

30 November 2015

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

Dear Sir/ Madam

METCASH LIMITED – 2016 HALF YEAR FINANCIAL REPORT

Please find attached the following:

- (a) Announcement – HY2016 Results
- (b) Appendix 4D and Half Year Financial Report (including the Directors' Report and Independent Review Report) of Metcash Limited for the financial half year ended 31 October 2015.

Yours faithfully



Greg Watson
Company Secretary



Metcash Limited

ABN 32 112 073 480

1 Thomas Holt Drive

Macquarie Park

NSW 2113 Australia

30 November 2015

ASX Announcement

Metcash Limited 2016 Half Year Results

- Sales revenue up 1.4% to \$6.6b
- Reported Profit after Tax up 20.0% to \$122.0m
- Underlying EBIT declined 12.7% to \$133.7m
- Net debt reduced 34.8% to \$435.3m
- Balance Sheet strengthened with gearing reduced to 25.4%
- Working Smarter program commenced, designed to reduce complexity and deliver savings of ~\$100m p.a. by FY2019

Metcash Limited ("the Group" or "Metcash") today released its results for the six months ended 31 October 2015. The Group generated sales revenue of \$6.6b, up 1.4% against the prior year comparative period.

Reported Profit after Tax (including discontinued operations) was up 20.0% to \$122.0m (1H2015: \$101.7m). Underlying EBIT however declined 12.7% to \$133.7m (1H2015: \$153.2m). While there was an improvement in both the Liquor and Hardware profit, this was more than offset by the decline in Food & Grocery, which was impacted by the incremental investment in price in 1H2016.

By comparison Underlying Profit after Tax of \$86.9m (1H2015: \$92.5m) was down 6.1% on the prior period reflecting a lower net finance cost.

Group CEO, Ian Morrice, said; "We continue to invest in the Group's turnaround. While we are still experiencing highly competitive trading conditions and price deflation, we are seeing evidence the Transformation Plan is producing positive results across the Group. Importantly, we have seen a continuing improvement in the sales trend for the Food and Grocery Pillar.

"We have also commenced "Working Smarter", the next stage of the Group's Transformation Plan, designed to reduce complexity, make it simpler for customers and suppliers to do business with Metcash and to reduce our cost of doing business.

“In addition, we will look to develop future growth opportunities and invest in new channels. Recently we have begun exporting Australian product, sold direct to consumers in China through Alibaba’s online Tmall platform,” Mr Morrice said.

Review of Trading Results by Pillar

Food & Grocery

Food & Grocery sales rose 0.7% to \$4.54b (1H2015: \$4.51b).

Supermarket sales were broadly flat, however adjusting for the estimated impact of the disruption to the NSW Distribution Centre, total sales would have been up ~1%. The trend in underlying Supermarket sales, excluding tobacco, has improved from negative 3.7% (1H2014) to negative ~0.4% in the current reporting period.

IGA stores like for like (“Lfl”) retail sales increased 0.6% reflecting the continuing positive trend in retailer performance.

Convenience sales increased 3.7% to \$774.0m (1H2015: \$746.4m). C-Store Distribution’s (CSD) revenue continued to grow, however this was partially offset by a decline in Campbell’s reseller revenue.

Food & Grocery EBIT declined 22.9% to \$91.9m (1H2015: \$119.2m) reflecting price investment in Supermarkets and a softer EBIT performance in Convenience due to the sales decline in Campbell’s reseller business and lower margins from major customer contracts in CSD.

Liquor

Total sales increased by 3.5% to \$1.54b (1H2015: \$1.48b), another strong result in a flat liquor market. Wholesale sales through the IBA retail network increased 4.4% reflecting a strong operational performance, store conversions to the IBA network and acquisitions.

EBIT for the Pillar rose by 4.0% to \$25.9m (1H2015: \$24.9m).

Hardware

Hardware sales increased 1.2% to \$530.7m (1H2015: \$524.2m) with trade and joint ventures continuing to grow.

EBIT for the Pillar was up 22.1% to \$11.6m (1H2015: \$9.5m) reflecting a focus on supply chain costs and higher contributions from joint ventures.

NSW Distribution Centre Update

The NSW Distribution Centre suffered significant damage as a result of a hail storm on 25 April 2015. Following the closure, the Group’s business continuity plans were immediately activated. Metcash was able to reestablish supply to NSW customers from alternative distribution centres. Metcash’s insurance policy is expected to cover the hail event for material damage and consequential loss.

Financial Position

Proceeds from the sale of the Automotive Pillar enabled the Company to reduce net debt to \$435.3m (FY2015: \$667.8m).

Group gearing has been reduced from 36.6% (FY2015) to 25.4%.

Net finance costs for the half year reduced to \$12.8m (1H2015: \$24.0m). This includes a \$9.6m gain resulting from the restructure of finance facilities.

As previously announced, Metcash does not intend to pay a dividend in FY2016.

Transformation Plan

Metcash today announced the 'Working Smarter Program' which will form the next stage of the Group's Transformation Plan. The Program will improve productivity across the business by simplifying the organisation and the way of doing business from supply to customer. It is expected to deliver a gross pre-tax savings run rate of ~\$100m by year three (FY2019). The Program will not deliver a significant benefit in FY2016.

Outlook

Highly competitive trading conditions continue in all our markets, particularly Food & Grocery. As previously advised, the improved performance from strategic initiatives in Food & Grocery, together with positive results from ALM and Hardware, will not offset Food & Grocery headwinds in FY2016.

Metcash remains confident that the initiatives being undertaken will strengthen the organisation, allowing it to meet the needs of retailers, consumers and suppliers, while returning Metcash to growth and delivering value to its shareholders.

For further information:

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

Ross Moffat
A/General Manager Investor Relations
Metcash Limited
Ph: +61 2 9751 8368
Mob: +61 (0)417 178 721

Appendix 4D

Half-year report

Metcash Limited
ABN 32 112 073 480
and its Controlled Entities

Half-year Financial Report

31 October 2015

Lodged with the ASX under Listing rule 4.2A

This information should be read in conjunction with the 30 April 2015 Annual Report

For announcement to the market

MTS for the half-year ended 31 October 2015

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

\$Amillion

Revenues from ordinary activities	up	1.4%	to	6,606.0
Profit from ordinary activities after tax attributable to members	down	6.1%	to	86.9
Net profit for the period attributable to members	up	20.0%	to	122.0
<i>Please refer to page 3 for detailed explanation of the results</i>				
Dividends (distributions)		Amount per security		Franked amount per security
Interim dividend (<i>Half-year report only</i>) – MTS		-		-
Previous corresponding period half-year ended 31 October 2014 (Half-year report)		6.5c		6.5c
Record date for determining entitlements to the dividend, (in the case of a trust, distribution)		N/A		

Explanatory Note on Results

Earnings before interest and tax for the period is down 12.7% on the prior period to \$133.7m and underlying profit after tax decreased by 6.1% to \$86.9m. Underlying earnings per share was down 8.7% to 9.4cps. Net profit for the period was up 20.0% to \$122.0m with earnings per share calculated on the same basis up 14.9%.

Half-year ended 31 October 2015	Note	Results		Change %	EPS equivalent		
		2015 \$m	2014 \$m		2015 cps	2014 cps	Change %
Sales revenue		6,606.0	6,515.3	1.4			
Earnings before interest and tax (EBIT)		133.7	153.2	(12.7)			
Net finance costs		(12.8)	(24.0)	46.7			
Profit before tax from continuing operations		120.9	129.2	(6.4)			
Income tax expense on continuing operations		(33.5)	(36.2)	7.5			
Non-controlling interests		(0.5)	(0.5)	-			
Underlying profit after tax	1	86.9	92.5	(6.1)	9.4	10.3	(8.7)
Significant items		-	-				
Reported profit after tax from continuing operations		86.9	92.5	(6.1)	9.4	10.3	(8.7)
Profit after tax from discontinued operations	2	35.1	9.2				
Net profit for the period		122.0	101.7	20.0	13.1	11.4	14.9
Weighted average shares outstanding (millions)		928.4	896.0	3.6			

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

The Directors' assessment of the appropriateness of underlying earnings information is provided in the 'Operating and Financial Review' section of the annual financial report. Underlying earnings and underlying EPS are used for the purposes of providing guidance to the market and are calculated on a consistent basis each period.

- The profit after tax from discontinued operations relates to the Automotive business, which was sold in July 2015. Comparative information has been restated to reclassify the Automotive business to discontinued operations. Refer note 4(a) of the half year report for further details.

Earnings per security (EPS)

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

MTS for 6 months

Basic Earnings per share	13.1	Cents
Diluted Earnings per share	13.1	Cents
Earnings used in Basic and Diluted earnings per share =	122.0	million
· Weighted average number of ordinary shares (used in Basic EPS)	928,357,876	
· There have been no changes to ordinary shares since balance date		
· Weighted average number of ordinary shares (used in Diluted EPS) = (928,357,876 ordinary shares + 490,164 dilutive potential ordinary shares).	928,848,040	
· Weighted average number of converted, lapsed or cancelled potential ordinary shares included in the calculation of diluted EPS = 0		
· 15,460,862 performance rights are considered non-dilutive and excluded from potential ordinary shares. There have been no issues of potential ordinary shares after balance date.		

NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security (cents)	14.41	(15.40)

Discontinuing Operations

On 31 July 2015, the Group sold the entire issued share capital of Metcash Automotive Holdings Pty Ltd to the Bursons Group Limited (ASX:BAP) for a total sale consideration of \$283 million. The comparative income statement has been restated to reclassify the Automotive pillar to discontinued operations. Refer to note 4(a) of the financial report for further details.

Control gained over entities having material effect

4.1 Name of entity (or group of entities)

N/A

4.2 Date of the gain or loss of control

N/A

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

N/A

Loss of control of entities having material effect

5.1 Name of entity (or group of entities)

Refer Note 4(a)

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

Refer Note 4(a)

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

Refer Note 4(a)

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

Refer Note 4(a)

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

Refer Note 4(a)

Dividends (in the case of a trust, distributions)

6.1 Date the dividend (distribution) is payable

N/A

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

N/A

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

N/A

(Preliminary final financial report only)

Amount per security

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

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

6.8 Ordinary securities (each class separately)
 6.9 Preference securities (each class separately) -
 6.10 Ordinary securities (each class separately)
 6.11 **Total**

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

The dividend or distribution plans shown below are in operation.

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

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

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

N/A

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

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

Group's share of associates' and joint venture entities':	Current period	Previous
	\$A million	corresponding period \$A million
7.1 Profit (loss) from ordinary activities before tax	6.1	1.7
7.2 Income tax on ordinary activities	(1.8)	(0.5)
7.3 Profit (loss) from ordinary activities after tax	4.3	1.2
7.4 Extraordinary items net of tax		
7.5 Net profit (loss)	4.3	1.2
7.6 Adjustments		
7.7 Share of net profit (loss) of associates and joint venture entities	4.3	1.2

Material interests in entities which are not controlled entities

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

Name of entity	Percentage of ownership interest held at end of period or date of disposal	
	Current period	Previous corresponding period
8.1 Equity accounted associates and joint venture entities		
<i>Property development</i>		
Abacus Independent Retail Property Trust	25.0%	25.0%
<i>Grocery retailing</i>		
Ritchies Stores Pty Ltd	26.0%	26.0%
BMS Retail Group Holdings Pty Ltd	25.1%	25.1%
Dramet Pty Ltd	26.0%	26.0%
Adcome Pty Ltd	45.0%	45.0%
Lecome Pty Ltd	50.0%	50.0%
Progressive Trading Pty Ltd	52.2%	52.2%
<i>Merchandise services</i>		
Metfood Pty Ltd	50.0%	50.0%
<i>Hardware retailing</i>		
Northern Hardware Pty Ltd	49.9%	49.9%
Waltock Pty Ltd	49.0%	49.0%
Timberten Pty Ltd (i)	-	40.0%
Banner 10 Pty Ltd	49.0%	49.0%
BRJ Pty Ltd	36.0%	36.0%
G Gay Hardware Pty Ltd	49.0%	49.0%
Woodys Timber and Hardware Pty Ltd	49.0%	49.0%
<i>Liquor retailing and hospitality</i>		
LA United Pty Ltd	26.0%	26.0%
Mermaid Tavern (Trading) Pty Ltd	50.0%	50.0%
Queens Arms Freehold Pty Ltd	50.0%	50.0%
Queens Arms Hotel New Farm Pty Ltd	50.0%	50.0%
Sunshine Coast Hotels Pty Ltd	50.0%	50.0%
8.2 Total		
8.3 Other material interests		
8.4 Total		
(i) During the current period, the Group acquired additional shares in Timberten Pty Ltd resulting in a controlling interest of 100%.		

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

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

Category of securities	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
9.1 Preference securities (description)	-	-	-	-
9.2 Changes during current period				
9.3 Ordinary securities	928,357,876	928,357,876	-	-
9.4 Changes during current period	-	-	-	-
9.5 Convertible debt securities (description and conversion factor)		-	-	-
9.6 Changes during current period				
9.7 Options (description and conversion factor)	Total number		Exercise price	Expiry date (if any)
	6,848,674	-		15 August 2017
	3,653,876	-		15 April 2018
	1,062,023	-		1 August 2018
	704,628	-		15 August 2018
	1,067,616	-		15 August 2019
	2,124,045	-		15 August 2021
9.8 Issued during current period	1,062,023	-		1 August 2018
	2,124,045	-		15 August 2021
Reinstated	-			
9.9 Exercised during current period	-			
9.10 Expired/cancelled during current period	1,091,757	-		1 July 2015
	880,152	-		15 August 2017
	440,077	-		15 April 2018
9.11 Debentures (description)	(description)	-		
9.12 Changes during current period				
(a) Increases through issues	-	-		
(b) Decreases through securities matured, converted	-	-		
9.13 Unsecured notes (description)	(description)	-		
9.14 Changes during current period				
(a) Increases through issues	-	-		
(b) Decreases through securities matured, converted.	-	-		

Compliance statement

- 1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.
- 2 This report, and the accounts upon which the report is based use the same accounting policies.
- 3 This report does give a true and fair view of the matters disclosed.
- 4 This report is based on accounts that have been subject to review.
- 5 The entity has a formally constituted audit committee.



Sign here: Date: 30 November 2015
(Chief Executive Officer)

Print name: Ian Morrice

Metcash Limited

and its Controlled Entities

ABN 32 112 073 480



Financial Report

for the half-year ended 31 October 2015

METCASH HALF-YEAR FINANCIAL REPORT

Contents

Directors' Report	2
Statement of Comprehensive Income	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Notes to the Financial Report	7
Directors' Declaration	15
Independent Auditor's Review Report	16
Auditor's Independence Declaration	18

METCASH HALF-YEAR FINANCIAL REPORT

Directors' Report

ABN 32 112 073 480

Your Directors submit their report of Metcash Limited (the Company) and its controlled entities (the Group) for the half-year ended 31 October 2015.

DIRECTORS

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

Robert A Murray (appointed as Chairman 27 August 2015) (i)
Peter L Barnes (retired as Chairman 27 August 2015)
Ian R Morrice (Chief Executive Officer)
Patrick N Allaway
Fiona E Balfour
Michael R Butler
Tonianne Dwyer
Neil D Hamilton
Edwin M Jankelowitz (retired 27 August 2015)
Michael P McMahon (retired 23 June 2015)
Helen E Nash (appointed 23 October 2015)

(i) Mr Murray was appointed as a non executive director on 29 April 2015 and as Chairman of the Board on 27 August 2015.

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

REVIEW AND RESULTS OF OPERATIONS

Consolidated net profit after income tax attributable to shareholders for the half-year was \$122.0 million (2014: \$101.7 million).


AUDITOR'S INDEPENDENCE

The auditor's independence declaration for the half-year ended 31 October 2015 has been received and is included on page 18.

ROUNDING

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

Signed in accordance with a resolution of the Directors.



Ian Morrice
Director

Sydney, 30 November 2015

METCASH HALF-YEAR FINANCIAL REPORT

STATEMENT OF **COMPREHENSIVE INCOME**

For the half-year ended 31 October 2015

	Notes	2015 \$m	2014 \$m
Sales revenue		6,606.0	6,515.3
Cost of sales		(6,056.3)	(5,940.0)
Gross profit		549.7	575.3
Other income	3(i)	72.6	66.1
Distribution costs		(230.3)	(218.9)
Administrative costs		(250.8)	(266.7)
Share of profit of equity-accounted investments		4.3	1.2
Finance costs	3(vi)	(24.6)	(27.8)
Profit from continuing operations before income tax		120.9	129.2
Income tax expense from continuing operations		(33.5)	(36.2)
Net profit for the period from continuing operations		87.4	93.0
Net profit after tax for the period from discontinued operations	4(a)	35.1	9.2
Net profit for the period		122.5	102.2
Net profit for the period is attributable to:			
Equity holders of the parent		122.0	101.7
Non-controlling interests		0.5	0.5
		122.5	102.2
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation adjustments		(0.4)	(0.3)
Cash flow hedge adjustment		2.1	(3.7)
Income tax expense on items of other comprehensive income		(0.7)	1.1
Other comprehensive income/(loss) for the period, net of tax		1.0	(2.9)
Total comprehensive income for the period		123.5	99.3
Total comprehensive income for the period is attributable to:			
Equity holders of the parent		123.0	98.8
Non-controlling interests		0.5	0.5
		123.5	99.3
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
- basic earnings per share (cents)		9.4	10.3
- diluted earnings per share (cents)		9.4	10.3
Earnings per share for profit from discontinued operations attributable to the ordinary equity holders of the Company:			
- basic earnings per share (cents)		3.8	1.0
- diluted earnings per share (cents)		3.8	1.0
Earnings per share attributable to ordinary equity holders of the Company:			
- basic earnings per share (cents)		13.1	11.4
- diluted earnings per share (cents)		13.1	11.4

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes. The comparatives have been restated to reclassify the Automotive business to discontinued operations.

METCASH HALF-YEAR FINANCIAL REPORT

STATEMENT OF *FINANCIAL POSITION*

As at 31 October 2015

	Notes	October 2015 \$m	April 2015 \$m
ASSETS			
Current assets			
Cash and cash equivalents		30.8	83.3
Trade receivables and loans	6	1,066.1	1,014.5
Inventories		803.5	712.5
Assets held for sale		10.4	26.1
Prepayments and other assets		12.8	13.5
Derivative financial instruments		0.6	0.2
Total current assets		1,924.2	1,850.1
Non-current assets			
Derivative financial instruments		14.7	104.2
Trade receivables and loans	6	22.6	25.6
Equity-accounted investments		103.3	101.7
Other financial assets		0.4	0.4
Property, plant and equipment		269.6	276.0
Net deferred tax assets		112.3	124.4
Intangible assets and goodwill	7	1,141.4	1,284.5
Total non-current assets		1,664.3	1,916.8
TOTAL ASSETS		3,588.5	3,766.9
LIABILITIES			
Current liabilities			
Trade and other payables		1,534.5	1,419.1
Interest bearing loans and borrowings		24.4	63.2
Derivative financial instruments		1.2	0.8
Provisions	8	115.0	127.6
Income tax payable		11.3	9.1
Other financial liabilities		12.1	22.3
Total current liabilities		1,698.5	1,642.1
Non-current liabilities			
Interest bearing loans and borrowings		457.0	794.8
Provisions	8	147.8	144.4
Derivative financial instruments		6.1	6.3
Other financial liabilities		3.9	22.7
Total non-current liabilities		614.8	968.2
TOTAL LIABILITIES		2,313.3	2,610.3
NET ASSETS		1,275.2	1,156.6
EQUITY			
Contributed equity		2,391.9	2,391.9
Other equity		(765.9)	(765.9)
Other reserves		(4.1)	(1.3)
Accumulated losses		(353.8)	(475.8)
Parent interest		1,268.1	1,148.9
Non-controlling interests		7.1	7.7
TOTAL EQUITY		1,275.2	1,156.6

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

METCASH HALF-YEAR FINANCIAL REPORT

STATEMENT OF **CHANGES IN EQUITY**

For the half-year ended 31 October 2015

	Contributed equity \$m	Other equity \$m	Share-based payments reserve \$m	Retained earnings/ (accum. losses) \$m	Foreign currency translation reserve \$m	Cash flow hedge reserve \$m	Owners of the parent \$m	Non- controlling interests \$m	Total equity \$m
At 1 May 2015	2,391.9	(765.9)	5.1	(475.8)	(4.2)	(2.2)	1,148.9	7.7	1,156.6
Total comprehensive income, net of tax	-	-	-	122.0	(0.4)	1.4	123.0	0.5	123.5
Transactions with owners in their capacity as owners:									
Share-based payments	-	-	(3.8)	-	-	-	(3.8)	-	(3.8)
Dividends paid	-	-	-	-	-	-	-	(1.1)	(1.1)
At 31 October 2015	<u>2,391.9</u>	<u>(765.9)</u>	<u>1.3</u>	<u>(353.8)</u>	<u>(4.6)</u>	<u>(0.8)</u>	<u>1,268.1</u>	<u>7.1</u>	<u>1,275.2</u>
At 1 May 2014	2,308.1	(765.9)	0.1	47.1	(4.5)	1.5	1,586.4	7.6	1,594.0
Total comprehensive income, net of tax	-	-	-	101.7	(0.3)	(2.6)	98.8	0.5	99.3
Transactions with owners in their capacity as owners:									
Share-based payments	-	-	2.9	-	-	-	2.9	-	2.9
Dividends paid including DRP (note 5)	40.0	-	-	(80.0)	-	-	(40.0)	(1.2)	(41.2)
Share issue costs net of tax	(0.3)	-	-	-	-	-	(0.3)	-	(0.3)
At 31 October 2014	<u>2,347.8</u>	<u>(765.9)</u>	<u>3.0</u>	<u>68.8</u>	<u>(4.8)</u>	<u>(1.1)</u>	<u>1,647.8</u>	<u>6.9</u>	<u>1,654.7</u>

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

METCASH HALF-YEAR FINANCIAL REPORT

STATEMENT OF **CASH FLOWS**

For the half-year ended 31 October 2015

	Notes	2015 \$m	2014 \$m
Cash flows from operating activities			
Receipts from customers		7,180.2	7,182.7
Payments to suppliers and employees		(7,137.2)	(6,994.3)
Dividends received		0.4	1.4
Interest received		2.2	4.1
Interest gain on finance facility restructure		9.5	-
Finance costs		(18.9)	(23.7)
Income tax paid, net of tax refunds		(33.1)	(42.2)
Net cash generated by operating activities		3.1	128.0
Cash flows from investing activities			
Proceeds from sale of discontinued operations	4(a)	239.7	-
Proceeds from sale of business assets		21.8	10.2
Payments for acquisition of business assets		(26.1)	(46.0)
Payment on acquisition of businesses, net of cash acquired		(9.6)	(31.0)
Payment on acquisition of equity-accounted investments		-	(10.0)
Proceeds from loans repaid by other entities		15.7	12.7
Loans to other entities		(4.5)	(9.8)
Net cash from/(used in) investing activities		237.0	(73.9)
Cash flows from financing activities			
Share issue costs		-	(0.3)
Proceeds from borrowings		2,723.0	3,803.3
Repayments of borrowings		(3,008.3)	(3,793.2)
Payment of dividends on ordinary shares	5	-	(40.0)
Payment of dividends to non-controlling interests		(5.2)	(1.2)
Repayment of finance lease principal		(1.7)	(2.5)
Net cash used in financing activities		(292.2)	(33.9)
Net increase/(decrease) in cash and cash equivalents		(52.1)	20.2
Add opening cash brought forward		83.3	24.7
Effect of exchange rate changes on cash		(0.4)	-
Cash and cash equivalents at the end of the period		30.8	44.9

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

METCASH HALF-YEAR FINANCIAL REPORT

NOTES TO THE *FINANCIAL REPORT*

For the half-year ended 31 October 2015

1. CORPORATE INFORMATION

The half-year financial report of Metcash Limited (the Company) and its controlled entities (the Group) for the period ended 31 October 2015 was authorised for issue in accordance with a resolution of the Directors on 30 November 2015.

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

The basis of preparation for this financial report and significant changes to accounting policies are summarised in Appendix A.

2. SEGMENT INFORMATION

(a) Identification of chief operating decision maker

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

(b) Identification of reportable segments

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

- Food & Grocery activities comprise the distribution of dry grocery, perishable and general merchandise supplies to retail outlets.
- Liquor activities comprise the distribution of liquor products to retail outlets and hotels.
- Hardware activities comprise the distribution of hardware supplies to retail outlets and trade customers.

(c) Geographical distribution

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

(d) Segment accounting policies

- The selling price between segments is at normal selling prices and is paid under similar terms and conditions as any other customers of the Group.
- Segment results exclude results from discontinued operations. The comparative segment results have been restated to reclassify the Automotive pillar to discontinued operations. Refer to note 4(a) for further details.

(e) Major customers

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

METCASH HALF-YEAR FINANCIAL REPORT

NOTES TO THE *FINANCIAL REPORT*

For the half-year ended 31 October 2015

2. SEGMENT INFORMATION (continued)

Business segments	Food & Grocery		Liquor		Hardware		Results from continuing operations	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Sales to external customers	4,540.2	4,508.4	1,535.1	1,482.7	530.7	524.2	6,606.0	6,515.3
Inter-segment revenue	16.9	9.9	15.5	14.5	-	-	32.4	24.4
Total segment revenue	4,557.1	4,518.3	1,550.6	1,497.2	530.7	524.2	6,638.4	6,539.7
Segment profit before tax	91.9	119.2	25.9	24.9	11.6	9.5	129.4	153.6

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

	2015 \$m	2014 \$m
Total segment revenue	6,638.4	6,539.7
Inter-segment revenue elimination	(32.4)	(24.4)
Total revenue from continuing operations	6,606.0	6,515.3

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

	2015 \$m	2014 \$m
Segment profit before tax	129.4	153.6
Corporate/unallocated costs	0.5	2.5
Share based payments	3.8	(2.9)
Net finance costs	(12.8)	(24.0)
Net profit from continuing operations before income tax	120.9	129.2

METCASH HALF-YEAR FINANCIAL REPORT

NOTES TO THE *FINANCIAL REPORT*

For the half-year ended 31 October 2015

3. REVENUES AND EXPENSES

	2015 \$m	2014 \$m
(i) Other income		
Lease income – rent	43.4	48.3
Lease income – outgoings recoveries	13.2	13.9
Interest – other persons/corporations	2.2	3.8
Other interest income – credit value adjustments and finance facility restructure	9.6	-
Net gain – disposal of property, plant and equipment	4.2	0.1
	<u>72.6</u>	<u>66.1</u>
(ii) Operating lease expenses		
Property rent – stores	43.6	46.5
Property rent – warehouse and other properties	39.0	39.7
Property outgoings	33.0	35.7
Equipment and other leases	11.0	10.9
	<u>126.6</u>	<u>132.8</u>
(iii) Employee benefit expense		
Salaries and wages	236.9	230.9
Defined contribution plan expense	20.4	18.8
Payroll and related taxes	12.0	11.5
Share based payments	(3.8)	2.9
Other employee benefit expenses	9.4	6.0
	<u>274.9</u>	<u>270.1</u>
(iv) Depreciation and amortisation		
Depreciation of property, plant and equipment	19.4	18.4
Amortisation of software	7.7	8.0
Amortisation of customer contracts and trade names	4.2	6.2
	<u>31.3</u>	<u>32.6</u>
(v) Impairment and other provisions, net of reversals	19.1	19.4
(vi) Finance costs		
Interest expense	18.9	22.4
Deferred borrowing costs	0.6	0.4
Finance costs from discounting of provisions	5.1	5.0
	<u>24.6</u>	<u>27.8</u>

The comparative information presented above has been restated to reclassify the Automotive pillar to discontinued operations. Refer to note 4(a) for further details.

METCASH HALF-YEAR FINANCIAL REPORT

NOTES TO THE **FINANCIAL REPORT**

For the half-year ended 31 October 2015

4. SIGNIFICANT EVENTS AND TRANSACTIONS

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

(a) Sale of the Automotive business

On 31 July 2015, the Group sold the entire issued share capital of Metcash Automotive Holdings Pty Ltd to Bursons Group Limited (ASX:BAP) for a total sale consideration of \$283 million. The transaction generated net cash flows of \$240 million to the Group after distribution of proceeds to non-controlling interests. The proceeds were largely applied against the Group's interest-bearing borrowings.

The sale transaction resulted in a net gain of \$31.4 million after tax. During the half year, the Automotive pillar contributed \$64.5 million of sales revenue (2014: \$130.1 million) and \$3.7 million of net profit after tax (2014: \$9.2 million) to the Group. The net gain and the results of the Automotive pillar for the current period have been disclosed within discontinued operations. The comparative income statement has been restated to reclassify the Automotive pillar to discontinued operations.

(b) Huntingwood distribution centre hail damage

Metcash's distribution centre at Huntingwood, NSW, suffered significant damage as a result of a hail storm on 25 April 2015. The damage resulted in the closure of the dry grocery/liquor warehouse, including the automated *Project Mustang* area. Following the closure of Huntingwood, the Group's business continuity plans were immediately activated. Metcash was able to re-establish supply to NSW customers from the Victorian, Queensland, ACT and other temporary distribution centres in NSW.

Temporary warehouses have now been established at Silverwater, Wetherill Park and Eastern Creek. At the date of this report, the main dry warehouse at Huntingwood remains partly closed and is currently not expected to be fully operational until the FY2017 financial year.

Metcash's insurance policy is expected to cover the hail event for material damage and consequential loss. The hail event has impacted sales and operating costs during FY2016, which will be subject to recovery under the company's insurance policy.

At the end of the current half year, Metcash had recovered \$20.0 million in cash under the insurance policy and had recognised a receivable of \$33.1 million in relation to the expected recovery of hail related material damage and consequential losses.

(c) Finance facility restructure

During the half year, Metcash bought back US\$200 million of US Private Placement (USPP) notes, leaving a residual USPP debt and facility of US\$25 million. In addition, the debt securitisation and other facility limits were reduced by \$112.8 million. At the end of the half year, Metcash had \$1,198.6 million (April 2015: \$1,498.1 million) in total facilities.

5. DIVIDENDS PAID AND PROPOSED

	2015 \$m	2014 \$m
Dividends paid on ordinary shares during the half-year		
Final fully franked dividend for FY2015: nil (FY2014: 9.0 cents)	-	80.0
Dividends declared during the period	-	80.0
Shares issued under the dividend reinvestment plan	-	(21.9)
Cash received under DRP underwriting agreement	-	(18.1)
Net cash dividends paid on ordinary shares during the period	-	40.0
Dividends declared (not recognised as a liability as at 31 October 2015)		
Interim fully franked dividend for FY2016: nil (FY2015: 6.5 cents) (i)	-	58.7

(i) On 30 November 2015, the Board announced that an interim dividend will not be paid for FY2016.

METCASH HALF-YEAR FINANCIAL REPORT

NOTES TO THE *FINANCIAL REPORT*

For the half-year ended 31 October 2015

6. TRADE RECEIVABLES AND LOANS

	October 2015 \$m	April 2015 \$m
Current		
Trade receivables – securitised	790.6	744.3
Trade receivables – non-securitised	199.1	200.9
Allowance for impairment loss	(56.7)	(54.3)
	933.0	890.9
Marketing and other receivables	107.8	82.6
Trade and other receivables	1,040.8	973.5
Customer loans	37.7	61.4
Allowance for impairment loss	(12.4)	(20.4)
Customer loans	25.3	41.0
Total trade receivables and loans - current	1,066.1	1,014.5
Non-current		
Customer loans	21.2	23.5
Other receivables	1.4	2.1
Total trade receivables and loans – non-current	22.6	25.6

7. INTANGIBLE ASSETS

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

	October 2015 \$m	April 2015 \$m
Carrying amount at the beginning of the period	1,284.5	1,765.7
Additions – arising from business combinations	1.9	35.3
Additions – other	4.5	22.4
Disposal of the Automotive business (note 4(a))	(136.8)	-
Amortisation – continuing operations	(11.9)	(32.2)
Amortisation – discontinued operations	(0.8)	-
Impairments	-	(506.7)
Carrying amount at the end of the period	1,141.4	1,284.5

8. PROVISIONS

	Employee entitlements \$m	Rental subsidy \$m	Onerous arrangements \$m	Other \$m	Total \$m
31 October 2015					
Current	93.6	7.8	13.6	-	115.0
Non-current	5.5	85.5	56.8	-	147.8
	99.1	93.3	70.4	-	262.8
30 April 2015					
Current	94.9	7.8	21.8	3.1	127.6
Non-current	5.6	85.7	53.1	-	144.4
	100.5	93.5	74.9	3.1	272.0

METCASH HALF-YEAR FINANCIAL REPORT

NOTES TO THE *FINANCIAL REPORT*

For the half-year ended 31 October 2015

8. PROVISIONS (continued)

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

	Rental subsidy \$m	Onerous arrangements \$m	Total \$m
1 May 2015	93.5	74.9	168.4
Expense arising during the period	0.6	2.3	2.9
Utilised during the period	(4.0)	(8.9)	(12.9)
Finance cost discount rate adjustment	3.2	2.1	5.3
31 October 2015	93.3	70.4	163.7
1 May 2014	112.7	26.0	138.7
Expense arising/(released) during the period	(9.1)	55.3	46.2
Arising from business combinations	-	0.6	0.6
Utilised during the period	(17.2)	(7.5)	(24.7)
Finance cost discount rate adjustment	7.1	0.5	7.6
30 April 2015	93.5	74.9	168.4

(b) Nature and timing of provisions

(i) Rental subsidy provision

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

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

(ii) Onerous arrangements

The provision represents the present value of various obligations which are deemed to be onerous. These obligations include onerous retail head lease exposures, property make-good, restructuring 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.

9. FINANCIAL INSTRUMENTS

(a) Comparison of carrying value and fair value

At 31 October 2015, the carrying amount of financial instruments recorded in the financial statements approximates their fair value.

(b) Financial instruments carried at fair value

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

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

At the reporting date, the Group held derivative financial instruments which are all reported at Level 2 fair value measurements. The carrying value of derivative financial assets were \$15.3 million (April 2015: \$104.4 million) and derivative financial liabilities were \$7.3 million (April 2015: \$7.1 million).

METCASH HALF-YEAR FINANCIAL REPORT

NOTES TO THE *FINANCIAL REPORT*

For the half-year ended 31 October 2015

9. FINANCIAL INSTRUMENTS (continued)

Other financial instruments measured at fair value are not deemed material to the Group and related fair value changes are not likely to have a significant impact on the Group's profit or loss, total assets and liabilities or equity. During the period, there were no transfers between Level 1 and Level 2 measurements.

(c) Valuation methods and assumptions

The fair value of the financial assets and liabilities is the amount at which the asset could be sold or the liability transferred in a current transaction between market participants, other than in a forced or liquidation sale. The methods and assumptions used to estimate the fair values are consistent with those disclosed in the FY2015 annual report.

10. CONTINGENT LIABILITIES

	October 2015 \$m	April 2015 \$m
Bank guarantees to third parties in respect of property lease obligations	27.9	26.7
Bank guarantees in respect of Workcover	13.6	21.8
Standby letters of credit	-	0.7
Face value of the outstanding charges due to American Express (a)	231.1	202.8

(a) American Express charge card

On 9 May 2007, Metcash Trading Limited entered into an agreement with American Express (Amex), due to expire on 1 May 2016, in relation to customer charge cards. Under the agreement, should a customer default on payment, where Amex has previously made a payment to Metcash, then Metcash must pay Amex an amount equal to the charge outstanding. The maximum amount payable is limited to the actual face value of the outstanding charge due to Amex. This does not include any interest or other fees payable by the customer to Amex.

(b) Put options – contingent liabilities

The Group has granted three put options; one relating to the acquisition of a retail store from a customer, and two relating to the acquisition of additional ownership interests in equity accounted investments from co-investors. The holders of these put options have the right to "put" these assets back to the Group under certain prescribed circumstances. The put option purchase prices are defined within the option deeds. The retail store put option and one of the equity accounted investment options are active until April 2022, whilst the other equity accounted investment option can be exercised at any time whilst Metcash holds an equity interest.

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

(c) Put options and financial guarantees recognised as liabilities

Certain put option arrangements with minority shareholders of partially owned subsidiaries, if exercised, would result in an increase in Metcash's ownership interest in the subsidiaries, subject to specific terms and conditions. Where such an arrangement is deemed to be part of a business combination a financial liability is recognised on the acquisition date measured at the present value of the redemption amount under the option. The Group has recognised a liability of \$11.7 million (2015: \$40.7 million) in respect of these put options. The sale of the Automotive business (see note 4(a) for further details) resulted in a reduction of \$29.0 million in the value of these put options during the half year.

The Group has granted a financial guarantee relating to the bank loan of an equity-accounted investee (Adcome Pty Ltd). This is measured at fair value and recognised as a financial guarantee contract liability. The Group has recognised a liability of \$0.2 million (2015: \$0.7 million) in respect of this financial guarantee.

11. SUBSEQUENT EVENTS

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

METCASH HALF-YEAR FINANCIAL REPORT

NOTES TO THE **FINANCIAL REPORT**

For the half-year ended 31 October 2015

APPENDIX A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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 2015. 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 2015.

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

The report presents the results of the current period, which comprised the 26 week period that commenced on 27 April 2015 and ended on 25 October 2015. The prior period results comprise the 26 week period that commenced on 28 April 2014 and ended on 26 October 2014.

(b) Changes in accounting policy

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

AASB 2013-9 (Part C)	<i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i>
AASB 2014-1(Part A)	<i>Annual Improvements 2010–2012 Cycle and Annual Improvements 2011–2013 Cycle</i>

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

METCASH HALF-YEAR FINANCIAL REPORT

DIRECTORS' DECLARATION

For the half-year ended 31 October 2015

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

In the opinion of the Directors:

- (a) the financial report and notes of the consolidated entity:
 - (i) give a true and fair view of the financial position as at 31 October 2015 and the performance for the half-year ended on that date; and
 - (ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in blue ink that reads "Ian R Morrice". The signature is written in a cursive style and is underlined.

Ian Morrice

Director

Sydney, 30 November 2015

To the members of Metcash limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Metcash Limited, which comprises the statement of financial position as at 31 October 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 October 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Metcash Limited and the entities it controlled during the 31 October 2015, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

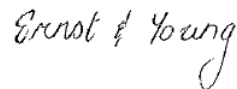
Independence

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

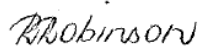
Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 October 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



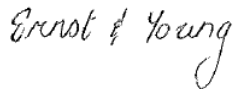
Ernst & Young



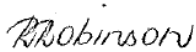
Renay Robinson
Partner
Sydney
30 November 2015

Auditor's Independence Declaration to the Directors of Metcash Limited

In relation to our review of the financial report of Metcash Limited for the half-year ended 31 October 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Renay Robinson
Partner
30 November 2015