDS ON ORDINARY SHARES

On 5 December 2022, the Board determined to pay a fully franked FY23 interim dividend of 11.5 cents per share, sourced from the profit reserve established by Metcash Limited (Parent Company), with a record date of 21 December 2022 and payable in cash on 30 January 2023. The Dividend Reinvestment Plan remains suspended with effect from 26 June 2017.

OTHER DISCLOSURES

Net tangible assets[5] backing

At 31 October 2022, the net tangible assets was 23.5 cents per share (1H22: 39.3 cents per share).

Entities where control has been gained or lost

In 1H23, Total Tools acquired ownership interests of 60% in three Total Tools independent retail stores for $15.4 million. Accordingly, Metcash holds an effective ownership interest of 51% in these 'JV Stores'.

Other than the above, there were no changes in control that were material to the Group. Refer Note 5.2 of Metcash's 2023 Half Year Financial Report for further details.

STATEMENT OF COMPLIANCE

This report is based on the consolidated half year financial report of Metcash Limited and its controlled entities which has been reviewed by Ernst & Young. The financial report was lodged with the ASX on 5 December 2022.

Metcash Limited has a formally constituted audit committee.

On behalf of the Board

Doug Jones
Director
Sydney, 5 December 2022

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

FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 OCTOBER 2022

Supporting local

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

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Your Directors submit their report of Metcash Limited (the 'Company') and its controlled entities (together the 'Group' or 'Metcash') for the half year ended 31 October 2022 ('1H23').

BOARD INFORMATION

The directors in office during 1H23 and up to the date of this report are as follows:

Doug Jones (Chief Executive Officer)
Peter Birtles (Chairman)
Margaret Haseltine
Christine Holman
Mark Johnson (appointed 1 August 2022)
Murray Jordan
Helen Nash
Robert Murray (retired 31 August 2022)

Peter Birtles was appointed as Chairman on 1 August 2022.

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 remained in place as the retiring Group CEO to support Doug until his retirement on 6 October 2022.

REVIEW OF RESULTS AND OPERATIONS

Consolidated net profit for the period after income tax attributable to shareholders of the Company was $125.7 million (1H22: $128.8 million).

AUDITOR'S INDEPENDENCE

The auditor's independence declaration for the half year has been received and is included on page 17.

SUBSEQUENT EVENTS

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

ROUNDING

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

Signed in accordance with a resolution of the Directors.

Doug Jones
Director
Sydney, 5 December 2022

STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 OCTOBER 2022

	Notes	1H23 $m	1H22 $m
Sales revenue	3.1	7,737.8	7,150.6
Cost of sales		(6,833.2)	(6,349.1)
Gross profit		**904.6**	**801.5**
Other income	3.2	11.5	11.6
Share of profit from equity-accounted investments		10.5	6.9
Employee benefit expenses	3.2	(442.4)	(392.2)
Depreciation and amortisation	3.2	(85.9)	(85.0)
Lease expenses	3.2	(33.1)	(31.4)
Provisions for impairment, net of reversals	3.2	(14.6)	(10.3)
Other expenses		(95.5)	(69.8)
Finance costs, net	3.2	(26.8)	(22.8)
Significant items	3.2	(39.5)	(22.5)
Profit before income tax		**188.8**	**185.9**
Income tax expense		(62.4)	(56.2)
Net profit for the period		**126.4**	**129.7**
Other comprehensive income for the period, net of tax		0.5	2.3
Total comprehensive income for the period		**126.9**	**132.0**
Net profit for the period is attributable to:			
Equity holders of the parent		125.7	128.8
Non-controlling interests		0.7	0.9
		126.4	**129.7**
Total comprehensive income for the period is attributable to:			
Equity holders of the parent		126.2	131.1
Non-controlling interests		0.7	0.9
		126.9	**132.0**
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)		13.0	12.9
Diluted earnings per share (cents)		13.0	12.8

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 OCTOBER 2022

	Notes	1H23 $m	FY22 $m
ASSETS			
Current assets			
Cash and cash equivalents		56.3	104.7
Trade receivables and loans	4.1	1,885.5	1,764.0
Lease receivables		41.1	40.7
Inventories		1,226.7	1,125.2
Assets held for sale		7.7	9.2
Other financial assets		3.3	2.3
Total current assets		**3,220.6**	**3,046.1**
Non-current assets			
Trade receivables and loans	4.1	16.0	18.2
Lease receivables		229.3	234.4
Equity-accounted investments		111.5	102.5
Net deferred tax assets		145.2	139.6
Property, plant and equipment		261.0	245.9
Right-of-use assets		609.0	615.4
Intangible assets		862.4	798.8
Total non-current assets		**2,234.4**	**2,154.8**
TOTAL ASSETS		**5,455.0**	**5,200.9**
LIABILITIES			
Current liabilities			
Trade and other payables		2,432.7	2,321.9
Interest-bearing borrowings		25.0	45.0
Lease liabilities		142.3	148.1
Provisions		135.9	152.6
Income tax payable		16.7	33.8
Put options and other financial liabilities	4.2	18.4	23.5
Total current liabilities		**2,771.0**	**2,724.9**
Non-current liabilities			
Interest-bearing borrowings		395.7	248.7
Lease liabilities		906.5	882.5
Provisions		45.2	42.9
Put options and other financial liabilities	4.2	247.2	211.5
Total non-current liabilities		**1,594.6**	**1,385.6**
TOTAL LIABILITIES		**4,365.6**	**4,110.5**
NET ASSETS		**1,089.4**	**1,090.4**
EQUITY			
Contributed equity		818.3	818.3
Retained earnings		268.2	265.0
Other reserves		(8.4)	(3.4)
Equity holders of the parent		**1,078.1**	**1,079.9**
Non-controlling interests		11.3	10.5
TOTAL EQUITY		**1,089.4**	**1,090.4**

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

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 OCTOBER 2022

	Notes	Contributed equity $m	Retained earnings $m	Other reserves $m	Equity holders of the parent $m	Non-controlling interests $m	Total equity $m
At 1 May 2022		**818.3**	**265.0**	**(3.4)**	**1,079.9**	**10.5**	**1,090.4**
Total comprehensive income, net of tax		-	125.7	0.5	126.2	0.7	126.9
Transactions with owners							
Dividends paid	3.4	-	(106.2)	-	(106.2)	(1.4)	(107.6)
Recognition of put option liabilities		-	(16.3)	-	(16.3)	-	(16.3)
Transactions with non-controlling interests		-	-	-	-	1.5	1.5
Shares issued to employees		-	-	(9.6)	(9.6)	-	(9.6)
Share-based payments expense		-	-	4.1	4.1	-	4.1
At 31 October 2022		**818.3**	**268.2**	**(8.4)**	**1,078.1**	**11.3**	**1,089.4**
At 1 May 2021		**867.0**	**414.6**	**(1.7)**	**1,279.9**	**11.2**	**1,291.1**
Total comprehensive income, net of tax		-	128.8	2.3	131.1	0.9	132.0
Transactions with owners							
Share buyback and related costs		(48.6)	(151.7)	-	(200.3)	-	(200.3)
Dividends paid	3.4	-	(97.1)	-	(97.1)	(1.8)	(98.9)
Recognition of put option liabilities		-	(2.0)	-	(2.0)	-	(2.0)
Shares issued to employees		-	-	(6.9)	(6.9)	-	(6.9)
Share-based payments expense		-	-	2.5	2.5	-	2.5
At 31 October 2021		**818.4**	**292.6**	**(3.8)**	**1,107.2**	**10.3**	**1,117.5**

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

STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 OCTOBER 2022

	Notes	1H23 $m	1H22 $m
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		9,580.0	8,828.9
Payments to suppliers and employees		(9,378.0)	(8,533.6)
Financing component of lease payments, net		(17.1)	(16.4)
Interest and dividends, net		(9.6)	2.0
Income tax paid, net of tax refunds		(85.7)	(68.8)
Net cash generated from operating activities	5.1	**89.6**	**212.1**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of assets		0.1	0.1
Payments for acquisition of assets		(81.1)	(60.7)
Payments for acquisition of subsidiaries, net of cash acquired	5.2	(28.6)	(13.4)
Receipts from subleases, excluding the financing component		21.5	21.6
Loans repaid by other entities, net		2.8	6.9
Net cash used in investing activities		**(85.3)**	**(45.5)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		9,949.6	2,589.8
Repayments of borrowings		(9,823.1)	(2,238.9)
Payments for lease liabilities, excluding the financing component		(47.9)	(73.2)
Payment for off-market buyback of shares, including costs		-	(200.3)
Payments for on-market purchase of shares		(7.5)	(5.7)
Payments for acquisition of non-controlling interests		(11.6)	(59.4)
Payment of dividends to owners of the parent		(106.2)	(97.1)
Payment of dividends to non-controlling interests		(6.0)	(4.1)
Net cash used in financing activities		**(52.7)**	**(88.9)**
Net (decrease)/increase in cash and cash equivalents		(48.4)	77.7
Add: opening cash and cash equivalents		104.7	124.6
Cash and cash equivalents at the end of the period		**56.3**	**202.3**

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

1. CORPORATE INFORMATION

The financial statements of Metcash Limited (the 'Company') and its controlled entities (together the 'Group') for the half year ended 31 October 2022 were authorised for issue in accordance with a resolution of the Directors on 5 December 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 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 half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investment activities of the Group as the annual financial report.

The half year financial report should be read in conjunction with the annual financial report of Metcash Limited for the year ended 30 April 2022 ("FY22"). It is also recommended that the half year report be considered together with any public announcements made by Metcash Limited during the half year ended 31 October 2022.

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

The report presents the results of the current period, which comprised the 26-week period that commenced on 2 May 2022 and ended on 30 October 2022. The prior period results comprise the 26-week period that commenced on 26 April 2021 and ended on 24 October 2021.

2.2 Changes in Accounting Policy

The accounting policies adopted in the preparation of the half year financial report are consistent with those applied in the annual financial report, other than the revision to the accounting approach adopted in relation to the remeasurement of lease receivables. Subsequent to initial recognition, lease receivables are to be remeasured for changes in future cash flows resulting from a change in an index or rate or variable lease payments becoming fixed. The revised accounting approach was adopted in order to better reflect the effect of these transactions in back-to-back lease arrangements, such that the accounting for lease receivables is consistent with the treatment of lease liabilities in these circumstances.

The revised accounting approach has been applied retrospectively and there was no material impact from a quantitative or qualitative perspective.

There are no other accounting pronouncements which have become effective from 1 May 2022 that have a significant impact on the Group's half year financial report.

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 supermarkets 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 on similar terms and conditions to those with third party customers and are eliminated from the results below.

Segment results

	Segment revenue		Segment results	
	1H23 $m	1H22 $m	1H23 $m	1H22 $m
Food	4,129.5	4,022.2	98.2	95.2
Hardware	1,187.7	958.6	116.6	98.9
Liquor	2,420.6	2,169.8	49.3	44.3
Segment total	**7,737.8**	**7,150.6**	**264.1**	**238.4**
Corporate			(9.0)	(7.2)
Group underlying earnings before interest and tax ('EBIT')			**255.1**	**231.2**
Finance costs, net (Note 3.2)			(26.8)	(22.8)
Significant items (Note 3.2)			(39.5)	(22.5)
Profit before income tax			**188.8**	**185.9**

3.2 Other Income and Expenses

	1H23 $m	1H22 $m
(i) Other income		
Lease income - rent	3.5	3.8
Lease income - outgoings recoveries	7.2	7.4
Net gain from disposal of plant and equipment	0.8	0.4
	11.5	**11.6**
(ii) Employee benefit expenses		
Salaries and wages, incentives, and on-costs	408.7	364.4
Superannuation expense	29.6	25.3
Share-based payments expense	4.1	2.5
	442.4	**392.2**
(iii) Depreciation and amortisation		
Depreciation of right-of-use assets	53.7	56.8
Depreciation of property, plant and equipment	19.0	16.6
Amortisation of software	10.8	9.4
Amortisation of other intangible assets	2.4	2.2
	85.9	**85.0**
(iv) Lease expenses		
Property rent	1.9	1.4
Property outgoings	27.1	27.4
Equipment and other leases	4.1	2.6
	33.1	**31.4**
(v) Provision for impairment, net of reversals		
Inventories	13.3	10.0
Trade receivables and loans	3.1	3.3
Property provisions	1.0	(1.2)
Other impairments (net)	(2.8)	(1.8)
	14.6	**10.3**

	1H23 $m	1H22 $m
(vi) Finance costs, net		
Interest expense	9.3	5.3
Financing component of lease payments, net	17.1	16.4
Finance costs from discounting of provisions	0.8	1.6
Other finance-related costs	0.1	1.3
Interest income	(0.5)	(1.8)
	26.8	**22.8**
(vii) Significant items		
Project Horizon implementation costs (Note 3.3(i))	18.3	11.5
Put option valuation adjustments (Note 3.3(ii))	21.3	7.1
Mega Distribution Centre transition costs (Note 3.3(iii))	1.9	0.9
COVID-19 impairments (Note 3.3(iv))	(2.0)	3.0
Total significant items before tax	**39.5**	**22.5**
Income tax benefit attributable to significant items	(5.3)	(4.7)
Total significant items after tax	**34.2**	**17.8**

3.3 Significant events and transactions

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

(i) *Project Horizon* implementation costs

Project Horizon is a critical group technical infrastructure consolidation and replacement program aimed at repositioning Metcash to be a modern, technology-led wholesaler. The program provides the platform to drive simplification and efficiency across the business, as well as making it easier for customers and suppliers to do business with Metcash. The first deployments have been the finance and inventory forecasting and replenishment components. The program is subject to continual assessment in relation to program governance, independent assurance, Board oversight and program risks. The remaining components of the first stage are focused on accessing benefits within the Food and Liquor pillars and are expected to be progressively delivered through to completion, which is anticipated to occur by the end of calendar year 2023.

In 1H23, the Group incurred $38.7 million (1H22: $24.0 million) of capital expenditure and $18.3 million (1H22: $11.5 million) of expenses on the project. The project expenses included resource costs, accelerated amortisation of legacy software assets and incremental software licence and maintenance costs. These costs are separately disclosed within significant items in the Statement of Comprehensive Income to enable a better understanding of the Group's results.

(ii) Put option valuation adjustments

The carrying amounts of the Group's put option liabilities at balance date were remeasured to reflect the estimated put option exercise prices, with the change in value of $13.4 million (1H22: $7.9 million) recorded as a significant item within the Statement of Comprehensive Income, together with the net present value interest unwind on the put option liabilities of $5.6 million (1H22: $2.4 million).

In addition, a loss of $1.5 million was recognised upon the acquisition of an additional 20% ownership interest in two Total Tools JV Stores during the period, being the difference between the consideration paid to minority shareholders of $9.2 million and the carrying amount of the put option held by the minority shareholders of $7.7 million. The Group also incurred transaction costs of $0.8 million in relation to the acquisition of Total Tools JV Stores in 1H23. Refer note 5.1 for further details about the acquisitions.

(iii) Mega Distribution Centre (DC) transition costs

The Group continues to invest in its mega DC's capacity, capabilities, footprint & supply chain systems to support current and future business opportunities. During the period, the Group incurred $1.9 million of net costs primarily including lease tail and make good provisions associated with the planned move to the new DC in Truganina, Victoria as disclosed in Metcash's FY22 Financial Report. In 1H22, the Group incurred $0.9 million of *MFuture* redundancy costs

(iv) COVID-19 impairments

During the period, the Group recognised a $2.0 million impairment reversal (1H22: $3.0 million impairment charge) reflecting a decrease in the expected credit losses previously recognised in relation to specific groups of trade receivables impacted by COVID-19 restrictions. 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 $2.6 million (FY22: $8.7 million) at balance date.

3.4 Dividends

	1H23 $m	1H22 $m
Dividend paid on ordinary shares during the period		
Final fully franked dividend for FY22: 11.0c (FY21: 9.5c)	106.2	97.1
Dividend determined (not recognised as a liability as at 31 October 2022)		
Interim fully franked dividend for FY23: 11.5c (FY22: 10.5c)	111.0	101.4

On 5 December 2022, the Board determined to pay a fully franked FY23 interim dividend of 11.5 cents per share, sourced from the profit reserve established by Metcash Limited (Parent Company), with a record date of 21 December 2022 and payable in cash on 30 January 2023. The Dividend Reinvestment Plan remains suspended with effect from 26 June 2017.

4. ASSETS AND LIABILITIES

4.1 Trade receivables and loans

	1H23 $m	FY22 $m
Current		
Trade receivables	1,487.2	1,415.7
Allowance for impairment loss	(55.9)	(59.8)
Trade receivables	1,431.3	1,355.9
Customer charge cards agreement (a)	226.5	235.9
Other receivables and prepayments	224.0	169.4
Trade and other receivables	**1,881.8**	**1,761.2**
Customer loans	3.7	3.2
Allowance for impairment loss	-	(0.4)
Customer loans	**3.7**	**2.8**
Total trade receivables and loans – current	**1,885.5**	**1,764.0**
Non-current		
Customer loans	16.0	18.2
Total trade receivables and loans - non-current	**16.0**	**18.2**

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

4.2 Put options and other financial liabilities

	Put option liabilities $m	Other financial liabilities $m	Total $m
31 October 2022			
Current	14.8	3.6	18.4
Non-current	235.0	12.2	247.2
	249.8	**15.8**	**265.6**
30 April 2022			
Current	21.1	2.4	23.5
Non-current	210.6	0.9	211.5
	231.7	**3.3**	**235.0**

Put options 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 31 Total Tools independent retail stores (JV stores).

The Total Tools put option agreement allows minority shareholders 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 $94.4 million at balance date.

In addition, Total Tools has ownership of between 51% and 80% in 31 Total Tools JV stores, including one greenfield JV store established during 1H23 and 3 JV stores acquired in 1H23 from franchise owners (refer note 3.3(ii)). Accordingly, at balance date, Metcash holds an effective ownership interest of between 43% and 68% in these JV Stores.

The Total Tools JV Store put option agreements allow individual minority shareholders to sell their remaining equity interests in the 31 JV Stores to Total Tools, subject to the satisfaction of certain criteria, exercisable between May 2024 and July 2024 (15 stores, valued at $85.3 million), between May 2025 and July 2025 (14 stores, valued at $44.9 million) and between May 2026 and July 2026 (2 stores, valued at $9.5 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 Statem*ents, the Group has recognised financial liabilities for the Total Tools put option and the JV Store put options, has derecognised the non-controlling interests in Total Tools and the JV Stores and has ceased accounting for the non-controlling interests. Accordingly, the Statement of Comprehensive Income includes 100% of the net profit of Total Tools and includes 100% of the net profits of the JV Stores.

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

At 31 October 2022, the carrying amount of the Total Tools Group put option liabilities is $234.1million (FY22: $210.6 million). Refer note 3.3(ii) 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 $15.7 million (FY22: $21.1 million) in respect of an additional three put options written over non-controlling interests in non-wholly owned subsidiaries within the Hardware pillar. These put option arrangements allow minority shareholders to sell their equity interests to Metcash, subject to specific terms and conditions. These put options are remeasured at each reporting date at the estimated put option exercise price.

Contingent liabilities

Ritchies Stores Pty Ltd (Ritchies)

The Group has a put option with Ritchies Stores Pty Ltd (Ritchies). Metcash has a 28.9% 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% 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' 2022 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 2022 financial year would have been between $350 million and $360 million.

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

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

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

5. OTHER DISCLOSURES

5.1 Reconciliation of cash flows from operating activities

	1H23 $m	1H22 $m
Net profit for the year	126.4	129.7
Adjustments for:		
Depreciation and amortisation	85.9	85.0
Provisions for impairment, net of reversals	14.6	10.3
Share of profit from equity-accounted investments	(10.5)	(6.9)
Movements in put option liabilities	20.5	6.9
Share-based payments expense	4.1	2.5
Other	(0.2)	14.3
Changes in assets and liabilities:		
Increase in trade and other receivables	(114.4)	(131.5)
Increase in inventories	(104.4)	(68.5)
Decrease in tax balances	(23.2)	(12.6)
Increase in payables and provisions	90.8	182.9
Cash flows from operating activities	**89.6**	**212.1**

5.2 Business combinations

Total Tools 'JV stores'

In 1H23, Total Tools acquired ownership interests of 60% in 3 Total Tools independent retail stores. Accordingly, Metcash holds an effective ownership interest of 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
Net assets acquired	
Cash and cash equivalents	1.2
Trade and other receivables	2.1
Inventories	7.2
Trade payables and provisions	(5.1)
Other assets - net	1.0
Net identifiable assets acquired (a)	6.4
Non-controlling interest	(2.6)
Goodwill	11.6
Total purchase consideration	15.4

(a) Net identifiable assets acquired include $6.2 million of right-of-use assets and lease liabilities.

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 totaling $18.9 million and has derecognised the non-controlling interests of ($2.6 million) related to these acquisitions. As at the date of acquisition, the net amount of $16.3 million has been recognised as an adjustment to retained earnings as shown below:

	$m
Non-controlling interests derecognised	2.6
Adjustment recognised directly in equity (retained earnings)	16.3
Fair value of put options recognised as a financial liability	**18.9**

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.

Purchase consideration – cash outflow

	$m
Cash consideration	15.4
Less: Cash and cash equivalents acquired	(1.2)
Net cash outflow – investing activities	**14.2**

Transaction costs incurred in relation to the acquisition of the above three Total Tools JV stores of $0.8 million are included in significant items in the Statement of Comprehensive Income and in operating cash flows in the Statement of Cash Flows.

Other business combinations

During the period, the Group also entered into a number of other business combinations that were not material to the Group, individually or in aggregate. The total purchase consideration for these businesses was $20.9 million, of which $15.1 million is allocated to goodwill. The accounting for these business combinations is provisional as at 31 October 2022.

5.3 Contingent liabilities

	1H23 $m	FY22 $m
Bank guarantees to third parties in respect of property lease obligations	1.4	4.8
Bank guarantees in respect of Work Cover	2.0	2.0

Financial guarantee contracts

The Group has granted a financial guarantee contract relating to the bank loan of a joint venture, Adcome Pty Ltd. Under the contract, the bank has the right to require Metcash to repay the debt under certain prescribed circumstances of default. The estimate of the maximum amount payable in respect of the guarantee, if exercised, is $40.0 million (FY22: $40.0 million).

Had the guarantee been exercised at 31 October 2022, the amount payable would have been $26.2 million (FY22: $31.2 million). The fair value of the financial guarantee contract at the reporting date was $1.1 million (FY22: $1.4 million) and is recognised as a financial liability.

Put options

Refer note 4.2 for details of put options outstanding at balance date.

5.4 Subsequent events

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

APPENDIX A – EQUITY-ACCOUNTED INVESTMENTS

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

INVESTEE	PRINCIPAL ACTIVITIES	REPORTING DATE	1H23 %	FY22 %
Associates				
Ritchies Stores Proprietary Limited	Grocery retailing	30 June	28.9	28.9
Dramet Holdings Pty Ltd	Grocery retailing	30 June	26.0	26.0
Metcash Export Services Pty Ltd	Grocery retailing	30 April	15.0	15.0
Joint ventures				
Adcome Pty Ltd	Grocery retailing	30 April	45.0	45.0
BMS Retail Group Holdings Pty Ltd	Grocery retailing	30 June	49.0	49.0
Waltock Pty Limited	Hardware retailing	30 June	49.0	49.0
LA United Pty Ltd (a)	Liquor wholesaling	30 June	75.3	75.3
Liquor Alliance Pty Ltd (a)	Liquor wholesaling	30 June	66.7	66.7

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

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

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

   i. give a true and fair view of its financial position as at 31 October 2022 and of its performance for the half year ended on that date; and

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

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

On behalf of the Board

Doug Jones
Director
Sydney, 5 December 2022

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Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of Metcash Limited

As lead auditor for the review of the half year financial report of Metcash Limited for the half year ended 31 October 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 review;
b) No contraventions of any applicable code of professional conduct in relation to the review; and
c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Christopher George
Partner
5 December 2022

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Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Metcash Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 October 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

a) Giving a true and fair view of the consolidated financial position of the Group as at 31 October 2022 and of its consolidated financial performance for the half-year ended on that date; and

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

Basis for conclusion

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

Directors' Responsibility for the Half-Year Financial Report

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

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matters that make us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 October 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Ernst & Young

Christopher George
Partner
Sydney
5 December 2022