Metcash

ANNUAL REPORT
2023

Where the locals matter

TORRENSVILLE, SA
SUPPORTING LOCAL TRADIES
▶ Page 5

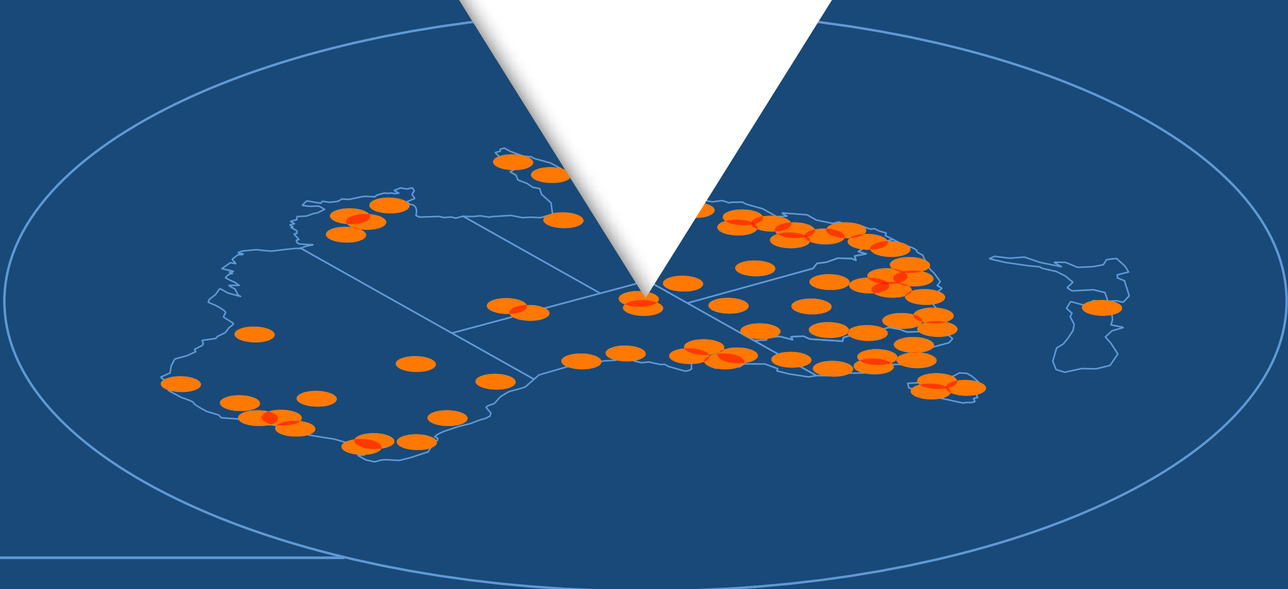
SWANBOURNE, WA
SUPPORTING LOCAL COMMUNITIES
▶ Page 15

BLUE MOUNTAINS, NSW
SUPPORTING LOCAL ECONOMIES
▶ Page 29

Where the locals matter

We reach
~95%
of Australians

Metcash has the widest retail distribution network in Australia



>4,400
Supplier partners

>10 million
transactions across Australia & New Zealand per week

We service independent retailers in all corners of Australia, including **Cape York** and **Cooktown** in the North East, **Dampier** and **Broome** in the North West, **Albany** and **Denmark** in the South West and **Tarwin Lower** and **Foster** in the South East.

~5,450
bannered retail stores across Food, Hardware and Liquor

~14,000
liquor customers through ALM

~760
non-bannered hardware outlets

>80,000
convenience customers

We are Australia's leading wholesaler

Metcash is dedicated to ensuring we provide the best level of service to our extensive network of independent retail and wholesale customers across our three sectors:

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HARDWARE ▶ Page 22

LIQUOR ▶ Page 26

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Local stories

Acknowledgement of Country

Metcash acknowledges the Traditional Custodians of the lands on which we live and operate, and we pay our respects to Elders past, present and emerging.

About this report

Financial year 2022 results included a 53rd trading week. Comparisons with FY22 are based on a normalised 52 week versus 52 week basis (using 52/53 calculation method) throughout this report (excluding the Financial Report) unless otherwise stated.

ROUSE HILL, NSW
SUPPORTING COMMUNITY SPORT
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About Us

Metcash is Australia's leading wholesale distribution company, with revenue (including charge-through)[1] exceeding $18 billion in FY23

We service a strong and growing network of ~5,450 bannered independent retailers in Australia and New Zealand; across the food, liquor and hardware industries. Our focus is on helping independent retailers be the 'Best Store in Their Town' by providing merchandising, operational and marketing support.

OUR PURPOSE

Championing Successful Independents

OUR VALUES

We believe: Independence is worth fighting for; in treating our people, retailers, and suppliers the way we like to be treated; and in giving back to the communities where we live and work.

OUR VISION

We are passionate about independents and support them to be the best store in their town; and their communities to thrive. We aim to be the business partner of choice and help create a sustainable future. For our employees we aim to be a favourite place to work.

OUR PILLARS

FOOD

We are the largest supplier to independent supermarkets in Australia, including those that operate under the well-known IGA and Foodland brands.

The community-based supermarkets in our network are mostly family-owned, run by locals for locals. We help ensure these stores are competitive and are able to offer their shoppers real value.

In Convenience, we supply thousands of businesses including restaurants, coffee shops, fresh food outlets and forecourt retailers, and corner stores.

Food Sales	Sales growth
$9.6bn	2.8%
Reported $8.4bn	▲ 16.6% 3 yr[2]

RECORD GROUP REVENUE

$18.1bn

▲5.7% (+29.0% 3yr)[2]

Reported $15.8bn

Revenue by pillar

Food	53%
Liquor	28%
Hardware	19%

HARDWARE

Independent Hardware Group is Australia's largest home improvement wholesaler and the second-largest player in the Australian Hardware market.

It is home to the Mitre 10 and Home Hardware brands and supplies more than 1,500 stores nationwide. It is the leading supplier to the small to medium size home builder.

Total Tools Holdings is the franchisor to the largest network of professional tool retailers in Australia.

Hardware Sales

$3.4bn

Reported $2.3bn

Sales growth

10.6%

▲ 63.1% 3 yr

LIQUOR

In liquor, we are the second-largest player in the Australian market and supply ~90% of independent liquor stores.

Our Independent Brands Australia (IBA) network is home to strong national retail brands including Cellarbrations, The Bottle-O, Porters Liquor and IGA Liquor.

Through our Australian Liquor Marketers (ALM) division, we supply thousands of customers in both the retail and 'on-premise' segments.

Liquor Sales

$5.1bn

Reported $5.1bn

Sales growth

8.3%

▲ 37.7% 3 yr

1. Sales revenue referenced within this section includes charge-through sales. Charge-through sales relate to direct sales from suppliers to retailers, invoiced through Metcash. Reported revenue excludes charge-through sales in accordance with AASB 15.
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. A three-year normalised sales growth has been calculated by adjusting sales in the relevant comparative period to exclude sales to both 7-Eleven and Drakes.

Group Highlights

Continuation of growth momentum

GROUP REVENUE[1]

$18.1bn

▲ 5.7% (3yr ▲ 29.0%[2])
(Reported $15.8bn)

GROUP EBIT
Underlying

$501m

▲ 8.1% (3yr ▲ 49.5%)

PROFIT AFTER TAX
Underlying

$308m

▲ 4.6% (3yr ▲ 54.7%)
(Reported $259m)

EARNINGS PER SHARE
Underlying

31.8cps

▲ 6.4% (3yr ▲ 45.9%)
(Reported 26.8cps)

OPERATING CASH FLOW

$373m

Cash realisation ratio 77%

FY23 DIVIDENDS

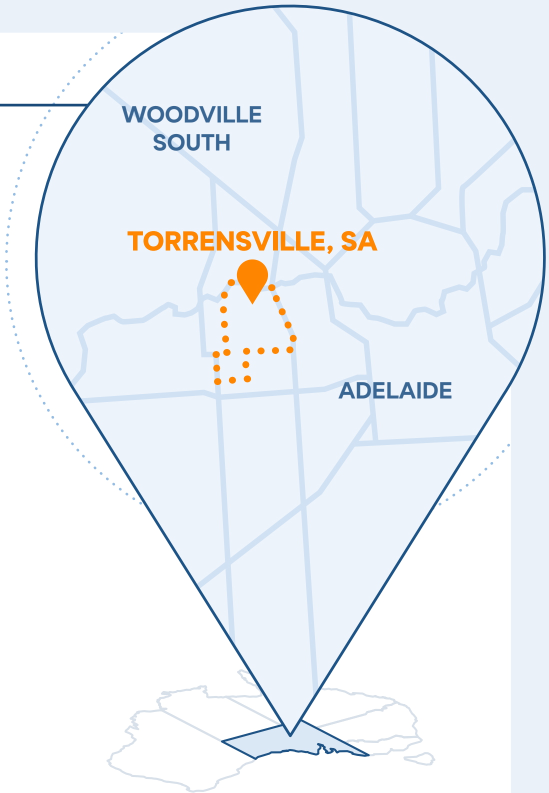
22.5cps

▲ 4.7% (3yr +80%)

1. Includes charge-through sales.
2. Normalised growth.

▶ LOCAL STORY

SUPPORTING LOCAL TRADIES



Torrensville, South Australia

K & B Mitre 10 Trade Centre opened its doors in 2021. The team are experts in helping local tradies pick up everything they need for their build and get back to site as quickly as possible. From store design and range through to customer service and early opening hours, the K & B Mitre 10 team really have thought of everything to fulfill their customers' needs including regular free breakfasts. The new store features a large multi-lane undercover drive-through pick-up facility, as well as a wide range of products, services such as a special orders desk for spare parts and custom products, access to a Mitre 10 Trade Account Manager, and bulk delivery direct-to-site services.

Helping tradies to get in, get out, and get on with it

K & B Mitre 10 Trade Centre, Torrensville, South Australia

Strategic Focus

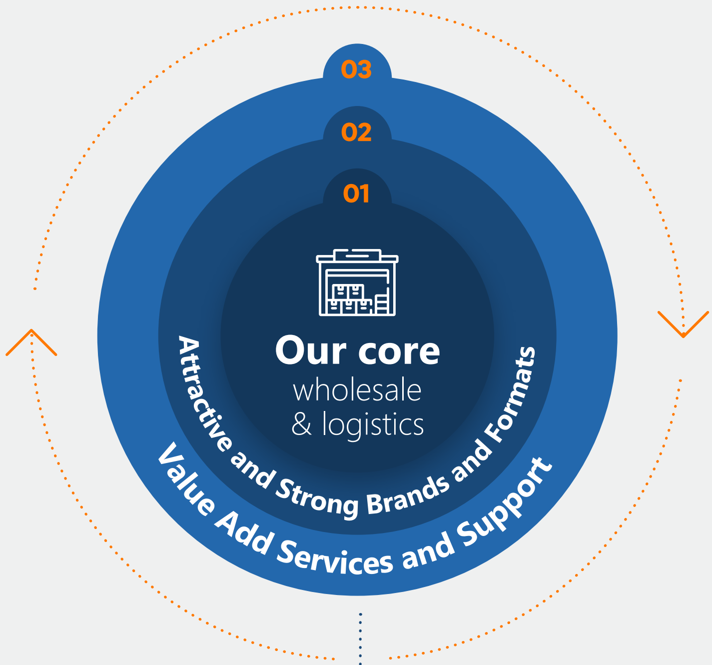
OUR FLYWHEEL

Our flywheel underpins our unique competitive advantages and our value creation initiatives

Supply

Provide a multi-channel B2B platform

Provide an effective and efficient route-to-market choice for suppliers through our scale and independent partner network



Demand

Generate and capture for our customers

Provide best possible range of products to independent customers to meet their shoppers' needs, and support them with formats and tools to compete with national retailers

Our core: wholesale and logistics
Our end-to-end supply chain gives us our unique position to serve the independent retail network in Australia and New Zealand. We plan to invest in, extend and protect our competitive advantage.

Brands and formats that shoppers love
because they meet their needs both functional and emotional; and that independent businesses want to own and operate.

Additional services and support for our independent retailers,
to help them compete against the biggest players in the market.

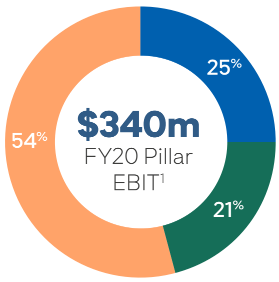
Our Transformation – larger, more diversified and stronger

A balanced portfolio of businesses positioned for continued growth momentum

A substantially larger earnings base

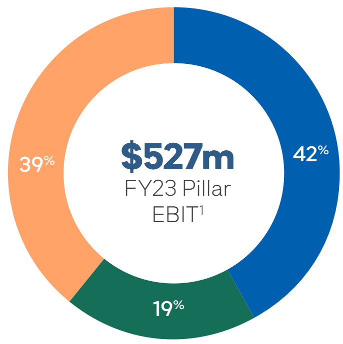
A balanced portfolio of businesses
(Hardware now largest EBIT contributor)

Retail sales doubled



>50%
EBIT growth

- Hardware
- Food
- Liquor



$0.93bn
FY20 retail sales
105 Hardware
JV/Company-owned stores

$1.85bn
FY23 retail sales
~40% of Hardware network rev
177 Hardware
JV/Company-owned stores

Stronger market positions, healthier and more competitive retail networks

FOOD	HARDWARE	LIQUOR
Largest supplier to independent supermarkets in Australia	Leading supplier to S/M size builders #1 in Professional Tools #2 in DIY	2nd-largest player and market outperformance

Growth opportunities

- New stores: independent and JV/Company-owned
- Store upgrades
- New categories
- Consolidation of fragmented market in Hardware
- New customers
- Potential M&A

1. Underlying EBIT.

Chairman's Report

Welcome to this year's Annual Report, my first as Metcash Chairman. It is very pleasing to report that the Group has delivered another record year, and one that represents continued progress on the outstanding results in the prior two years.

Underlying earnings per share increased 6.4% to 31.8 cents

▲ ~46% over 3 years[1]

Dividends increased ~5% to 22.5 cps fully franked

▲ 80% over 3 years

Growth momentum continued in our Food, Hardware and Liquor pillars driven by strong demand, the success of our strategic initiatives and the contribution from acquisitions.

FINANCIAL RESULTS

Group reported revenue, which excludes charge-through sales, increased 6.2% to $15.8bn. Including charge-through sales, Group revenue increased 5.7% to exceed $18bn for the first time, and underlying profit after tax was up 4.6% to a record $308m. The last three years have seen extraordinary growth for Metcash, with Group revenue up 29% and earnings growing more than 50%.

The continued strong performance is testament to the improved competitiveness of our retail networks and their dedication to serving their local communities, as well as the passion and commitment of our Metcash teams who are truly living our purpose of Championing Successful Independents.

Underlying earnings per share increased 6.4% to 31.8 cents per share, an increase of 45.9% over the three years. The lift in earnings and strong financial position of Metcash led to dividends for FY23 increasing ~5% to 22.5 cents per share fully franked, which is an increase of 80% over the three years. Total distributions to shareholders are a substantial $800m over the same period. Group CEO, Doug Jones will discuss the Company's performance in more detail in his Report.

STRATEGY

At the core of our strategy is to further improve the competitiveness of our independent retail networks. This includes continuing to improve the quality and value of the offer to shoppers, and in strengthening and growing our own, and our network's, capabilities to deliver value to our retailers and suppliers. Our focus on both the shopper and retailer helps grow sales volumes, which is the key driver of Metcash's flywheel and underpins our competitive advantages and performance.

1. Normalised growth.

We remain committed to investing in growth and have a significant and expanding pipeline of opportunities across our pillars, and particularly in Hardware. The acquisition of Total Tools and expansion of our network of joint venture and Company-owned stores have been a real success and present further opportunities. All capital investments are assessed though a disciplined process that includes consideration of the investment's strategic fit and ability to meet our financial return hurdles.

REMUNERATION AND CULTURE

Following the outcome of our annual benchmarking study by remuneration specialists Aon, modest fixed pay increases were awarded to the Hardware and Liquor pillar CEOs to maintain their position at the market medians. There was no change to fixed pay for the Group CEO.

Short-Term Incentive (STI) outcomes for Key Management Personnel (KMP) continued to be based on pool and scorecard results and ranged from 65% to 84% of the maximum potential reward. This reflects the delivery of outstanding results in FY23.

The year included a review of our STI deferral practices and, commencing in FY24, we are increasing the STI deferral component for the Group CEO from 33% to 40%, with a further increase to 50% in FY25. The Group CFO's deferral component lifts from 25% to 33% in FY24, then to 40% in FY25 and 50% in FY26. These changes are to align with market best practice and to align the interests of our most senior executives with those of our shareholders.

Our FY21 Long-Term Incentive (LTI) vested this year at 100%. The Return on Funds Employed outcome was ~30%, and the Absolute Total Shareholder Return outcome was 21% which reflects growth of ~75% in our share price and dividends over the three-year performance period.

We continued to focus on maintaining our excellent record of paying equitably across the Metcash Group. Our gender pay gap was maintained at ~1% and we were again awarded a citation as Employer of Choice by the Workplace Gender Equality Agency, recognising our commitment to gender pay parity and equality.

Workplace engagement and culture continues to be a key focus for us, and it was pleasing to see a further improvement in our engagement survey results. This year we were placed in the 71st percentile of internationally benchmarked companies (FY22: 62nd percentile) for salaried employees.

Further details on our remuneration framework and FY23 outcomes can be found in the Remuneration Report commencing on page 51.

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)

Metcash has an ambitious agenda for lifting its ESG credentials and it was pleasing to see the Company's efforts recognised by Dow Jones in its Sustainability Index assessment. This year Metcash was placed in the 87th percentile of its designated international sector, compared with the 56th percentile two years ago.

Significant progress was made against our ESG plans, including in the key areas of Environment and Climate, Our People and Community and Products.

Our emissions reduced by a further 5%, in line with the trajectory of our Paris Agreement-aligned 2030 science-based target for Scope 1 and 2 emissions. From a people perspective, our key safety measure (Total Recordable Injury Frequency Rate) improved 34% to 19.9; we achieved our 40/40/20 gender diversity target at Board and Senior Management level; and our engagement and culture score improved as I have noted. Donations through the Community Chest program increased 30% to $3.1m and over 600,000 meals and 22 tonnes of essential groceries were donated for those in need.

From a reporting perspective, our 2023 Sustainability Report will be aligned to standards in the internationally accepted Global Reporting Index (GRI), and the Taskforce for Climate Change Financial Disclosures (TCFD). This has been made possible through the completion of three years of preparatory work.

A summary of the 2023 Sustainability Report can be found on page 30 of the Annual Report, with the full Sustainability Report available on our website in August.

The last three years have seen extraordinary growth for Metcash, with Group revenue up 29% and earnings growth more than 50%.

Chairman's Report continued

SAFETY AND SUSTAINABILITY COMMITTEE

Recognising the importance of safety and ESG at Metcash, the Board established a separate Safety and Sustainability Committee on 1 May 2023. The Committee is chaired by Christine Holman, with Murray Jordan and me as members. The Committee oversees Metcash's strategy and reporting in these very important areas.

LEADERSHIP CHANGES (KMP)

In March we announced that Grant Ramage would succeed Scott Marshall as Chief Executive Officer (CEO) of the Food pillar effective 1 May 2023. Scott had been with Metcash for more than 30 years; and with the Food pillar positioned well for the future, believed it was the right time to pursue another career opportunity. Grant was most recently the Food pillar's Executive General Manager Merchandise and, as a member of the Food leadership group, has been a key contributor to the very strong performance of both the Food pillar and IGA network in recent years.

Last month we announced the appointment of Deepa Sita as our new Group Chief Financial Officer (CFO) to succeed Alistair Bell, who had earlier advised of his intention to retire from the role. Deepa is an experienced executive with an extensive career in finance and industry that spans more than 20 years. She is currently CFO of the largest FMCG company in Africa, Tiger Consumer Brands Limited, and was named South Africa's 2022 CFO of the year in the Finance and Technology, and Compliance and Governance categories. Deepa will join Metcash in January 2024.

We have healthy and supportive retail networks and a significant and increasing pipeline of growth opportunities. Our financial position is strong, and we have an experienced management team to continue progressing our growth plans and focus on superior returns for shareholders through the cycle.

LOOKING FORWARD

While demand continues to be solid in all pillars, the impact of higher interest rates and cost of living has started to impact consumer confidence and the behaviour of some customers and shoppers in our retail networks.

Importantly, Metcash is now much larger, more diversified and stronger than it was three years ago, and our management team and retail networks are experienced at managing well through challenges, including changes to the external environment.

The fundamentals for our businesses remain sound, supported by high employment, increasing population and immigration and continued government investment in infrastructure and housing.

We have healthy and supportive retail networks and a significant and increasing pipeline of growth opportunities. Our financial position is strong, and we have an experienced management team to continue progressing our growth plans and focus on superior returns for shareholders through the cycle.

THANKS

I would like to thank my fellow Directors for their support to me in my first year as Metcash Chairman, and for their commitment and contribution over the year.

To the Metcash leadership team and all our people, our independent retailers and suppliers, I would like to express my thanks and that of the entire Board for your ongoing support.

Peter Birtles
Chairman

LOCAL STORY

SUPPORTING LOCAL SUPPLIERS

Mt Evelyn, Victoria

Mt Evelyn IGA is a family run supermarket that has been proudly part of the local community since 1972. Their primary focus is on fulfilling the community's needs and supporting locals wherever possible.

Tony Ingpen has been stocking Melbourne local Chris Barlotta's That's Alotta Donuts in his store for the last couple of years. Chris started the business at 23, after a career-ending basketball injury, with some help from his parents. The business nearly failed during COVID but working with Tony and selling his products through the Mt Evelyn IGA helped not only keep the business afloat but to grow to where it is today. He started selling 100 donuts to the Mt Evelyn IGA every two days, growing quickly to 200 per day. It wasn't long before That's Alotta Donuts were being stocked in multiple IGA stores and Chris was selling 2,000 donuts a day through the network. He now sells 8,000 donuts a day – through the family's own two shops, online, and through the IGA network in Victoria.

Tony Ingpen and Chris Barlotta in Mt Evelyn IGA, Victoria

Group CEO's Report

This year has been an outstanding one for Metcash and I am pleased to present a very strong set of results for FY23.

Food EBIT ▲ ~4%

▲ ~12% 3yr

Hardware EBIT ▲ ~17%

▲ ~160% 3yr

Liquor EBIT ▲ ~9%

▲ 43% 3yr

I continue to be both amazed and proud of the passion and enthusiasm shown by our independent retailers in serving their local communities. Our retail networks are predominantly made up of family-owned small businesses, with many of them multi-generational. They provide a differentiated value and unique shopping proposition for their customers and are enormous contributors to local communities and the national economy.

We recently commissioned an independent report to quantify their contribution across the IGA and Foodland retail networks and found they support more than 34,000 local organisations, around 100,000 jobs directly and indirectly and contribute over $8bn annually to the national economy. This enormous contribution would be even greater when adding the impact of our Hardware and Liquor networks.

We believe our independent retailers are a national treasure that should be encouraged and supported. Championing Successful Independents is both our purpose and our strategy; it guides what we do every day. Our team members have done an excellent job in executing our strategies and working with retailers and suppliers to further strengthen and grow our independent retail networks this year.

The ongoing dedication and enthusiasm of our people towards this cause has been a real highlight for me since I joined Metcash just over 18 months ago. I sincerely thank them for the key role they have played and continue to play in delivering our purpose of Championing Successful Independents. Through the combined efforts of our people, retailers and suppliers, our independent retail networks are a competitive and differentiated alternative to larger market players, valued by communities across Australia.

The Metcash strategy has as its primary objectives to be the wholesale and brand partner of choice to independent retailers, and to be the route-to-market partner of choice to suppliers in the food, hardware and liquor sectors. We achieve our strategy through our flywheel, which captures the key competitive advantages that set us apart; at its heart is logistics to support the end-to-end supply chain, next is our strategy to nurture brands and formats that shoppers love to shop in, and independent entrepreneurs want to invest in and run; and finally our support and services to help independents compete with the larger chain stores.

On the strength of our purpose, strategy and flywheel, the year has been an outstanding one for Metcash and I am pleased to present a very strong set of results for FY23. Sales and earnings were both at record levels, our pillar initiatives continued to improve the competitiveness of our retail networks and our strategic acquisitions delivered valuable contributions to performance and drove our growth.

This year's results represent further growth on the exceptional performance in the prior two years. Our three-year growth is substantial with Underlying Profit After Tax up ~55% and dividends up 80%. Importantly, the strong performance has been in all pillars and across all retail networks.

GROUP FINANCIALS

Group reported revenue, which excludes charge-through sales, increased 6.2% to $15.8bn (FY22: $14.9bn). Including charge-through sales, Group revenue increased 5.7% to $18.1bn (FY22: $17.1bn), with growth in each pillar building on the strong sales performance over the prior two years.

Group underlying EBIT increased 8.1% to a record $500.8m, with earnings growth in all pillars reflecting continued strong demand, good operating discipline and the success of strategic acquisitions and initiatives. On a three-year basis, Group underlying EBIT increased 49.5%.

Group underlying profit after tax increased 4.6% to $307.5m, and statutory profit after tax increased 7.6% to $259.0m. Underlying earnings per share increased 6.4% to 31.8 cents reflecting the increase in profit after tax.

Group operating cashflow was $372.7m (FY22: $432.3m) with a cash realisation ratio of ~77%. This is below our historical average reflecting additional tax payments, an increase in working capital from a strategic investment in inventory, growth in the Hardware pillar and the adverse impact of 'significant items'. The cash realisation ratio was higher in the second half of the year at 120%.

Net debt at the end of the financial year was $349.6m (FY22: $189.0m), and the Group has significant undrawn facilities which include $525m of new Sustainability Linked Finance facilities.

The Group's lift in earnings and strong financial position led to a ~5% increase in total dividends for FY23 to 22.5 cents per share, fully franked. This represents an 80% increase in total dividends on a three-year basis as noted earlier.

PILLAR FINANCIALS

Food

Total Food sales (including charge-through) increased 2.8% to $9.6bn on a normalised basis (+16.6% 3yr normalised) despite cycling elevated sales in the second half of FY22 due to strong in-stock positions during floods and rail disruptions. Supermarkets sales increased 2.1% (+16.1% 3yr normalised) and sales in the Convenience business increased 9.7% (+20.4% 3yr normalised) driven by the addition of new customers, strong food service demand and the normalisation of customer activity post COVID restrictions.

Tobacco sales declined 6.8% reflecting the acceleration of illicit trade and continuation of the decline in smoking. On an ex-tobacco basis, total Food sales increased 7.0% (+19.7% 3yr normalised) with Supermarkets wholesale sales +6.4% (+19.2% 3yr normalised) and Convenience +12.8% (+22.5% 3yr normalised).

Underpinning the strong performance is the continued successful execution of our strategic initiatives to further improve the competitiveness of the IGA network, with particular focus on prices, ranges, store quality and standards to drive value for shoppers. Sales have also been buoyed by wholesale inflation which averaged 7.6% for the year.

From early calendar 2023 we have seen a noticeable change in the behaviour of some shoppers to focus more on 'value' items. The network continued to retain the majority of shoppers gained in recent years with 'foot traffic' increasing. The impact of cost-of-living pressures and increased focus on value was seen in a flat average 'basket size'.

Retail like for like sales growth in the IGA network was 0.9% and +3.0% ex-tobacco (3yr: 21.4%). A record of 39 new stores were opened in the year.

Food EBIT increased 3.8% on a normalised basis to $204.0m and the EBIT margin was 2.1%.

Hardware

Hardware sales (including charge-through) increased 10.6% on a normalised basis to $3.4bn (+63.1% 3yr) reflecting continued growth in both IHG and Total Tools and the impact of acquisitions.

Combined sales in the IHG and Total Tools retail networks increased 4.5% to ~$4.5bn (+~40% 3yr LfL basis).

Demand remained robust in DIY and Trade, with Trade continuing to be underpinned by a strong pipeline of construction activity and an improvement in supply availability. Inflation was again elevated in both DIY and Trade.

Group CEO's Report continued

IHG sales (including charge-through) increased 3.7% normalised to $2.8bn (+35.0% 3yr) underpinned by solid underlying demand and inflation. Sales in the year were impacted by adverse building conditions in the second and third quarters, and by the impact in the second half of the retail network actively managing working capital in response to more challenging external conditions, particularly the decline in affordability and consumer confidence.

The IHG retail network continued to perform well with like for like retail network sales increasing 2.7% (+34.7% 3yr), with Trade +3.8% (+25.8% 3yr) and DIY + 0.6% (+53.9% 3yr).

Total Tools sales increased 61.9% to $583.5m reflecting strong Trade activity and the impact of additional majority-owned joint venture stores. Total network sales increased 11.6% to $1.085bn (FY22: $972m) with like for like sales up 4.8% (+56.2% 3yr). The network continued to expand in line with its growth strategy adding a further 10 stores, bringing total network stores to 110 at year end.

Hardware EBIT increased 16.8% to $219.2m on a normalised basis, and was up 6.7% or $12.5m excluding the impact of acquisitions. IHG normalised EBIT increased $10.3m or 8.2% to $135.7m and Total Tools normalised EBIT increased $21.2m or 34.0% to $83.5m (+6.9% excluding acquisitions).

The Hardware EBIT margin was 6.5% (FY22: 6.1%) which includes the positive impact of Total Tools and the retail margin from joint venture and Company-owned stores.

Liquor

Total Liquor sales (including charge-through) increased 8.3% on a normalised basis to $5.1bn (+37.7% 3yr basis) with continued growth in sales to retail and on-premise customers.

The retail network again performed well with strong demand buoyed by improved competitiveness, a preference for local shopping and continuation of the at-home consumption trend. While sales increased to both the IBA network and contract customers, the rate of growth tapered in the fourth quarter reflecting the impact of higher cost of living pressures with some shoppers switching to lower-priced value choices.

Wholesale sales to the IBA banner group and contract customers increased 5.6%. Average basket size and spend were both up for the year driven by growth in the RTD and spirit categories.

Sales to on-premise customers increased a significant 31.3% reflecting expansion of the customer base through the successful execution of the on-premise growth strategy, as well as the impact of cycling COVID lockdowns in the prior financial year.

Liquor EBIT increased 8.9% to $104.1m on a normalised basis and the EBIT margin was 2.1%.

PILLAR STRATEGIC INITIATIVES

We continued to see good progress and strong results with our pillar strategic initiatives. These focus on further improving the quality and value of our retailers' offer to shoppers, and in strengthening and growing our own and our network's capabilities so we can deliver value to both our retailers and suppliers.

Our key initiatives in Food focus on improving the quality of the store network through the Diamond Store Accelerator program, and ensuring the network has brand standards that deliver a consistent offer by each store format. In Hardware we are focused on growing our positions in the Trade and DIY segments, as well as expansion of both the Total Tools store network and our network of joint venture and Company-owned stores. In Liquor, we are continuing to improve value for shoppers through expansion of our owned and exclusive product range and by progressing the store upgrade program.

Further information on these initiatives can be found in the Pillar sections of the Annual Report.

DIGITAL AND HORIZON

Our B2C digital initiatives are delivering value for shoppers and retailers at modest levels of investment, made possible through our use of partnerships. In Food, the rollout of IGA Shop Online and the IGA Rewards loyalty platforms have continued to progress well, and sales through our 'on-demand' solution, which includes partnerships with Uber Eats and DoorDash, are growing strongly. In Hardware, online sales have remained strong and we expanded the range of products to ~46,000 in IHG and ~35,000 in Total Tools. In Liquor, the branded online platforms for Cellarbrations, The Bottle-O and Porters are being rolled out, as are branded loyalty programs.

Take-up of our B2B eCommerce marketplaces for retailers and suppliers is continuing to grow. In Food, sales through the 'Sorted' platform broke through the one million transaction milestone in the year, and in Liquor, the new 'ALM Connect' platform has been well received since its launch late in the financial year. We are also continuing to see good growth through our leading Trade technology in Hardware, which is highly valued by IHG's Trade customers.

We have made steady progress with Project Horizon, most recently launching our new inventory forecasting and replenishment system in the Food pillar. The new system is already delivering benefits through a material lift in inventory forecasting accuracy.

We have brought the remainder of the systems build and deployment phases in-house, and extended our deployment timeline to support a phased, lower risk rollout to ensure we maximise the quality of outcomes from our investment. This action protects our own intellectual property and capability so that once we go live with the remaining systems we are positioned to better support and leverage our investment. We do not anticipate that this will increase the total capital cost of the program.

GOING FORWARD

We are now much larger with a more diversified portfolio of businesses following the expansion of our Hardware business; we have healthy and aligned retail networks, and an experienced and passionate management team.

While we remain the largest wholesaler in our chosen sectors, our networks are well positioned in our markets as the leading supplier of hardware to small/medium size builders and the largest supplier of professional tools in Australia, the largest supplier to independent supermarkets in Australia and the second-largest player in the Australian Liquor market.

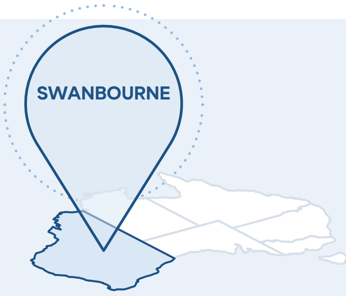
We have a strong financial position and a significant and increasing pipeline of growth opportunities to support our growth aspirations.

Despite a more challenging external environment the fundamentals of our businesses remain sound, and I am excited about how well we are positioned to address the challenges and opportunities that lie ahead of us.

THANKS

I would like to extend my sincere thanks to our independent retailers, suppliers and the Metcash Board and management team for your encouragement and support throughout the year. I would also like to repeat my earlier thanks to all our people at Metcash who live our purpose of Championing Successful Independents every day. It has been a year of significant achievement for us, and I believe we have the right plans, support and encouragement to drive further success in FY24.

Doug Jones
Group CEO



LOCAL STORY

SUPPORTING LOCAL COMMUNITIES

Swanbourne, Western Australia
Swanbourne IGA's mission is to support local. Since taking over the store 15 years ago, Steve and Kirsty Carre have focused on providing quality fresh produce, sourced locally from WA producers where possible, delivering exceptional customer service and giving back to the community.

Not only has the store more than doubled in size over the past decade, it has played a significant role in the community. Stock that would otherwise have gone to waste is donated to St Patrick's Catholic Church to feed the homeless, and through the Community Chest program the store provides financial support to local community and sporting groups, events, not-for-profit organisations and schools. The store also supports new and emerging businesses to commercialise their products for sale throughout the country. Steve was awarded an OAM for his service to the community in 2022.

The store won IGA's Award of Excellence in 2022, and has previously received IGA's small format innovation award in recognition of outstanding customer service, operational excellence, pride in its community and the value it places on its brands. Swanbourne is recognised as one of IGA's most awarded stores in Australia and it's a place where locals matter.

Swanbourne IGA, Western Australia

Financial Highlights

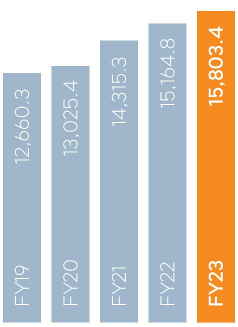
Sales and earnings momentum

FIVE YEAR REVIEW

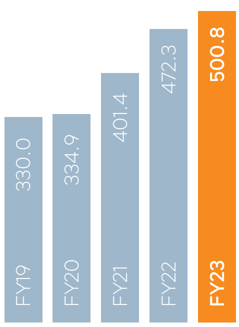
	2023	2022	2021	2020	2019[1]
Financial Performance					
Reported sales revenue ($m)	15,803.4	15,164.8	14,315.3	13,025.4	12,660.3
Underlying EBIT ($m)	500.8	472.3	401.4	334.9	330.0
Finance costs, net ($m)	(64.7)	(48.5)	(42.6)	(52.0)	(28.9)
Underlying profit after tax ($m)	307.5	299.6	252.7	198.8	210.3
Reported profit/(loss) after tax ($m)	259.0	245.4	239.0	(56.8)	192.8
Operating cashflows ($m)	372.7	432.3	475.5	117.5	244.9
Cash realisation ratio[2] (%)	77%	91%	114%	33%	92%
Financial Position					
Shareholders' equity ($m)	1,085.1	1,090.4	1,291.1	1,371.6	1,250.1
Net cash/(debt) ($m)	(349.6)	(189.0)	124.6	86.7	(42.9)
Gearing ratio[3] (%)	24.4%	14.8%	(10.7%)	(6.7%)	3.3%
Debt leverage ratio[4]	0.62x	0.36x	(0.27x)	(0.22x)	0.09x
Return on funds employed[5] (%)	29.6%	31.0%	28.7%	24.9%	27.7%
Share Statistics					
Fully paid ordinary shares (m)	965.5	965.5	1,022.4	1,016.4	909.3
Weighted average ordinary shares (m)	965.5	982.8	1,021.9	910.1	928.6
Underlying earnings per share (cents)	31.8	30.5	24.7	21.8	22.6
Reported earnings/(loss) per share (cents)	26.8	25.0	23.4	(6.2)	20.8
Dividends declared per share (cents)	22.5	21.5	17.5	12.5	13.5
Dividend payout ratio (%)	70%	70%	71%	57%	60%
Other Statistics					
Number of employees (full-time equivalents)	8,300	8,017	7,010	6,400	6,378

1. FY19 financials are reported on a pre-AASB 16 basis.
2. Cash flows from operations/Underlying NPAT + Depreciation and Amortisation (depreciation and amortisation not tax effected).
3. Net Debt/(Shareholders' Equity + Net Debt).
4. Net Debt/(EBITDA + depreciation of right-of-use assets).
5. Underlying EBIT/Average funds employed.

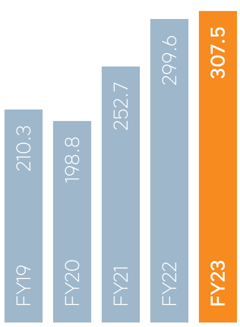
Sales
($m)



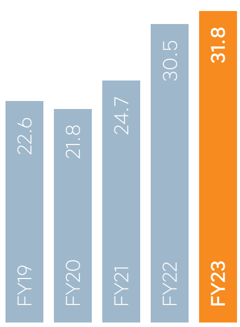
EBIT (Underlying)
($m)



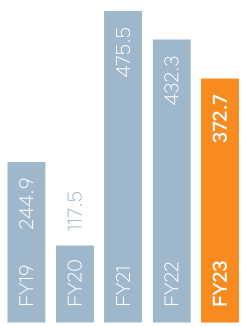
PAT (Underlying)
($m)



EPS (Underlying)
(cents)



Operating cashflows
($m)



Jo Elson, Mount Barker IGA, donates food to the homeless through Reverend Haydn Lush from Mount Barker Uniting Church

Food

Grant Ramage
CEO, Metcash Food

Romeo's IGA Food Hall
St Leonards, New South Wales

We are the largest supplier to independent supermarkets in Australia and support a network of over 1,600 stores, which include the well-known IGA and Foodland banners. We also service thousands of convenience stores, institutions, and other small businesses, through our Campbells and Convenience business.

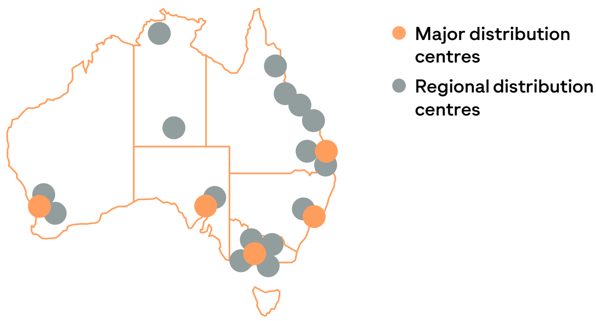
Each store in our network strives to be the 'Best Store in their Town', from the products they sell to the charities and organisations they support, to the local people who work there. Our retailers mix local relevance, knowledge and convenience of a neighbourhood store with the quality and competitive prices of a national brand.

With a particular focus on providing value to shoppers through a broad and locally tailored range, competitive pricing, unique store experience, and exceptional customer service … it is these attributes that create a point of difference for our retailers that local communities value.

Sales growth continued in FY23 with total Food sales up 2.8% to $9.6bn normalised, or 16.6% on a three-year basis. Excluding tobacco sales, the increase was 7.0% and 19.7% respectively.

Underpinning the strong sales momentum has been the successful execution of initiatives to further improve the network's competitiveness. Despite shoppers facing new cost of living and interest rate challenges this year, they have continued to include our retailers in their shopping repertoire.

FOOD NATIONAL DISTRIBUTION NETWORK



OUR BRANDS

IGA | Campbells | Foodland | IGA Local Grocer | Supa Valu | Village Grocer | Friendly Grocer

Food continued

With a particular focus on providing value to shoppers through a broad and locally tailored range, competitive pricing, unique store experience, and exceptional customer service … it is these attributes that create a point of difference for our retailers that local communities value.

Our retail network is healthy and confident and there was a record number of 39 new stores opened in the year, with more stores planned for FY24.

NETWORK OF THE FUTURE INITIATIVES

Store upgrades

A key part of helping our stores remain competitive is improving the store experience. The network has continued to co-invest in upgrading their stores under the Diamond Store Accelerator program, with ~55% of the store network now upgraded. Our target is to have 90% of the network refreshed by FY26.

Brand standards

We have also improved the shopper experience through driving consistent IGA store standards, and now have 420 stores fully compliant and a further 555 stores nearing compliance. This phase of our Network of the Future transformation is expected to be complete by 2024.

Range, price and private label

The IGA price gap to the major chains has narrowed to our most competitive position ever, and we are committed to helping our retailers deliver great value to local shoppers as household budgets continue to come under pressure.

Our Price Match program matches the lowest regular shelf price of essential comparable products at the chains, and was extended to all IGA stores in late 2022. Our small stores match the prices of around 200 products, our medium stores match the prices of around 600 items and our bigger stores match prices on over 1,200 items. This means shoppers will not pay more to shop at their local IGA on any item with a blue Price Match ticket. With the program now in all stores, we are able to more effectively communicate this key value program through targeted marketing campaigns.

Our Low Prices Every Day program is another way we are helping shoppers combat the recent increases in cost of living. Expanded to over 3,000 essential, competitively priced products, customers can shop at IGA with confidence, knowing that these products will be at the same low price every week.

We are also helping our retailers deliver excellent value to customers through our range of private label products under our Black & Gold and Community Co brands. We continually benchmark the quality of these products and monitor the market to ensure that the prices of these items remain competitive.

DISTRIBUTION CAPACITY AND CAPABILITY EXPANSION

We are continuing to invest in Distribution Centres (DC) to expand our capacity and capability. We are also investing in supply chain systems to support our growth and deliver further efficiency improvements.

Despite challenges associated with supply, labour and pallet availability, we were able to maintain our customer service levels above supplier inbound service levels. This ensured our retailers were able to keep their shelves well stocked for serving their local communities.

Construction of our new DC in Truganina, Victoria started during the year and, once completed, will be the size of 16 football fields, span almost 115,000 square metres, and incorporate new automation technology and sustainability features. The new DC will house a wider range of products and deliver greater efficiencies for more than 4,000 stores and premises in Victoria. We expect the new DC to be operational in mid 2024.

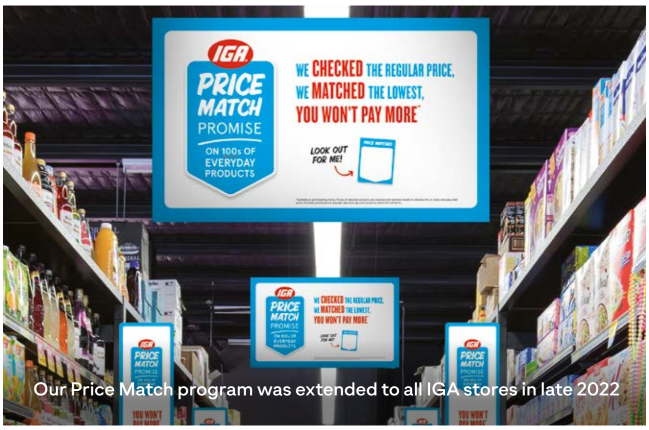
We are also upgrading our DC in Western Australian and expect this to be complete in early 2024.

ACCELERATING DIGITAL

We expanded both our IGA Shop Online and IGA Rewards loyalty programs in the year. IGA Shop Online is now live in over 330 stores, with further expansion in FY24. The IGA Rewards loyalty program is continuing to be rolled out with the program currently in ~430 stores.

On demand rapid delivery is also performing well with partnerships currently with Uber Eats and DoorDash.

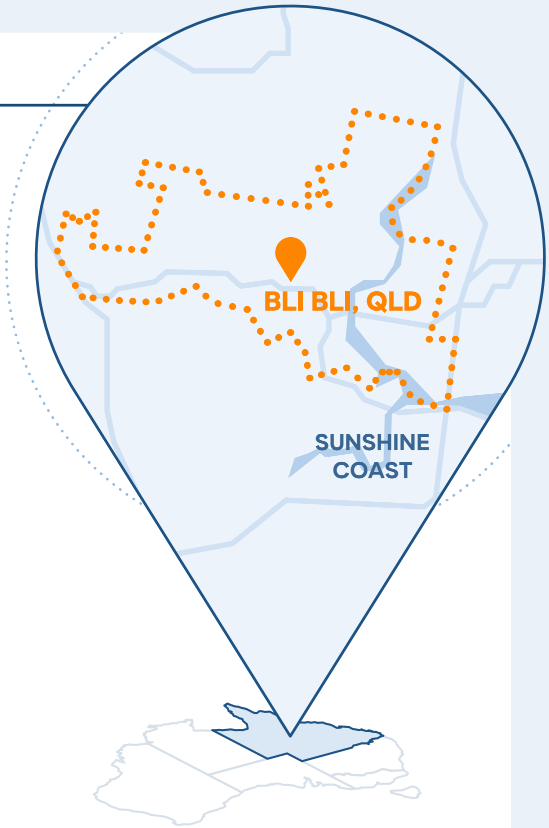
We also improved the digital experience for our retailers and suppliers with R.O.S.S (Retailer One Stop Shop) now live in all States, and integrated with our new Sorted platform (online retailer/supplier marketplace). Sorted is growing rapidly, with transactions in FY23 exceeding one million.



Our Price Match program was extended to all IGA stores in late 2022

LOCAL STORY

SUPPORTING LOCAL SMALL BUSINESSES



Bli Bli, Queensland

Supa IGA Bli Bli, owned by Roz and Michael White since 2004, has a reputation in the local community for good food and wonderful customer service. The Whites' passionate support for local community groups, charities and small businesses makes them more than just a service provider, they're an integral part of their community.

The Whites have been working with local chef Chris Sell, stocking his range of The Hatted Chef ready-made meals. With the same ethos and passion as the Whites for supporting local producers, The Hatted Chef uses high quality ingredients, sourced locally where possible.

Passionately supporting local suppliers

Roz White, IGA Bli Bli, Queensland, with local supplier The Hatted Chef, and members of the local soccer club

Hardware

Annette Welsh
CEO, Independent Hardware Group

Tait Mitre 10
Glen Iris, Victoria

Our Hardware pillar comprises the Independent Hardware Group (IHG) and an 85% stake in Total Tools Holdings. The combined IHG and Total Tools network recorded retail sales of more than $4.5bn in FY23 from over 730 stores located in metro and regional areas across the country.

The Pillar achieved strong sales growth in the year of 10.6% normalised, to $3.4bn, with growth in both IHG and Total Tools. On a three-year basis, sales increased a substantial 63.1% driven by strong activity levels and the contribution from strategic acquisitions. Demand remained robust in Trade and DIY, with Trade continuing to be underpinned by a strong pipeline of construction activity and an improvement in the availability of supply.

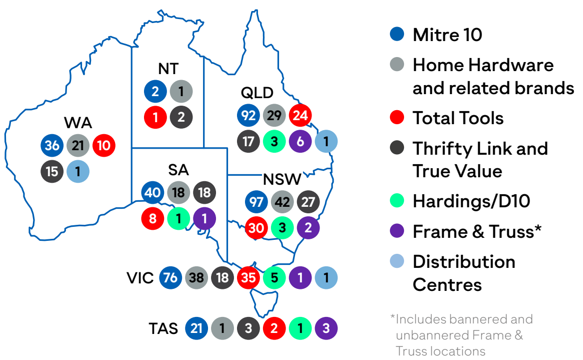
IHG

IHG is Australia's largest home improvement wholesaler and the second-largest player in the Australian Hardware market. It is home to the well-known Mitre 10 and Home Hardware brands and supplies more than 1,500 hardware stores nationwide.

The network caters to Trade and DIY customers serviced from a broad range of store formats, including large warehouses to convenience operations and trade centres, as well as frame and truss sites.

The culture of IHG is built on being a low cost and transparent business partner to our retailer members, with an unwavering commitment to protect and grow a sustainable independent hardware sector for the long term.

NATIONAL STORE NETWORK



OUR BRANDS

Hardware continued

The business continued to make good progress with its strategic initiatives, focused on expanding its store network and growing sales in both the Trade and DIY segments.

Store network

There were 10 new sites completed during the year. Three new stores were opened by independents, and there were seven acquisitions (including two frame and truss sites), reflecting further consolidation of the fragmented Trade market and our focus on securing independent businesses.

There are now five co-located Mitre 10 and Total Tools sites, with two in New South Wales, two in Victoria and one in South Australia. More co-located stores are expected to open in FY24.

Build Trade

Key to increasing our share of the supply component of a house build is the successful execution of our 'Whole of House' strategy. With CRM insights now across 500 builders, we can identify opportunities by build stage. We also now have six Design 10 showrooms open which offer a differentiated experience for builders and consumers.

Our network of Sapphire standard stand-alone Trade Centres has grown to 42, and we are well on track to reach our target of 50 Trade Centre stores by 2024. We also now have 20 frame and truss facilities within the network.

Grow DIY

Our DIY customer base continued to grow, with sales in this segment representing 37% of total Pillar sales in FY23. A key driver of growth in DIY is our highly effective Sapphire store upgrade strategy which continued to attract more DIY shoppers to IHG. It has also delivered great results for our retailers, with average sales growth of ~28% for the period following completion of the Sapphire upgrade.

The Sapphire strategy aims to ensure stores across the IHG network are leading edge and tailored to each store's unique location in the community it serves. This includes having the right DIY product categories and service offer to engage and support local shoppers. We have continued to make good progress against our target of 300 upgraded stores by 2025, with 190 stores now through the program.

Total Tools provides significant growth opportunities for the Hardware pillar. In addition to strong demand for professional tools, the Pillar continues to grow through expansion of its store footprint, and through the acquisition of retail stores.

Another way we are attracting DIY shoppers to our stores is by strengthening our Mitre 10 and Home Hardware brands. We have moved to a 'two-brand' strategy with Mitre 10 being IHG's primary brand, and Home Hardware positioned as a strong local brand, ensuring that each market has the most relevant and appropriate brand and format.

There were 364 Mitre 10 and 150 Home Hardware stores at the end of FY23. A further 30 Thrifty Link and True Value stores were converted to Home Hardware stores in the year. Our aim is to build a network of ~400 Mitre 10 and ~200 Home Hardware Stores, with smaller brands encouraged to move to these stronger brands.

TOTAL TOOLS HOLDINGS

Total Tools Holdings is the franchisor to the largest professional tools network in Australia. It is a complementary business to IHG, targeting tradespeople that use professional tools for a living with an unrivalled range of the best professional brands in the world, together with professional service solutions and advice.

Total Tools provides significant growth opportunities for the Hardware pillar. In addition to strong demand for professional tools, the Pillar continues to grow through expansion of its store footprint, and through the acquisition of retail stores, usually via a joint venture with the existing independent owner.

Network expansion

A further 10 stores were added to the network in the year, increasing its size to 110 stores at the end of FY23. We are on track to build a network of ~140 stores by 2026, with significant opportunities in New South Wales, Queensland, Western Australia and Victoria. We also continued to upgrade stores and now have the majority of the network (98 stores) refreshed under the Sapphire store upgrade program.

Joint venture/Company-owned stores

Our strategy of having a mix of independents and Metcash majority-owned joint venture (JV) stores has continued to prove successful. A further eight JV stores were acquired and three new JV stores were opened during the year to bring the total number of majority-owned JV and Company-owned stores to 46. Our target is to have ~50% of the store network as joint venture/Company-owned stores.

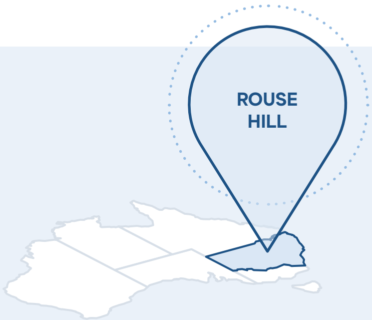
Mitre 10/Total Tools, Merimbula, New South Wales

DIGITAL

We continue to invest in accelerating our digital solutions, offering a strong omni-channel shopping experience for consumers in-store, online and via app. Online sales represent 6% of Hardware pillar sales in FY23, and the digital offer now includes over 80,000 SKUs.

We also saw continued growth in loyalty members, with 1.4m customers now part of the Mitre 10 and Home Hardware loyalty programs. Total Tools also has a very loyal customer base with its market-leading Insider Loyalty program having over 1.8 members, representing 90% of its sales base (excluding commercial).

In Trade, we saw growth in the uptake of our Trade technology suite amongst the network and builders. The use of Trade technology allows IHG to focus on providing the builder with the tools they need to get in, get out and get on with the job at hand, reducing costs for the builder and driving loyalty.



LOCAL STORY

SUPPORTING COMMUNITY SPORT

Rouse Hill, New South Wales
Hudson Mitre 10 Trade Centre at Rouse Hill, New South Wales, has a longstanding relationship with their local soccer club the Quakers Hill Tigers.

In addition to sponsoring the Under 13 Division 1 side, there are strong links with the Hudson Trade Centre team. Site Manager Craig Mackey's sons have all played for the club, and he has personally been involved as a coach. Daniel Mangion and Jacob Addison are in the all ages side, while rep Keith Houghton is a regular on the sideline watching his grandson.

Quakers Hill Tigers Under 13 Division 1 team with Hudson Mitre 10 Trade Centre site manager Craig Mackey

Liquor

Chris Baddock
CEO, Metcash Liquor

Cellarbrations
Rozelle, New South Wales

Our Liquor pillar supplies ~90% of independent liquor stores in Australia, making us the second-largest player in the Australian liquor market. We are also home to nationally recognised liquor store brands such as Cellarbrations, The Bottle-O, Porters and IGA Liquor.

The Liquor pillar has a balanced mix of retail, on-premise and contract customers that stands us in good stead when it comes to dealing with external challenges.

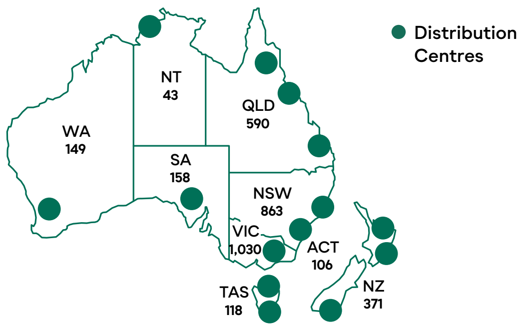
Our independent retail network includes great retail stores that are conveniently located where customers want to shop with product ranges tailored for each store's local community. We also have an evolving digital business and a growing owned and exclusive range of products.

The Liquor pillar continued to outperform in FY23, with total sales (including charge-through) up 8.3% on a normalised basis, to $5.1bn. There was continued growth in sales to retail and on-premise customers, with on-premise sales particularly strong driven by the addition of new customers and a return to out-of-home consumption post COVID-related restrictions. The Pillar has delivered substantial sales growth over the past three years of 37.7%.

AUSTRALIAN LIQUOR MARKETERS (ALM)

Our ALM division is the centre of the liquor pillar's flywheel. We have a network of 14 DCs located across Australia and New Zealand, with five of these being 'mega' DCs which are shared with the Food pillar, delivering efficiencies and scale advantages that help support the competitiveness of our customers.

IBA NETWORK OF TIER ONE STORES



OUR BRANDS

Cellarbrations
the Bottle-O
IGA LIQUOR
PORTERS LIQUOR
THIRSTY CAMEL

Liquor continued

Our Owned and Exclusive product range

We supply over 14,000 licensed venues in Australia, servicing IBA (Independent Brands Australia) retail banner stores, large and small contract banner groups, unbannered liquor stores as well as licensed premises and eCommerce retailers.

DRIVING GREATER EFFICIENCIES

The year included launching ALM Connect, a new charge-through service endorsed by both retailers and suppliers which helps drive greater sales and efficiencies. ALM Connect includes an 'extended aisle' that grants access to an expanding range of non-warehoused products, all through the one ALM ordering portal. This provides greater choice to retailers and more sales opportunities for suppliers. It also streamlines the charge-through sales process through automation.

Scheduled for launch in FY24 is ALM's Retailer One Stop Shop (R.O.S.S) platform. The new platform provides one location from which all ALM customers can access end-to-end information, online ordering and all their wholesale needs.

As an additional service to customers, we are rolling out our new Truck Tracker technology in all States of Australia. The technology enables delivery notifications to be provided to customers to help them keep track of their orders through our multiple delivery partners.

IBA STORE NETWORK

Our IBA network consists of over 3,000 stores across Australia and includes the well-known brands of Cellarbrations, The Bottle-O, IGA Liquor and Porters Liquor. State-based brands in our portfolio include Thirsty Camel Bottleshop and Duncans along with un-bannered Liquor@ stores. We also support an additional ~370 stores in New Zealand under The Bottle-O and Liquor Centre brands.

The network includes ~1,430 tier one retailers that are supported through a full array of retail services including receiving benefits from our national buying capacity, marketing support, promotional programs, network investment and through access to our growing portfolio of owned and exclusive brands.

The retail network again performed well during the year with strong demand buoyed by the success of our initiatives to improve the competitiveness of the network, a preference for local shopping and continuation of the at-home consumption trend.

The Liquor pillar has continued to outperform with substantial sales growth of ~38% over the past three years.

In addition to our continued focus on product range, competitive prices and service, customers include the quality of stores in their assessment of value. The network continues to invest in improving the store experience for shoppers with a further 90+ stores and 70 cool rooms refreshed in the year.

OWNED AND EXCLUSIVE BRANDS

Sales of our owned and exclusive products continued to grow in FY23. Our investment to expand this range not only benefits Metcash, but also improves margins for our retailers while delivering excellent value to our shoppers.

Value is becoming increasingly important for some shoppers due to cost of living pressures and we are confident we have a wide range of brands and products that cater for all shoppers, whether they are looking for value or higher quality.

POETS beer was introduced in the year and gained significant support across the IBA network, as did the Cougar brand of bourbon which is exclusive to IBA and was relaunched during the year.

BUILDING BRANDS THROUGH VALUE AND LOYALTY

The year included the roll out of successful brand campaigns for Cellarbrations, The Bottle-O, IGA Liquor and Porters Liquor. Our focus is on further building brand awareness and appeal, which is being used as a platform for expanding the customer base for our retailers. We are also gaining new shoppers to the network through our loyalty program and value product offer.

Both the Cellarbrations Top Drop Rewards and The Bottle-O Rewards loyalty programs were launched in the year following the success of earlier pilot programs. These programs are designed to drive foot traffic, increase the retention of retailers, derive consumer insights and data and deliver a personalised offer for the shopper. Loyalty members receive access to exclusive member pricing and promotions based on their drinking preferences and behaviours.

LOCAL STORY

SUPPORTING LOCAL ECONOMIES

Blue Mountains, New South Wales

Murray Croft and Charlotte Burns own three Porters Liquor stores in the Blue Mountains, New South Wales at Glenbrook, Blaxland East and Warrimoo. Their entry, and then rapid expansion, in the region has made a positive impact on the local economy, as an employer and distributor for local suppliers, as well as the ripple effect on surrounding stores who have benefitted from the increase in foot traffic.

Murray's stores specialise in craft beer, including local brewer Mountain Culture, voted Best Beer in Australia in the 2022 GABS (Great Australasian Beer SpecTAPular) Hottest 100, premium spirits and boutique wines. Porters Glenbrook won the NSW Porters Liquor Store of the Year award in 2021.

Murray Croft, Murray's Porters Liquor, Glenbrook, New South Wales

Sustainability

FY23 Highlights

OVERALL

Dow Jones Sustainability Index (DJSI)

87th

percentile
(up from 69th)

Carbon Disclosure Project

'B'

assessment

Sustainability finance facility established

$525m

ENVIRONMENT AND CLIMATE

Achieved interim 2030 emissions target for FY23

5.2%

decrease from FY22
73,659tCO_2-e

Solar PV system commissioned at Huntingwood

>700kwp

Waste-to-landfill diversion goal by 2028

80%

across all operational control sites

OUR PEOPLE

Gender diversity target (40/40/20) achieved

50%

female representation at Board level

Engagement Survey

71st

percentile of internationally benchmarked companies (up 9 ppts from FY22)

Total Reportable Injury Frequency Rate (TRIFR)

19.9

34% improvement

COMMUNITY AND PRODUCTS

Donations through IGA Community Chest program

$3.1m

30% increase on FY22

Meals donated

>606K

as well as 22t of essential grocery items

Battery recycling

Now available at

>1,000

network stores

Sustainability continued

This year's highlights showcase our significant progress and ongoing commitment to environmental stewardship, social responsibility and governance.

Battery recycling is now available in over 450 hardware stores

FY23 marks a very important milestone for Metcash from a reporting perspective. The full Sustainability Report has been prepared for the first time with reference to the Global Reporting Initiative (GRI), and our climate-related disclosures are aligned to the Taskforce for Climate-Related Financial Disclosures (TCFD). This ensures we are well positioned to adopt the International Sustainability Standards Board (ISSB) reporting framework when it becomes applicable for Metcash in FY25.

A significant highlight this year was acknowledgement by Dow Jones of the substantial improvements made in our ESG credentials, positioning us in the 87th percentile of their Sustainability Index, up from the 69th percentile in FY22, reflecting our ongoing efforts to enhance sustainability practices across our operations.

We also received a 'B' assessment from the Carbon Disclosure Project, affirming our transparency and accountability in managing and reporting climate risks, as well as recognising the progress made to further improve energy efficiency and reduce greenhouse gas emissions.

The year also included establishing a sustainability-linked finance facility of $525m which creates a strong link between the cost of doing business and our sustainability credentials. We have performance requirements linked to the facility that include achieving our emissions and renewables targets, reducing waste to landfill and measures related to improving the wellbeing of our people.

We believe our achievements help reinforce our dedication to sustainability and progress towards creating a more sustainable future, which is a key component of our corporate vision.

OUR PLANET

We made good progress towards achieving our stated long-term sustainability goals and targets, including our commitment to the 1.5-degree 2030 Science Based Target (aligned to the Paris Agreement). Achievement of this target is equal to a 42% reduction in Scope 1 and 2 emissions from our 2020 baseline, and from here we are targeting to reach Net Zero by 2040 for Scope 1 and 2. This year our emissions reduced a further 5.2% to ~74k tonnes, in line with the trend required to reach the 2030 and 2040 targets.

Our estimate of Scope 3 emissions was reassessed in FY23 to be 1.158m tonnes, up from our estimate of ~860k tonnes during our baseline year of FY20. This means that ~94% of Metcash's total carbon footprint is derived from upstream and downstream activity. We are currently assessing opportunities to help reduce Scope 3 emissions.

Our plans to minimise our environmental impact and foster a circular economy include the development and implementation of innovative waste management practices and increased recycling efforts. Reflecting our aim is the establishment this year of a new waste target of diverting 80% of waste to landfill by 2028, which encompasses all controlled sites across the Metcash organisation.

From a product perspective, we continue to ensure our private label brand standards are met. This includes our private label fresh pork, chicken, beef, lamb, milk and eggs all being 100% Australian raised or grown. We also ensure that we source 100% RSPO certified sustainable palm oil and continue to work towards our 2025 goals of sustainably sourced tea, coffee, cocoa, paper-based products and seafood.

Metcash employees receive a safety demonstration at Huntingwood DC

OUR PEOPLE

We are committed to creating an inclusive and equitable workplace that harnesses the diverse talents of our employees. We have achieved our 40/40/20 gender diversity target for the Board and Group Leadership, with 50% representation of women on the Metcash Board and 44% at Group Leadership level. This year we were again listed as an Employer of Choice by the Workplace Gender Equality Agency (WGEA), the fifth consecutive year, reflecting our commitment and progress in this area.

Employee satisfaction, commitment to our organisation and alignment with our purpose of Championing Successful Independents is key to our success. Our continued focus on making Metcash 'a favourite place to work' led to our employee engagement results placing us at the 71st percentile of internationally benchmarked companies for salaried (TEC) employees.

Ensuring the safety and wellbeing of our employees is our highest priority. This year we revised our Safety, Health and Environment (SHE) Strategy and established both short- and long-term initiatives aimed at preventing work-related injuries and illnesses to team members, contractors and visitors at our sites, as well as in our supply chain. Pleasingly, there was a reduction in recordable injuries in the year of over 34%, compared to the prior year. Our focus is broad and includes supporting our independent retailers to also improve their safety.

The Bottle-O donated to the Winwood family in Tasmania to help their grandson fighting childhood cancer

OUR COMMUNITY AND CUSTOMERS

We believe in supporting and giving back to the communities in which we operate. Through our IGA Community Chest program we donated $3.1 m to community groups in the year, an increase of 30% on last year. We also donated over 606,000 meals and 22 tonnes of essential grocery items via Foodbank and other charities.

We continued to make progress in protecting the rights of people in our supply chain. This included tailoring and updating our modern slavery awareness training for procurement teams, closing-out findings from SEDEX (Supplier Ethical Data Exchange) social audits, and further expanding the use of supplier surveys to help identify areas of concern. We are also in the process of rolling out a pilot program that provides a worker voice platform to improve our ability to hear directly from potentially vulnerable workers in our supply chain.

We have commenced implementing the Health Star Rating (HSR) on all eligible private label products, with completion expected by the end of FY25. We are also active participants in the Australian Government's Healthy Food Partnership, with reformulation targets set for reducing the use of salt, sugar and saturated fat.

For further detail, please refer to the full Sustainability Report published on our website: www.metcash.com/sustainability in August 2023.

Our People

Doug Jones

CEO, Metcash Group

BComm, Accounting, Tax, Auditing, Information Systems, CA (SA)

Doug Jones is an experienced executive with extensive global wholesale, retail and eCommerce experience. Before joining Metcash as CEO in 2022, Doug was CEO and Senior Vice President of Massmart Wholesale, which is majority-owned by Walmart Inc. and listed on the Johannesburg Stock Exchange.

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

Alistair Bell

CFO, Metcash Group

B.Ec (Sydney), CA, MAICD

Alistair joined Metcash in 2020 as the Group CFO. Alistair has extensive capital markets experience and executive leadership in managing international organisations with portfolios of businesses.

Alistair has held various CFO, COO and strategy positions in a range of industries with ASX-listed, private equity and multi-national corporations. Most recently, he was the Group CFO of GrainCorp for almost 10 years. Alistair has broad experience as a Non-executive Director, including as Chairman of Audit & Risk Committees.

Grant Ramage

CEO, Metcash Food

Grant was promoted to CEO of Metcash Food in 2023 after four years as Executive General Manager, Merchandise, and a further four years as State General Manager, Supermarkets in Western Australia. He has been a key contributor to the strong performance of both the Food pillar and the IGA network in recent years, working closely with leading retailers and suppliers to improve IGA's competitive position and deliver sustainable growth.

Prior to joining Metcash in 2015, Grant held several senior roles at Coles Liquor across merchandise, marketing, operational leadership, business development, critical projects and exclusive brands. His earlier career included 10 years with Oddbins, the UK's then pre-eminent Wine Merchant, initially in retail stores and then in buying.

Annette Welsh

CEO, Independent Hardware Group

Annette is a highly regarded executive with over 30 years of global experience across retail, wholesale and logistics.

Annette was appointed CEO of Independent Hardware in 2020, and in the decade prior held several senior roles at Metcash in Hardware, including General Manager, Operations and General Manager, Merchandise.

Prior to joining Metcash in 2010, Annette held senior management positions at Marks & Spencer in the UK and IBM.

Chris Baddock

CEO, Australian Liquor Marketers

GradCertBus

Chris joined Metcash in July 2019 as CEO of Australia Liquor Marketers (ALM).

Chris has over 30 years of experience in FMCG including Lion and Woolworths. Prior to joining Metcash in 2019, Chris was Director of Pinnacle Drinks, a wholly owned subsidiary of the Woolworths' Endeavour Drinks Group.

Our Board

Peter Birtles

Non-executive Chairman

BSc Hons, FCA, MAICD

Member of the Safety and Sustainability Committee and the Technology Advisory Working Group

Doug Jones

Group CEO, Executive Director

BComm, Accounting, Tax, Auditing, Information Systems, CA (SA)

Mark Johnson

Independent Non-executive Director

BCom, CPA, FCA, FAICD

Member of the Audit, Risk and Compliance Committee, and Chair of the Technology Advisory Working Group

Margaret Haseltine

Independent Non-executive Director

BA, FAICD

Chair of the People, Culture and Nomination Committee and member of the Technology Advisory Working Group

Christine Holman

Independent Non-executive Director

MBA, PG Dip Mgt, GAICD

Chair of the Safety and Sustainability Committee and member of the Audit, Risk and Compliance Committee

Marij Kouwenhoven

Chief Technology Officer

M.Sc. Engineering

Prior to joining Metcash in October 2022, Marij was the SVP and Global CIO of The Bountiful Company (now part of Nestlé Health Science). Previously, she worked at Dairy Farmers of America, where she delivered expanded services and value to the 'fiercely independent' member network.

Marij's professional career started in the early days of SAP in Germany, and she has held several IT leadership roles over the years covering IT strategy, applications modernisation, IT business operations improvement, shared services, agile transformation, cloud migration, data management, security/compliance, digital commerce and analytics.

Simon Burton

Chief Strategy and Transformation Officer, Metcash Group

B.A (Hons), Economics

Simon is a globally experienced executive with over 25 years' experience focused on FMCG and retail businesses, strategy and transformation. He worked most recently with Lion Nathan as Group Strategy and Corporate Development Director. Prior to that he worked across strategy and business transformation at Partners in Performance and Momentum Partners (now part of KPMG).

Prior to emigrating to Australia in 2010, Simon worked in London for Bupa as Customer Proposition and Strategy Director building on his experience as a Director in investment bank Dresdner Kleinwort's European food, consumer and retail group and as a strategy consultant with McKinsey & Co serving consumer and retail clients.

Danielle Jenkinson

Group Chief People & Culture Officer

MBA (Mkt), BDes (Vis Comm)

In 2023 Danielle was promoted to Group Chief People & Culture Officer, from her previous roles as General Manager of Marketing and Executive General Manager of Retail, Metcash Food.

Prior to joining Metcash in 2018, Danielle held positions with Woolworths, Goodman Fielder and L'Oreal UK.

Danielle has over 20 years of industry experience with suppliers, retailers and wholesalers. She has held a variety of leadership roles spanning sales, commercial, marketing and operations, in both Australia and UK markets.

Julie Hutton

Chief Legal, Risk and Compliance Officer & Company Secretary

B Asian Studies (Viet), LLB, LLM, GAICD

Julie was appointed as Company Secretary in 2016, and promoted to Chief Legal, Risk and Compliance Officer in June 2022. She joined Metcash from law firm Baker & McKenzie, where she was a partner who specialised in mergers and acquisitions, private equity and corporate restructures. Julie is a Graduate of the Australian Institute of Company Directors.

Murray Jordan

Independent Non-executive Director

MPA and MAICD

Member of the People, Culture and Nomination Committee and Safety and Sustainability Committee

Helen Nash

Independent Non-executive Director

BA Hons, GAIDC

Chair of the Audit, Risk and Compliance Committee and member of the People, Culture and Nomination Committee

Julie Hutton

Company Secretary

B Asian Studies (Viet), LLB, LLM, GAICD

DIRECTORS' REPORT

Your Directors submit their report of Metcash Limited (the 'Company') and its controlled entities (together the 'Group' or 'Metcash') for the financial year ended 30 April 2023 ('FY23').

OPERATING AND FINANCIAL REVIEW

1. METCASH'S BUSINESS MODEL

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

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

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

2. STRATEGIC OBJECTIVES

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

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

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

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

3. KEY DEVELOPMENTS

Acquisition of Total Tools independent retail stores ('JV Stores')

The Total Tools acquisition has been very successful, with the business continuing to grow strongly since the acquisition of our 70% majority stake in FY21 and a further 15% ownership interest in FY22. Put and call option arrangements exist which enable Metcash to acquire the remaining 15% ownership interest in the franchisor, exercisable between 1 November 2023 and 31 January 2024. It is a complementary business to our Hardware pillar, targeting tradespeople that use professional tools for a living with an unrivalled range of the best professional brands in the world, together with professional service solutions and advice. During the year, the Total Tools store footprint has continued to expand with the further acquisition of ownership interests of between 51% and 60% in eight Total Tools independent retail stores for $31.7 million, together with the establishment of three greenfield JV stores. Put and call option arrangements exist which enable Metcash to acquire 100% of all 38 Total Tools JV Stores across FY25, FY26, FY27 and FY31. Further details are set out in notes 5.3 and 6.1 of the financial report.

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, with the inventory forecasting and replenishment system delivering early benefits and significantly improving forecasting accuracy. The remaining components of the first stage are focused on accessing benefits within the Food and Liquor pillars.

The program is subject to continual assessment in relation to program governance, independent assurance, Board oversight and program risks. To further minimise risks to our customers and business and help ensure project outcomes are maximised, the expected completion date for stage 1 has been extended from the end of 2023 to the end of FY2025. The change in timeline has been supported by Metcash's ability to maintain its current systems longer than anticipated and does not result in a change to the expected capital expenditure of the project and a limited increase in operating project office expenses for the longer time frame.

In FY23, the Group incurred $62.8 million (FY22: $46.9 million) of capital expenditure which comprised $60.2 million in relation to software assets and $2.6 million in relation to prepaid assets and $34.6 million (FY22: $31.4 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.

Changes in key management personnel (KMP)

Peter Birtles was appointed as Chair of the Board effective 1 August 2022.

Mark Johnson joined the Metcash Board as an Independent Non-executive Director on 1 August 2022.

Robert Murray retired from the Board on 31 August 2022.

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

Dividend declaration

The Board has determined to pay a fully franked final FY23 dividend of 11.0 cents per share, which brings total dividends for the year to 22.5 cents per share fully franked, which represents a dividend payout ratio of 70.6% of underlying profit after tax.

4. KEY FINANCIAL MEASURES

Warehouse earnings

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

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

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

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

Cost of doing business

The Group's profitability depends on the efficiency and effectiveness of its operating model. This is achieved by optimising the Group's cost of doing business ('CODB') which comprises the various costs of operating the distribution centres, retail stores and the administrative support functions. During FY23, the efficiency of the supply chain was impacted by the continuation of global supply chain challenges.

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

Funds employed and return on capital

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

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

Impact of the 53rd trading week in FY22

The current financial year represents a 52-week trading period (from 2 May 2022 to 30 April 2023) as compared to a 53-week trading period in the previous financial year (from 26 April 2021 to 1 May 2022). Section 5 of this report provides an overview of the Group's financial performance.

DIRECTORS' REPORT CONTINUED

Climate change and sustainability disclosure

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

Non-IFRS Information

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

5. REVIEW OF FINANCIAL RESULTS

Group overview

	FY23 $m	FY22 $m
Sales revenue	**15,803.4**	**15,164.8**
Food	204.0	200.3
Hardware	219.2	191.3
Liquor	104.1	97.4
Corporate	(26.5)	(16.7)
Underlying earnings before interest and tax ('EBIT')	**500.8**	**472.3**
Net finance costs	(64.7)	(48.5)
Underlying profit before tax	436.1	423.8
Tax expense on underlying profit	(127.3)	(122.5)
Non-controlling interests	(1.3)	(1.7)
Underlying profit after tax ('UPAT') (a)	**307.5**	**299.6**
Significant items	(59.6)	(65.6)
Tax benefit attributable to significant items	11.1	11.4
Net profit for the year attributable to members	**259.0**	**245.4**
Underlying earnings per share (cents) (b)	**31.8**	**30.5**
Reported earnings per share (cents)	26.8	25.0

(a) UPAT is defined as reported profit after tax attributable to equity holders of the parent, excluding significant items identified in note 3.3 of the financial report.
(b) Underlying earnings per share (EPS) is calculated by dividing UPAT by the weighted average number of ordinary shares outstanding during the year.

The FY22 results included a 53rd trading week. Comparisons with FY22 within this section are based on a 52-week basis (using 52/53 calculation method i.e. normalised basis).

Group reported revenue, which excludes charge-through sales[1], increased 6.2% to $15.8 billion (FY22: $14.9 billion). Including charge-through sales[1], Group revenue increased 5.7% to $18.1 billion (FY22: $17.1 billion), with growth in each pillar building on the strong sales performance over the prior two years.

Group underlying EBIT increased 8.1% to a record $500.8 million, with earnings growth in all pillars reflecting continued strong demand, good operating discipline and the success of strategic acquisitions and initiatives. On a three-year basis, Group underlying EBIT increased 49.5%.

The Food pillar continued to perform well delivering EBIT growth of 3.8% (3-year: +11.7%) reflecting the strong trading performance and improved leverage, supported by an improved retail network that is more relevant and competitive than ever before.

Hardware continued to build on the exceptional earnings growth over the past two years, delivering a further 16.8% increase in EBIT (3-year: +160.3%). The strong growth reflects robust underlying demand and the increased contribution from majority-owned company and joint venture stores in IHG and Total Tools. This strategy of investing in our own stores, often with independent partners, has proved to be a very effective growth driver.

The Liquor pillar continued to outperform, delivering a further 8.9% increase in EBIT (3-year: +43.0%) buoyed by ongoing strong sales to retail customers and continuation of the recovery in on-premise sales which were cycling the adverse impact of COVID-related trading restrictions.

Group underlying profit after tax[2] increased 4.6% to $307.5 million, and statutory profit after tax increased 7.6% to $259.0 million. Underlying earnings per share increased 6.4% to 31.8 cents reflecting the increase in profit after tax.

Segment results

	Segment revenue (a)		Segment underlying EBIT	
	FY23 $m	FY22 $m	FY23 $m	FY22 $m
Food	8,410.1	8,379.3	204.0	200.3
Hardware	2,344.1	2,033.1	219.2	191.3
Liquor	5,049.2	4,752.4	104.1	97.4
Corporate	—	—	(26.5)	(16.7)
Metcash Group	**15,803.4**	**15,164.8**	**500.8**	**472.3**

(a) Segment revenue excludes gross charge-through sales to customers of $2.249 billion (FY22: $2.241 billion). Refer note 3.2.

The FY22 results included a 53rd trading week. Comparisons with FY22 within this section are based on a 52-week basis (using 52/53 calculation method i.e. normalised basis).

Food

Total Food sales (including charge-through[1]) increased 2.8% to $9.6 billion on a normalised basis (+16.6% 3-year normalised[3]) despite cycling elevated sales in the second half of FY22 due to strong in-stock positions during floods and rail disruptions. Supermarkets sales increased 2.1% (+16.1% 3-year normalised[3]) and Convenience increased 9.7% (+20.4% 3-year normalised[3]) driven by the addition of new customers, strong food service demand and the normalisation of customer activity post COVID restrictions.

Tobacco sales declined 6.8% reflecting the acceleration of illicit trade and continuation of the decline in smoking. On an ex-tobacco basis, total Food sales increased 7.0% (+19.7% 3-year normalised[3]) with Supermarkets wholesale sales +6.4% (+19.2% 3-year normalised[3]) and Convenience +12.8% (+22.5% 3-year normalised[3]).

Underpinning the strong performance is the continued successful execution of our strategic initiatives to further improve the competitiveness of the IGA network, with particular focus on prices, ranges, store quality and standards to drive value for shoppers. Sales have also been buoyed by wholesale inflation which averaged 7.6% for the year, and reached a peak of 9.1% in the third quarter.

There has been a noticeable change in some shoppers behaviour from early calendar 2023, to focus more on 'value' items. The network continued to retain the majority of shoppers gained in recent years with 'foot traffic' increasing. The impact of cost of living pressures and increased focus on value was seen in a flat average 'basket size'.

Retail like for like[4] sales growth in the IGA network was 0.9% and +3.0% ex-tobacco (3-year: 21.4%). The network remains healthy, confident and continues to reinvest. A record number of 39 new stores were opened in the year.

Food EBIT increased 3.8% on a normalised basis to $204.0 million reflecting the strong trading performance, which more than offset the impact of additional costs, particularly labour and freight.

The Food EBIT margin[5] was maintained at 2.1% despite these additional costs.

Hardware

Hardware sales (including charge-through[1]) increased 10.6% on a normalised basis to $3.4 billion (+63.1% 3-year) reflecting continued growth in both IHG and Total Tools and the impact of acquisitions ($173.2 million). Combined sales in the IHG and Total Tools retail networks increased 4.5% to ~$4.5 billion (+~40% 3-year LfL basis).

Demand remained robust in DIY and Trade, with Trade continuing to be underpinned by a strong pipeline of construction activity and an improvement in supply availability. Inflation continued to be elevated in both DIY and Trade.

IHG sales (including charge-through[1]) increased 3.7% normalised to $2.8 billion (+35.0% 3-year) underpinned by solid underlying demand and inflation. Sales in the year were impacted by adverse building conditions in the second and third quarters, and from the impact in the second half of the retail network actively managing working capital in response to more challenging external conditions, particularly the decline in affordability and consumer confidence.

The IHG retail network continued to perform well with like for like retail network sales increasing 2.7%[6] (+34.7% 3-year), with Trade +3.8% (+25.8% 3-year) and DIY + 0.6% (+53.9% 3-year).

Total Tools sales[7] increased 61.9% to $583.5 million reflecting strong Trade activity and the impact of additional majority-owned joint venture stores. Total network sales increased 11.6% to $1.085 billion (FY22: $972 million) with like for like sales up 4.8%[8] (+56.2% 3-year). The network continued to expand in line with its growth strategy adding a further 10 stores, bringing total network stores to 110 at year end.

Hardware online sales increased by 0.6% to represent ~6% of total Hardware sales.

DIRECTORS' REPORT CONTINUED

Hardware EBIT increased 16.8% to $219.2 million on a normalised basis reflecting strong trading, particularly in retail and the impact of acquisitions. Excluding acquisitions, the increase was $12.5 million or 6.7% on a normalised basis. IHG normalised EBIT increased $10.3 million or 8.2% to $135.7 million reflecting the strong sales performance and the contribution from acquisitions, which was partly offset by additional fuel, freight and labour costs. The IHG wholesale margin was 2.9%. Total Tools normalised EBIT increased $21.2 million or 34.0% to $83.5 million reflecting the strong sales performance and the impact of majority-owned joint venture stores acquired during the current and prior years. Excluding acquisitions the increase was 6.9%.

The Hardware EBIT margin was 6.5%[5] (FY22: 6.1%) which includes the positive impact of Total Tools and the retail margin from joint venture and company-owned stores.

Liquor

Total Liquor sales (including charge-through[1]) increased 8.3% on a normalised basis to $5.1 billion (+37.7% 3-year basis) with continued growth in sales to retail and on-premise customers.

The retail network again performed well with strong demand buoyed by improved competitiveness, a preference for local shopping and continuation of the at-home consumption trend. While sales increased to both the IBA network and contract customers, the rate of growth tapered in the fourth quarter reflecting the impact of higher cost of living pressures with some switching to lower priced value choices. Sales of Owned and Exclusive brands increased 17% in the year.

Wholesale sales to the IBA banner group and contract customers increased 5.6%. Average basket size and spend were both up for the year driven by growth in the RTD and spirit categories.

Sales to on-premise customers increased a significant 31.3% reflecting expansion of the customer base through the successful execution of the on-premise growth strategy, as well as the impact of cycling COVID lockdowns in the prior financial year.

Liquor EBIT increased 8.9% to $104.1 million on a normalised basis reflecting the contribution from the strong trading performance, partly offset by additional fuel, freight and labour costs. The EBIT margin[5] for Liquor increased to 2.1% (FY22: 2.0%).

Finance costs and tax

Net finance costs increased during the year driven by higher interest rates and higher debt. Tax expense of $127.3 million on underlying profit represents an effective tax rate of 29.2% (FY22: 28.9%).

Significant items

Significant items categories were consistent with the half-year and included *Project Horizon* implementation costs of $34.6 million (FY22: $31.4 million), put option valuation and business acquisition costs of $30.0 million (FY22: $27.6 million), Mega Distribution Centre transition costs of $4.3 million (FY22: $3.6 million) and impairment reversals of $9.3 million (net benefit) (FY22: impairment expense of $3.0 million).

Refer note 3.3 of the financial report for further information.

Cash flows

	FY23 $m	FY22 $m
Operating cash flows	372.7	432.3
Investing cash flows, excluding sublease receipts	(199.6)	(164.4)
Payment for acquisition of non-controlling interests	(12.8)	(59.4)
Payments for lease liabilities, net and other financing activities	(103.7)	(123.2)
	56.6	85.3
Payment for off-market buyback of shares, including costs	—	(200.4)
Dividends paid to the owners of the parent	(217.2)	(198.5)
Increase in net debt	**(160.6)**	**(313.6)**

Group operating cash flows were $372.7 million (FY22: $432.3 million), reflecting a strong cash realisation ratio of 77% (FY22: 91%), which was achieved notwithstanding the increase in working capital, spend associated with significant items such as *Project Horizon* and additional tax payments.

The Group had net investing outflows of $199.6 million, including capital expenditure of $152.1 million (including $60.2 million on *Project Horizon*), acquisitions of businesses of $55.9 million and acquisition of additional interest in associate of $4.5 million. The acquisitions of businesses were predominantly in the Hardware pillar and included an investment in eight Total Tools 'JV Stores'. The Group also increased its ownership interests in two Total Tools JV stores and one Hardware retail store by acquisition of non-controlling interests of $12.8 million (FY22: $59.4 million for 15% step up acquisition of Total Tools Holdings).

The Group paid $217.2 million (FY22: $198.5 million) in dividends during the current financial year. Total dividends paid in FY23 was 22.5 cents per share (FY22: 20.0 cents per share).

Financial position

	FY23 $m	FY22 $m
Trade and other receivables	1,764.7	1,761.2
Inventories	1,183.4	1,125.2
Trade payables and provisions	(2,460.1)	(2,478.2)
Net working capital	**488.0**	**408.2**
Intangible assets	895.1	798.8
Property, plant and equipment	273.6	245.9
Equity-accounted investments	123.6	102.5
Customer loans and assets held for sale	20.6	30.2
Total funds employed	**1,800.9**	**1,585.6**
Lease balances (net)	(214.8)	(179.3)
Put option liabilities	(282.2)	(231.7)
Tax, derivatives and other financial liabilities	130.8	104.8
Net debt	(349.6)	(189.0)
Net assets/equity	**1,085.1**	**1,090.4**

Net working capital increased by $79.8 million to $488.0 million reflecting the higher level of Group sales including inflation; the increased weighting of Hardware in the Group sales portfolio which has higher outstanding days and inventory in stores; and growth from the acquisition of businesses.

Put option liabilities of $282.2 million, predominantly relate to the Total Tools Group (refer note 5.3 of the financial report).

The Group was in a net debt position as at 30 April 2023 of $349.6 million (FY22: $189.0 million) of which $150.0 million was hedged via interest rate swaps, with a weighted average hedge maturity of 1.2 years and a weighted average interest rate of 3.7%. The increase in the Group's net debt position reflects our continued investment in capital expenditure to drive growth and the maintenance of our ~70% dividend payout ratio. Metcash had $653.7 million in unused debt facilities and $89.5 million of cash and cash equivalents available at the reporting date for immediate use.

Commitments, contingencies and other financial exposures

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

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

6. OUTLOOK

Solid sales growth has continued in the first seven weeks of FY24 with all pillars continuing to perform well. Group sales increased 2.3%, with the rate of growth in Food similar, and Hardware up, compared to 2H23.

While demand continues to be solid in all pillars, the impact of higher interest rates and cost of living has started to impact consumer confidence and the behaviour of some customers and shoppers in our retail networks.

The business is actively managing increased cost pressures, particularly labour, as well as an increased tax burden in Victoria due to recently announced changes in workers compensation, payroll and land tax. The estimated increase in Victorian tax is ~$10.0 million in FY24.

We are well positioned to continue delivering growth and superior returns for shareholders through the cycle. The fundamentals for our businesses remain sound, supported by high employment, increasing population and immigration and continued government investment in infrastructure and housing.

Our Group is much larger, more diversified and stronger than it was three years ago, and our management team and retail networks are experienced at managing well through challenges, including changes in the external environment.

Importantly, we have healthy and supportive retail networks and an increasing pipeline of growth opportunities. Our financial position is strong and we have an experienced management team to continue progressing our growth plans.

DIRECTORS' REPORT CONTINUED

7. MATERIAL BUSINESS RISKS

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

Strategy and disruption risks

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

Metcash is accelerating its investment in digital, expanding our capability and improving our delivery of digital solutions to our retailers and shoppers. This is being achieved through investment in our online stores, such as the upgraded IGA Online Shop, new and enhanced IBA bannered online stores, and the continued success of the Mitre 10 and Total Tools online platforms.

In executing its strategy, there is a risk that Metcash may experience project execution issues or may not realise the full benefits of projects that underpin its strategic plan. There is also a risk that projects may experience scope, time or cost variability or overruns. We seek to manage this risk through our Program Management Office and approach to project governance, including oversight by the Group Leadership Team and the Board.

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

COVID-19 and pandemic risks

The World Health Organisation has declared an end to the COVID-19 public health emergency of international concern. Throughout FY23, Metcash continued to experience some challenges influenced by COVID-19, including absenteeism, low to moderate levels of supply chain disruption, and workforce labour shortages. Whilst there were some challenges, we continued to serve our independent retailers across all of our Pillars, and importantly ensured continuity of supply of critical food and grocery products to our retailers, supporting local communities across Australia.

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

Competition risks

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

Key brands risk

Metcash's success in generating profits and increasing its market share is based on the success of the key brands it owns or licences. Reliance on key brands makes Metcash vulnerable to brand damage from negative publicity, product tampering or recalls, unauthorised use of its brands or ineffective brand management by Metcash or its licensees, increasing the risk of asset write downs. We seek to manage this risk through contractual arrangements with licensees, trademark monitoring, and implementation of controls to manage private label product quality and safety.

Macroeconomic and geopolitical risk

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

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

Operational risks

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

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

Regulation and compliance risks

Metcash's operations require compliance with various legal and regulatory requirements including work health and safety, food and product safety, environmental regulations, workplace industrial relations, public liability, privacy and security, financial regulations and disclosure and reporting. Any regulatory breach could have a material negative impact on the reputation or financial results of Metcash or its stakeholders. Non-compliance with applicable laws and regulations could expose Metcash to fines, penalties, investigations, liabilities and reputation impacts. The Group's internal processes are periodically assessed and tested as part of risk and assurance programs.

The introduction of new laws and regulations, or reform to existing structures, or increases in levies to fund government schemes and regulations, could materially impact Metcash's operational and financial performance, through increased expenditure on compliance and controls and any required adjustments to how we conduct business.

Property and facilities risk

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

Financial risks

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

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

In an economic environment of high inflation and higher interest rates, Metcash may be impacted by increases in the cost of debt and potential instability in international banking markets. This could lead to a risk that the Group may be unable to refinance or renew its banking and debt facilities following expiry, or will only be able to refinance or renew those facilities on terms that are less favourable to the Group than existing terms. Further, if Metcash failed to meet any of the covenants on its debt facilities there is a risk that the Group may be required to repay outstanding debt on notice or take other actions to remedy the breach. Any requirement to repay outstanding debt on notice, or inability to refinance banking facilities or obtain capital or financing generally, on favourable terms or at all, may have a material adverse effect on the Group's financial performance and position. We seek to manage these risks through maintaining diversity in our banking partners, the value and tenor of debt facilities we hold, including maintaining sufficient headroom, and managing our financial and operational performance to ensure ongoing compliance with debt covenants.

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

DIRECTORS' REPORT CONTINUED

Trading and customer risks

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

Tobacco sales represent a significant proportion of the products Metcash supplies to its independent retailers, however healthy living trends, cost of living pressures and supply of illicit tobacco in the Australian market may impact sales. Metcash continues to achieve gains from price increases on tobacco stock sales, which are commonly linked to the consumer price index.

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

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

We seek to manage these risks by building and maintaining strong relationships with our retailers, helping our retailers be the best store in their town, and striving to be our retailer's and supplier's business partner of choice; underpinned by an effective and efficient wholesale and logistics supply chain.

Technology and cyber security risks

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

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

Social responsibility, environment and climate change risks

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

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

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

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

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

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

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

Work health and safety risk

Metcash is focused on the safety of its staff and customers. While a strong emphasis is placed on the implementation of work health and safety standards, the risk of injury, including psychosocial harm, or fatality remains possible. The occurrence of such events may have an adverse effect on the safety and wellbeing of our people and the productivity, operations and reputation of Metcash. We seek to manage this risk through our Safety Health and Environment strategy and execution of initiatives to improve the safety and wellbeing of our people.

People and culture risks

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

Interruptions at Metcash's workplaces arising from industrial disputes, work stoppages and accidents may result in production losses and delays. Renegotiation of collective agreements may increase Metcash's operating costs and may involve disputes. We seek to manage these risks through ongoing engagement with our people and unions and implementing safety measures to minimise the likelihood and impact of accidents.

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

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

End of the Operating and Financial Review

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[1] Direct sales from suppliers to retailers, invoiced through Metcash.
[2] Underlying profit after tax excludes significant items: put option valuation and acquisition costs of $30.0m, Project Horizon implementation costs of $24.2 million, Mega Distribution Centre transition costs of $3.0 million and other impairment reversals of $8.7 million (net benefit) (all post tax).
[3] 3-year Food sales revenue is calculated on a normalised basis – 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. Sales have been adjusted to exclude the sales to Drakes and 7-Eleven in the relevant sales period as appropriate.
[4] Based on scan data from 1,122 IGA stores.
[5] EBIT margin: EBIT/Total revenue (including charge-through).
[6] Based on a sample of 307 network stores that provide scan data (represents >70% of sales).
[7] Total Tools sales include exclusive brand sales, franchisee fees, joint venture and company-owned store sales and other services.
[8] Based on scan data from 100 network stores.

DIRECTORS' REPORT CONTINUED

BOARD INFORMATION

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

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

Independent Non-executive Director

Peter is the Chair of the Metcash Limited Board. He was appointed to the Board on 1 August 2019 and was appointed Chair effective 1 August 2022. He is also a member of the Safety and Sustainability Committee, established on 1 May 2023, and a member of the Technology Advisory Working Group, established on 1 March 2023.

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

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

Peter is Chair and non-executive director of Universal Store Holdings Limited (since October 2020), and also a director of APG & Co Pty Limited and Apparel Group (Hong Kong) Limited (both since July 2019), as well as Good360 Australia Ltd (since August 2019). Peter was formerly a non-executive director of GWA Group Limited (2010 to 2022).

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

Group Chief Executive Officer, Executive Director

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

Before joining Metcash in February 2022, Doug was CEO and Senior Vice President of Massmart Wholesale, which includes 'big box' format food, liquor, and general merchandise stores serving retail, commercial and wholesale customers; cash and carry stores; buying groups that service wholesale and independent retail customers; and a number of eCommerce platforms.

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

MURRAY P JORDAN (MPA and MAICD)

Independent Non-executive Director

Murray has been a member of the Board since 23 February 2016. He is also a member of the People, Culture and Nomination Committee, (formerly two separate Board Committees, the People and Culture Committee and Nomination Committee were consolidated on 1 May 2023) and the Safety and Sustainability Committee established on 1 May 2023.

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

Mr Jordan is a non-executive director of Metlifecare Limited, Asia Pacific Village Holdings Pty Limited and Asia Pacific Village Group Pty Limited (each since November 2020), Stevenson Group Limited (since July 2016) and Chorus Limited (since September 2015), each a New Zealand company.

He is also a trustee of the Foodstuffs Members Protection Trust and Co-operative Perpetuation Trust (both since January 2019), a trustee of the Southern Cross Health Trust (since August 2019), a director of the Southern Cross Medical Care Society (since January 2020), a director of Deakin TopCo Pty Ltd (ACN 657 472 074), the ultimate owner of Australian Retirement Services, which owns the Levande Living retirement village portfolio (since July 2022), a former trustee of the Starship Foundation in New Zealand that raises funds for the National Children's Hospital (2015-2022) and a former director of Sky City Entertainment Group Limited (NZ) (2016-2021).

HELEN NASH (BA Hons, GAICD)

Independent Non-executive Director

Helen was appointed to the Board on 23 October 2015. She is the Chair of the Audit, Risk and Compliance Committee (since 1 August 2022), and a member of the People, Culture and Nomination Committee, (formerly two separate Board Committees, the People and Culture Committee and the Nomination Committee were consolidated on 1 May 2023).

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

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

Helen is a non-executive director of Southern Cross Media Group Limited (since April 2015) and Inghams Group Limited (since May 2017) and was appointed Chair of Inghams in August 2022. Helen is a former non-executive director of Blackmores Ltd (2013 to 2019).

CHRISTINE HOLMAN (MBA, PG Dip Mgt, GAICD)

Independent Non-executive Director

Christine was appointed to the Board on 14 September 2020. Christine is the Chair of the Safety and Sustainability Committee, which was established on 1 May 2023, and a member of the Audit, Risk and Compliance Committee.

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

Christine is a non-executive director of Collins Foods Limited (since December 2019) and Chair of its Audit and Risk Committee (since July 2022) and also a non-executive director of AGL Energy Limited (since November 2022).

She is a non-executive director of The McGrath Foundation (since July 2020) and Chair of its Audit and Risk Committee (since October 2020), a non-executive director of National Intermodal Corporation Limited (since August 2018) and Chair of its Audit & Risk Committee (since October 2020), and a non-executive director of The State Library of New South Wales Foundation (since February 2017) and The Bradman Foundation (since December 2016). Christine is a former non-executive director of CSR Limited (2016 to 2022), Blackmores Limited (2019 to 2021) and WiseTech Global Limited (2018 to 2019).

MARGARET HASELTINE (BA, FAICD)

Independent Non-executive Director

Margaret (Margie) was appointed to the Board on 3 May 2021. Margie is the Chair of the People, Culture and Nomination Committee since 1 May 2023 and previously Chair of the People and Culture Committee from 1 August 2022 (formerly two separate Board Committees, the People and Culture Committee and the Nomination Committee were consolidated on 1 May 2023).

Margie is also a member of the Technology Advisory Working Group, established on 1 March 2023. She has more than 30 years of experience across supply chains and logistics, customer interface in the FMCG sector, change management and governance. Her executive career includes 20 years at Mars Inc. including five years as Chief Executive Officer of Food in Australia.

Margie is a non-executive director of Tyesoon Limited (since February 2022), Bapcor Limited (since 2016, and Chair since February 2021), Real Pet Food Company Pty Ltd (since March 2022) and Kennards Hire Pty Limited (since October 2022).

Margie was formerly a non-executive director of Bagtrans (2016 to 2021), Newcastle Permanent Building Society (2018 to 2022), Droppoint Australia Pty Ltd (2019 to 2022) and Fairhaven Disability Services (2021 to 2022).

MARK G JOHNSON (BCom, CPA, FCA, FAICD)

Independent Non-executive Director

Mark was appointed to the Board on 1 August 2022. Mark is a member of the Audit, Risk and Compliance Committee.

Mark is also the Chair of the Technology Advisory Working Group, established on 1 March 2023.

Mark has 35 years' experience as an accountant and senior partner with Coopers & Lybrand and then PwC, including as PwC's National Assurance Leader in Australia from 2003 to 2007 and then as its Chief Executive Officer, Australia and Deputy Chairman, Asia Pacific from 2008 to 2012.

Mark has also had an extensive non-executive director career for over a decade, currently holding directorships at HCF Group (since 2013), where he is also Chairman, Boral Limited (since 2021), Goodman Group (since 2020), Aurecon Ltd (since 2017) and Sydney Aviation Alliance Holdings Pty Ltd and subsidiaries (since October 2022).

He was formerly a non-executive director of Corrs Chambers Westgarth (2018 to 2022), Coca Cola Amatil Limited (2016 to 2021), G8 Education Limited (2016 to 2021) and Westfield Group Limited (2013 to 2019). He is also a director of a number of private organisations including The Smith Family and is a Councillor of UNSW Sydney.

Former Director

ROBERT A MURRAY was a Non- Executive Director until 31 August 2022 and was Chair of the Board until 1 August 2022.

Company Secretary

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

Julie is Chief Legal, Risk and Compliance Officer and Company Secretary at Metcash, responsible for the legal, risk and compliance, safety and company secretarial functions. She was previously a partner at law firm Baker & McKenzie where she specialised in mergers & acquisitions, private equity and corporate restructures. Julie is a Graduate of the Australian Institute of Company Directors.

Indemnification and insurance of Directors and Officers

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

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

DIRECTORS' REPORT CONTINUED

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

	Appointed	Resigned	Meetings held	Meetings attended	Ordinary shares held at reporting date
BOARD OF DIRECTORS					
Peter Birtles (Chair)(a)	1 August 2019	—	8	8	112,998
Robert Murray	29 April 2015	31 August 2022	2	1	n/a
Doug Jones	11 March 2022	—	8	8	196,289
Mark Johnson	1 August 2022	—	6	6	15,000
Margaret Haseltine	3 May 2021	—	8	8	57,839
Christine Holman	14 September 2020	—	8	8	55,000
Murray Jordan	23 February 2016	—	8	8	57,441
Helen Nash	23 October 2015	—	8	8	51,189
AUDIT, RISK & COMPLIANCE COMMITTEE					
Helen Nash (Chair) (b)	23 October 2015	—	5	5	
Christine Holman	14 September 2020	—	7	7	
Mark Johnson	1 August 2022	—	5	5	
Murray Jordan	23 February 2016	—	7	7	
Peter Birtles (former Chair)	1 August 2019	—	2	2	
PEOPLE & CULTURE COMMITTEE					
Margaret Haseltine (Chair) (c)	3 May 2021	—	6	6	
Helen Nash (former Chair)	23 October 2015	—	6	6	
Murray Jordan	31 August 2016	—	6	5	
Robert Murray	27 February 2020	31 August 2022	2	2	
TECHNOLOGY ADVISORY WORKING GROUP (d)					
Mark Johnson (Chair) (d)	1 August 2022	—	2	2	
Peter Birtles	1 August 2019	—	2	2	
Margaret Haseltine	3 May 2021	—	2	2	
NOMINATION COMMITTEE (e)					
Robert Murray (Chair)	29 April 2015	31 August 2022	1	1	
Peter Birtles	1 August 2019	—	1	1	
Margaret Haseltine	3 May 2021	—	1	1	
Christine Holman	14 September 2020	—	1	1	
Murray Jordan	23 February 2016	—	1	1	
Helen Nash	23 October 2015	—	1	1	

(a) Mr Birtles was appointed Chair of the Board on 1 August 2022.
(b) Ms Nash was appointed Chair of the Audit, Risk & Compliance Committee on 1 August 2022.
(c) Ms Haseltine was appointed Chair of the People & Culture and Nomination Committee on 1 August 2022.
(d) The Technology Advisory Working Group was established effective 1 March 2023. Mr Johnson was appointed Chair of this working group from 1 March 2023.
(e) The Nomination Committee was consolidated with the People & Culture Committee with effect from 1 May 2023.

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

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

REMUNERATION REPORT

On behalf of the Board and the People and Culture Committee, I am pleased to present our Remuneration Report for the year ended 30 April 2023

MARGARET HASELTINE
Chair, People and Culture Committee

It is pleasing to report that, after a number of years of outstanding performance, sales have continued to grow over the year in a volatile market, leading to another strong uplift in underlying earnings and returns to shareholders. Continued growth over this financial year could not have been possible without the ongoing dedication and commitment of our people. We remain proud of how our leaders, team members, and members of our network have maintained momentum in uncertain economic times. Our people have worked exceptionally hard over the past year to deliver the best possible support for our retailers and their communities.

The health and wellbeing of our people has continued to be a critical priority for us. We have continued the active support of team members over the last year, not only through ongoing recognition, but also by investing in strong preventative health and safety measures and wellbeing programs.

Our remuneration framework

At Metcash, we are passionate about Championing Successful Independents, attracting, motivating, and retaining key talent who drive sustainable company performance while embodying our Purpose, Vision, and Values. Our executive pay comprises Fixed Pay, Short-Term Incentive ('STI') and Long-Term Incentive ('LTI') components and is designed to ensure that executives have a significant proportion of remuneration at risk, which is payable on the delivery of positive outcomes for shareholders. No significant changes were made to our executive remuneration structure in FY23.

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

As a reminder, we commissioned in FY20 independent reviews of our benchmarking methodology and our remuneration practices and remain confident that our approach is sound, with strong researched correlations between the selected metrics for identifying our benchmarking peer group and the benchmark data we use for the annual review of fees and salaries.

Metcash aims to position itself at the mid-point of the benchmarking peer group, but due to the Group's outstanding performance over the past few years, the position to peer group has shifted above the 55th percentile. As a result, Aon recommended for FY24 the benchmarking peer group be adjusted so that Metcash could maintain a mid-point position. This adjustment will apply to fees and salary benchmarks for use in the FY24 reviews and we anticipate that actual fees and salaries may require adjustment in FY24 to ensure remuneration rewards remain market competitive.

This year, we have taken the opportunity to review our Short-Term Incentive ('STI') deferral practices. From FY24, we will increase the Group Chief Executive Officer's ('Group CEO') STI deferral from 33% to 40%, with a further increase to 50% in FY25. For the Group Chief Financial Officer ('Group CFO'), we will increase the STI deferral from 25% to 33% in FY24, with further increases to 40% and 50% in FY25 and FY26 respectively.

Our performance and outcomes

Our FY23 results are again outstanding, with another record year, representing continued progress on the exceptional performance in FY21 and FY22. Our Pillars continued to respond proactively to the significant challenges from COVID-19 and the uncertainty created by global economic trends that have impacted our local markets, including the challenges presented by price inflation and consumer sentiment. We have maintained focus on executing our *MFuture* plans to further improve the competitiveness of our independent retail networks.

We have worked hard to attract new, and retain returning shoppers, and are delighted at our record sales performance again this year. Group revenue (excluding charge-through sales) increased 6.2% to $15.8 billion on a 52-week normalised basis. Including charge-through sales, Group revenue increased 5.7% to $18.1 billion on a 52-week normalised basis with strong sales growth in all Pillars. The uplift in sales, together with our strong focus on costs led to EBIT increasing a solid 8.1% to $500.8 million normalised. Underlying net profit after tax increased 4.6% to $307.5 million normalised and was $259.0 million on a statutory basis. Underlying earnings per share increased 6.4% to 31.8 cents normalised. Furthermore, we will distribute $217.2 million to shareholders in dividends in relation to the FY23 year.

In addition to the standout financial performance, there was ongoing improvement in the Company's ESG credentials as outlined in the Company's FY23 results presentation, with further detail to be provided in this year's Sustainability Report.

As part of the annual Aon pay benchmarking review, some changes to KMP Fixed Pay occurred in FY23 in line with market movement and individual performance and accountability.

DIRECTORS' REPORT CONTINUED

GROUP REVENUE	GROUP EBIT	UPAT	NPAT
$15.8 billion	$500.8 million	$307.5	$259.0 million
6.2%[1] INCREASE FROM FY22	8.1%[1] INCREASE FROM FY22	4.6%[1] INCREASE FROM FY22	7.6%[1] INCREASE FROM FY22

DIVIDENDS PER SHARE	SAFETY	GENDER EQUALITY	EMPLOYEE ENGAGEMENT
22.5 cents	34.1%	EMPLOYER OF CHOICE	14.5%
4.7% INCREASE FROM FY22	IMPROVEMENT IN TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR) FROM FY22	AWARDED BY THE WORKPLACE GENDER EQUALITY AGENCY	IMPROVEMENT IN SURVEY RESULTS FROM FY22 *(MONTHLY PAID TEAM MEMBERS ONLY)*

[1] The FY22 results included a 53rd trading week. Comparisons with FY22 are based on a 52-week basis (using 52/53 calculation method).

With the appointment of Mr Jones in late FY22, there were no changes to the Group CEO remuneration in FY23 as the Total Remuneration package was well balanced to the market median. We foreshadow salary adjustments in subsequent years, and we are working to increase pay at risk through incentive plans and align with market best practice with deferrals.

Based on strong performance in his first year in the role, the first tranche of the Group CEO's buy-out grant vested and ordinary shares were issued in March 2023. As a reminder, the buy-out grant (issued as performance rights, with performance hurdles for testing in 2023 and 2024) covered a portion of his forfeited entitlements when he joined Metcash.

Based on continued exceptional performance, business outcomes and deepening experience, the CEO Food's remuneration increased by 10% to take his package towards the 75th percentile of the market. In recognition of the criticality of the CEO Food during a period of transition between Group CEOs, a retention and performance plan was put in place in October 2021, with performance testing periods after year one, two and three. The smallest tranche at 20% of the total value of the incentive was performance tested in October 2022 and vested as ordinary shares. Regrettably, the CEO Food resigned from Metcash in January 2023 and the remainder of his retention and performance incentive will lapse. We recently announced the internal appointment of a new CEO Food who commenced in the role on 1 May 2023, and the remuneration target for this team member has been set appropriately for a first Group Executive role.

A modest increase was awarded to each of the Group CFO and the CEOs of Liquor and Hardware, maintaining their pay position to market medians.

Most Metcash Board fees remained below peer group medians and a modest increase of 3% took some slightly closer to and others slightly above the FY23 market medians. With his retirement pending, the Chair of the Board did not receive an increase to his fees in FY23. On appointment, the incoming Chair's fees were set at the market median and were subsequently lower than those of his predecessor.

STI outcomes for KMP are based on pool and scorecard results and ranged from 65% to 84% of maximum, reflecting another outstanding performance.

In FY22, our frontline teams were operating under the significant pressures of COVID-19 and the decision was taken not to put further strain on our operational teams by distracting them with a widespread and full engagement survey. Consequently, in FY23, we were only able to secure comparable engagement results for our monthly-paid team members, as is reported above. This year's engagement survey was a comprehensive one and gives us a new baseline for comparative results across our entire workforce in FY24.

Our FY21 LTI vested at 100% reflecting an excellent Return on Funds Employed (ROFE) outcome of 29.8%, representing an average of the ROFE in each of the three financial years in the performance period and an absolute total shareholder return (aTSR) of 21.0%, representing growth of 74.8% in our share price and dividends over the three-year performance period ended 30 April 2023.

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

I am very pleased to advise that Metcash has received awards this year for its flexible working practices.

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

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

MARGARET HASELTINE
Chair, People and Culture Committee

CONTENTS OF REPORT

1. OVERVIEW OF THE REMUNERATION REPORT

The Directors present the Remuneration Report for the Company and its controlled entities (the 'Group') for the year ended 30 April 2023 ('FY23'). This report forms part of the Directors' Report and has been audited in accordance with section 308(3C) of the *Corporations Act 2001* and Australian Accounting Standards.

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

The KMP in FY23 are listed below.

Name	Position	Term as KMP in FY23
NON-EXECUTIVE DIRECTORS		
Peter Birtles[1]	Chair (Current)	Full year
Margaret Haseltine	Director	Full year
Christine Holman	Director	Full year
Murray Jordan	Director	Full year
Helen Nash	Director	Full year
Mark Johnson	Director	Commenced 1 August 2022
Robert Murray[2]	Chair (Former)	1 May 2022 to 31 August 2022
EXECUTIVE DIRECTOR		
Doug Jones	Group CEO	Full year
GROUP EXECUTIVES		
Alistair Bell	Group CFO	Full year
Chris Baddock	Chief Executive Officer, Australian Liquor Marketers ('ALM')	Full year
Scott Marshall	Chief Executive Officer, Food	Full year
Annette Welsh	Chief Executive Officer, Independent Hardware Group ('IHG')	Full year

1. Mr Birtles was appointed Chairman of the Board effective 1 August 2022.
2. Mr Murray was Chairman of the Board until 31 July 2022 and retired as Director on 31 August 2022.

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

DIRECTORS' REPORT CONTINUED

2. REMUNERATION GOVERNANCE

The following diagram illustrates Metcash's remuneration governance framework.

BOARD

The Board is responsible for overseeing and approving recommendations from the People and Culture Committee and Audit, Risk and Compliance Committee. The Board ultimately approve the remuneration outcomes for the Group CEO and other KMP.

AUDIT, RISK AND COMPLIANCE COMMITTEE ('ARCC')

The ARCC support the P&CC by reviewing the Group's financial results which form the basis for STI and LTI awards and providing advice relating to material risk and accounting issues that may affect the Board's deliberations in determining STI and LTI award outcomes.

PEOPLE AND CULTURE COMMITTEE ('P&CC')

The P&CC is the key governing body in respect of remuneration matters. In addition to Non-executive Director and executive remuneration, the P&CC oversee major people-related programs such as culture and diversity, equity, and inclusion. The P&CC make recommendations to the Board based on its review of proposals received from management.

MANAGEMENT

Provides information relevant to people and remuneration decisions and makes recommendations to the P&CC. Undertakes work as directed by the P&CC including obtaining information from external advisers to assist the Committee with decision making.

EXTERNAL ADVISERS

The Committee may commission external advisers to provide information and/or recommendations on remuneration. If recommendations are sought in respect of KMP remuneration, interaction with external advisers is governed by protocol, which ensures the Committee can obtain independent advice. The Committee Chair appoints and engages directly with external advisers on KMP remuneration matters. Further, remuneration recommendations obtained from external advisers are used as a guide, rather than as a substitute for the Committee's thorough consideration of the relevant matters. The Committee consider the recommendations, along with other relevant factors, in making remuneration decisions. Both the Committee and the Board are satisfied that the existing protocols ensure that remuneration recommendations obtained from external advisers are free from undue influence from the KMP to whom the remuneration recommendations apply.

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

3. SNAPSHOT OF EXECUTIVE REMUNERATION POLICY

Our Remuneration Principles

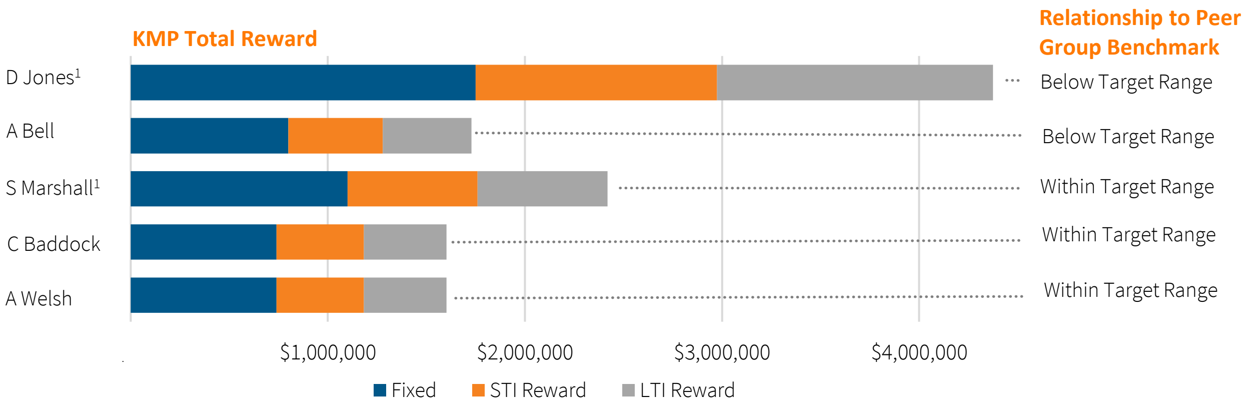
Purpose, Vision & Values	Market competitive	Performance based	Shareholder alignment	Fair and simple
Enabling our people to unleash their passion and give local Independents a fighting chance.	Attracting and retaining people who can make a difference in *'Championing successful Independents'*.	Rewarding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

Our Remuneration Framework

Fixed remuneration	Short-Term Incentive	Long-Term Incentive
Salary, superannuation, and salary sacrificed benefits. Fixed Remuneration is set at a level that is competitive in the market with reference to comparably sized peers. Fixed Remuneration is referred to as Total Employment Cost ('TEC').	12-month performance period. STI pool is distributed when threshold financial performance is met and scaled based on performance up to a prescribed maximum. Performance is then assessed against a scorecard of financial (60%) and strategic (40%) objectives and modified by a behavioural rating. 33% of the Group CEO and 25% of other KMP's vested awards will be deferred for 1 year into Performance Rights.	3-year performance period. Delivered in Performance Rights. Performance is assessed against Return on Funds Employed (ROFE) (50%) and Absolute Total Shareholder Return (TSR) (50%).

KMP Target Remuneration

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



1 Represents Mr Jones' and Mr Marshall's FY23 KMP target remuneration excluding the additional LTI incentives granted to them in FY22. Refer to Section 4.3 'Additional LTI Grants' for details.

DIRECTORS' REPORT CONTINUED

4. INCENTIVE PLAN OPERATION

4.1 'At-risk' STI plan

The 'at-risk' STI plan provides executives the opportunity to earn an incentive that is contingent upon performance against a combination of agreed financial and non-financial performance targets, which are set by the Board in consultation with the Group CEO at the start of each financial year.

Feature	Description
Delivery	Delivered in a combination of cash and deferred equity (33% for the Group CEO and 25% for other KMP). Deferred equity comprises performance rights that convert into fully paid ordinary shares in Metcash, which only become unrestricted at the end of the deferral period.
Performance period	1 May each year to 30 April the following year.
Eligibility	The Group CEO and all other KMP participate in the STI plan. The Group CEO and Group CFO participate in the Group STI pool. The Pillar CEOs participate in their respective Pillar STI pools which are determined by a combination of their respective pillar EBIT and the consolidated Group EBIT.
Performance measures	STI awards are paid out of the Group and Pillar STI pools. STI pools are only released for distribution when the threshold Group or Pillar underlying EBIT budget result, as applicable, is achieved. The STI pools are generally made available for distribution on the following basis:

Achievement	Distribution of STI pool
Below threshold 95% of budget EBIT	0% - no pool is available for distribution
Threshold 95% of budget EBIT	50% of the respective STI pools
Budget or 'Target' EBIT	100% of the respective STI pools
Over-achievement >=105% of budget EBIT	150% of the respective STI pools

Once an STI pool is released for distribution and scaled as noted above, a participant's individual STI award is determined based on individual performance and behaviours. An individual's overall performance rating is equally weighted between their scorecard results and Metcash behaviours. Individual performance and behavioural outcomes act as a multiplier against the pool reward by a factor of 0% to 150%. Individual results are also scaled so that the collective individual participants' results are distributed in a manner consistent with a normal distribution curve.

The STI Balanced Scorecard performance measures vary for each KMP based on the budgets and strategies for their respective pillars.

Balanced Scorecard

Financial & Value Creation Objectives (60%)	Measure	Group Target	Group Outcome	Threshold	Target	Stretch
Deliver Financial Results	Sales revenue[1]	$17.5 billion	$18.1 billion	- 2.8%	Budget	+ 2.8%
	UPAT[2]	$290.0 million	$307.5million	- 6.4%	Budget	+ 6.4%
	EBIT[2]	$471.1 million	$500.8 million	- 5.6%	Budget	+ 5.6%
	Cash conversion	70%	77%	- 1000bps	Budget	+ 1000bps
	Project Horizon[3]	95% of stretch targets	90% of stretch targets	- 5.0%	Program Plan	+ 5.0%

Strategic Objectives (40%)	Measure	Group Target
Our Future (ESG priorities)	Safety (TRIFR%)[4]	Reduce TRIFR rate by -5 versus FY22 result
	Sustainable growth	Improvement of 2% DJSI[5] on FY22 result and achievement of emissions reduction target at 4.3% in line with trend to 2030 science-based target
	Engagement	Improvement of 3% on FY22 result for monthly-paid team members
Our Business	Customer NPS	95% of stretch targets

1 Sales revenue (including charge-through sales).

2 Analyst consensus for FY23 at time of setting the FY23 budget was UPAT of $272.0 million and EBIT of $443.0 million which is supportive of the stretch nature of these earnings targets.

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

4 Total Recordable Injury Frequency Rate (TRIFR).

5 Dow Jones Sustainability Indices (DJSI).

Feature	Description
	Behavioural ratings act to modify performance against scorecard objectives and can result in an increase for exceptional behaviour, a decrease for unacceptable behaviour or no change for successful behaviours in the overall performance rating. Our Metcash Behaviours are:

Accountability	Continuous Improvement	Team Work	Think Customer
I am open and honest, accepting responsibility and delivering on promises. I act with integrity.	I learn from success and failure and seek out a better way and collaborate with others to reach the best outcome.	I am responsible for the strength and diversity of my team, and I own my development. I build a strong culture.	I understand and anticipate my customer / retailer / supplier / shopper needs and drive innovation for mutual benefit.

The maximum reward is only paid on achievement of 'stretch' outcomes, which include:

– Maximum achievement against Group and/or pillar EBIT financial performance hurdles, as applicable ('STI pool');

– Maximum achievement in overall individual performance results against all financial and all non-financial measures contained in the individual's Balanced Scorecard; and

– An exceptional or successful rating against Metcash's behaviours framework.

Target setting

Challenging performance targets are set against each performance measure following a rigorous budget setting process that considers many factors including market conditions. This process includes draft budgets being initially prepared by leadership teams, followed by Pillar CEO and CFO reviews. Once these reviews are complete, including the Pillar CEO and CFO being confident in them, these draft budgets are thoroughly reviewed and challenged by the Group CEO and Group CFO. Following satisfaction at this level, each Pillar presents the draft budgets to the Board over a two-day process during which they are challenged on all matters to ensure the Board is comfortable that the budgets are sufficiently challenging and achievable.

STI opportunities

The STI opportunities as a percentage of TEC for KMP are outlined below:

Position	Below threshold % of TEC	Threshold % of TEC	Target % of TEC	Maximum % of TEC
Group CEO	0%	17.5%	70.0%	157.5%
Other KMPs	0%	15.0%	60.0%	135.0%

Deferred vesting criteria

The deferred performance rights are conditional and only vest if the executive remains employed by the Company up to and including 15 April of the year following the performance period. Shares are issued to participants by 25 April and are then restricted from trading until the annual results release which typically occurs in late June.

Valuing deferred awards

The number of performance rights issued to participants is calculated by dividing 33% (Group CEO) and 25% (other KMP) of the STI award dollar value by the volume weighted average price (VWAP) of Metcash ordinary shares over the 20 trading days prior to the end of the performance period which ends on 30 April.

Board discretion

The Board may exercise discretion to adjust the STI pool to more appropriately reflect the performance of the Group or a specific Pillar. The Board also retain discretion to adjust vesting outcomes in any circumstances to ensure they are appropriate.

Clawback

KMP STI awards are subject to clawback for cause or material misstatement of the Group's financial statements.

DIRECTORS' REPORT CONTINUED

4.2 'At-risk' LTI plan

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

Feature	Description
Delivery	Delivered in Performance Rights. Each Performance Right is a right to acquire Metcash shares at no cost, subject to the satisfaction of performance and service conditions.
Performance period	**LTI grant** — **Performance period** FY23-FY25 LTI — 1 May 2022 to 30 April 2025 FY22-FY24 LTI — 1 May 2021 to 30 April 2024 FY21-FY23 LTI — 1 May 2020 to 30 April 2023
Eligibility	The Group CEO and all other KMP participate in the LTI plan.
Performance measures	At each performance period, the LTI grants are subject to two performance conditions: ROFE and TSR. **ROFE** ROFE is calculated as underlying EBIT divided by the average of funds employed at the beginning and end of the financial year. The overall ROFE result will be determined as the average of the individual ROFE result in respect of each of the three financial years over the performance period. **TSR** TSR is measured as the growth in share price over the performance period plus dividends paid to shareholders and assumes dividends are reinvested when they are paid. The opening and closing share prices used in the calculation are typically set with reference to the VWAP of Metcash shares over the 20 business days prior to the end of the Metcash financial year. The Board may exercise discretion to include other share capital transactions, including buybacks and otherwise adjust the calculation for capital transactions as deemed appropriate. The TSR result is expressed as a percentage and reported as the compound annual growth rate (CAGR) over the performance period.
Vesting hurdles	**ROFE and TSR** The rights vest against the ROFE and TSR hurdles as follows: **Vesting scale** — **Vesting %** Threshold — 25% Target — 50% Stretch — 75% Equal to or above maximum — 100% **ROFE** Vesting occurs on a straight-line basis between each hurdle, with nil vesting below threshold. Full vesting will only occur if Metcash achieves a ROFE of greater than 26% over the performance period. **TSR** Vesting occurs on a straight-line basis between each hurdle, with nil vesting below threshold. Full vesting will only occur if Metcash achieves a TSR CAGR of 10% or higher over the performance period. The opening VWAP in relation to the FY21-FY23 LTI was $2.58 per share (pre-COVID-19 VWAP to 16 March 2020), the FY22-FY24 LTI was $3.74 per share (VWAP to 30 April 2021) and FY23-FY25 LTI was $4.65 per share (VWAP to 30 April 2022).
Board discretion	The grant is subject to the Board's absolute discretion.
Clawback	KMP LTI awards are subject to clawback for cause or material misstatement of the Group's financial statements.

4.3 Additional LTI Grants

These additional LTI grants were delivered in performance rights. Each performance right is a right to acquire Metcash shares at no cost, subject to the satisfaction of performance and service conditions as set out below.

<table>
<tr><th>Feature</th><th>Group CEO Buy-Out Grant</th><th>CEO Food Retention Grant</th></tr>
<tr><td>Grant Date</td><td>1 February 2022</td><td>8 October 2021</td></tr>
<tr><td>ASX Notification Date</td><td>4 February 2022</td><td>14 October 2021</td></tr>
<tr><td>Performance period</td><td>
<table>
<tr><th>LTI grant</th><th>Status</th><th>No. of rights</th></tr>
<tr><td>Tranche 1[1]</td><td>Vested</td><td>160,428</td></tr>
<tr><td>Tranche 2</td><td>Unvested</td><td>160,428</td></tr>
</table>
[1] On 30 January 2023, Tranche 1 vested at 100% following Mr Jones' achievement of the performance measures. The shares were allocated to Mr Jones' on 29 March 2023 and are restricted for trading until the close of 26 June 2023.
</td><td>
<table>
<tr><th>LTI grant</th><th>Status</th><th>No. of rights</th></tr>
<tr><td>Tranche 1[1]</td><td>Vested</td><td>53,476</td></tr>
<tr><td>Tranche 2[2]</td><td>Unvested</td><td>80,214</td></tr>
<tr><td>Tranche 3[2]</td><td>Unvested</td><td>133,690</td></tr>
</table>
[1] In September 2022, Tranche 1 vested at 100% following Mr Marshall's achievement of the performance measures. The shares were allocated to Mr Marshall on 28 October 2022.
[2] Upon Mr Marshall's resignation in January 2023, the remaining performance rights in Tranches 2 and 3 will lapse upon termination in accordance with the Plan Rules.
</td></tr>
<tr><td>Performance measures</td><td>
To secure Mr Jones' appointment, Mr Jones' on-foot executive incentives with his previous employer required a buyout. This grant, which represented only a portion of his on-foot incentives, is subject to two performance conditions:

a service condition and;
a Group underlying EBIT performance hurdle for each tranche. The Group underlying EBIT performance hurdle for each tranche requires achievement against a minimum level of EBIT in relation to the FY23 and FY24 financial years respectively, which are each tested at the end of each performance period based on the prevailing Board approved forecast. The EBIT hurdles align to the Group's annual budget and STI metrics.

In addition, Mr Jones' ongoing performance and behaviours must be deemed as acceptable over each performance period by the Board.
</td><td>
This is a retention incentive issued to Mr Marshall and is subject to two performance conditions:

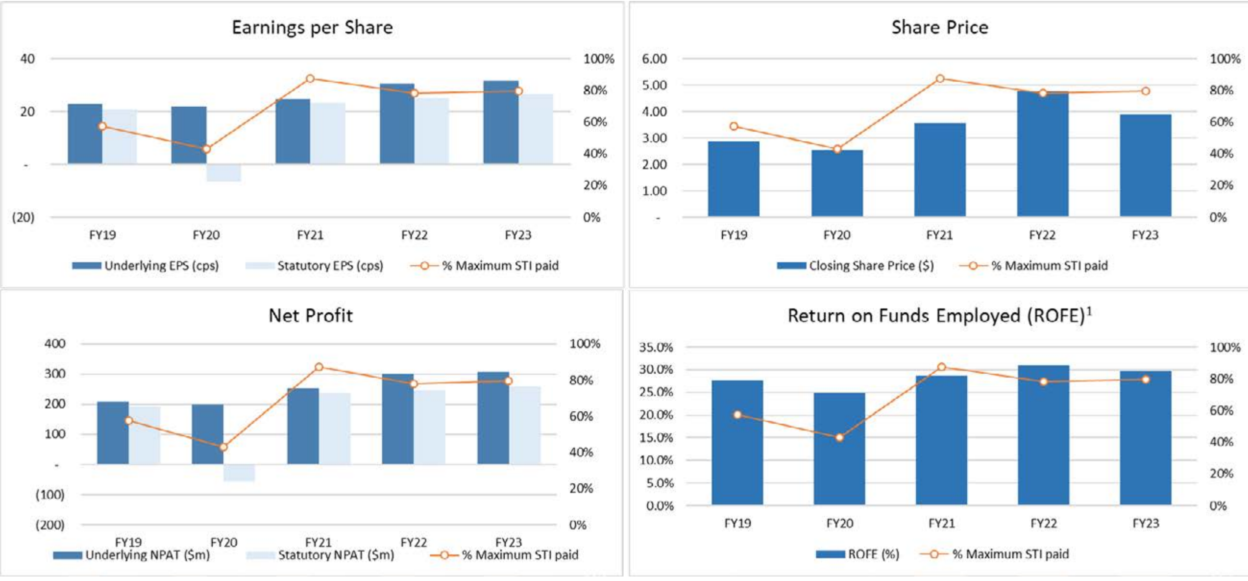
a service condition and;
a Food underlying EBIT performance hurdle for each tranche. The Food underlying EBIT performance hurdle for each tranche requires achievement against a minimum level of EBIT in relation to the FY23, FY24 and FY25 financial years respectively, which are each tested at the end of each performance period based on the prevailing Board approved forecast. The EBIT hurdles align to the Group's annual budget and STI metrics.

In addition, Mr Marshall's ongoing performance and behaviours must be deemed as acceptable over each performance period by the Board.
</td></tr>
<tr><td>Vesting hurdles</td><td colspan="2">Vesting occurs when all the performance measures have been satisfied. Failure to achieve any of the two performance conditions will result in nil vesting. Each tranche is tested separately and operates independently.</td></tr>
<tr><td>Board discretion</td><td colspan="2">The grant is subject to the Board's absolute discretion.</td></tr>
<tr><td>Clawback</td><td colspan="2">The grant is subject to clawback for cause or material misstatement of the Group's financial statements.</td></tr>
</table>

DIRECTORS' REPORT CONTINUED

5. BUSINESS PERFORMANCE AND AT-RISK REMUNERATION OUTCOMES

The charts below show Metcash's financial performance and percentage of maximum STI paid to KMP in the five-year period ended 30 April 2023.



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

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

Financial year	FY19	FY20	FY21	FY22	FY23
Revenue ($b)	12.7	13.0	14.3	15.2	15.8
Cash realisation ratio (%)	92%	33%	114%	91%	77%
Dividends declared per share (cents)	13.5	12.5	17.5	21.5	22.5
Total STI payments to KMP as a % of maximum	57.5%	43.0%	84.1%	78.1%	79.6%

Following an exceptional year in FY22, the Group and the pillars have continued to deliver strong EBIT results in FY23. The pillars have delivered EBIT results at 'maximum'/'above target' vesting level with Group EBIT increasing 6.0% on FY22 outcomes. Accordingly, the STI outcomes awarded to KMP ranged from 65% to 84% of maximum.

In FY22, the Group and the pillars delivered exceptional EBIT results. All pillars delivered EBIT results above the 'maximum' vesting level with Group EBIT increasing 17.7% on FY21 outcomes. Accordingly, the STI outcomes awarded to KMP ranged from 73% to 85% of maximum.

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

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

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

6. FY23 REMUNERATION OUTCOMES

Actual FY23 KMP remuneration

The table below reflects actual cash payments made or due to KMP in respect of performance during FY23. The table does not comply with IFRS requirements. The required statutory disclosures are shown in section 9 of this report:

KMP	Total employment cost $	FY23 STI cash[1] $	FY22 STI deferred[2] $	LTI[3] $	Other LTI[4,5] $	Total $
D Jones	1,750,000	1,547,524	166,754	-	632,085	4,096,363
A Bell[6]	799,500	678,356	190,266	610,778	-	2,278,900
C Baddock	739,025	486,371	201,797	641,392	-	2,068,585
S Marshall[7]	1,100,000	928,125	286,875	817,778	210,695	3,343,473
A Welsh	739,025	541,190	197,762	641,393	-	2,119,370

1 Represents the cash component of the FY23 STI reward amount of 67% (Group CEO) and 75% (other KMP) payable in cash in July 2023. The deferred equity component of the FY23 STI reward of 33% (Group CEO) and 25% (other KMP) is not presented above because the reward is conditional upon the executive being employed by the Company on 15 April 2024. Shares are issued to participants by 30 April 2024 and are then restricted from trading until the close of 26 June 2024.

2 Represents the deferred equity component of the FY22 STI reward of 33% (Group CEO) and 25% (other KMP) which were deferred as equity. The KMPs have subsequently met the continuity of employment service condition. Accordingly, the performance rights have vested and the shares were issued to the KMPs in April 2023. The shares are restricted from trading until the close of 26 June 2023. The amounts presented above are based on the number of rights vested multiplied by the VWAP of Metcash shares over the 20 business days ending 30 April 2022 of $4.65 per share.

3 The FY21-FY23 LTI will vest during FY23 at 100%, subject only to the KMP remaining in employment until 15 August 2023. The amounts presented above are based on the number of rights that will vest multiplied by the VWAP of Metcash shares over the 20 business days until 30 April 2023 of $3.94 per share.

4 Represents Mr Jones' FY22 Group CEO buy-out grant (Tranche 1) which vested at 100% following Mr Jones' achievement of the performance measures. The amounts presented above are based on the number of rights vested multiplied by the VWAP of Metcash shares over the 20 business days ending 30 April 2023 at $3.94 per share.

5 Represents Mr Marshall's FY22 CEO Food retention LTI grant (Tranche 1) which vested at 100% following Mr Marshall's achievement of the performance measures. The amounts presented above are based on the number of rights vested multiplied by the VWAP of Metcash shares over the 20 business days ending 30 April 2023 at $3.94 per share.

6 On 5 December 2022, Metcash announced that Mr Bell intends to retire from his position as Group CFO when a successor has been appointed and following the completion of a transition period.

7 Mr Marshall resigned as CEO Food on 27 January 2023 and ceased employment on 23 June 2023.

FY23 STI outcomes

Metcash's performance in FY23 exceeded expectations, driven by a strong performance by our executive team.

The overall Group including the Food and Liquor pillars delivered strong results, resulting in a stretch performance against their respective STI measures. The Hardware pillar delivered a solid above target result. This resulted in the STI pools being funded at those levels.

As outlined on the following page, these financial results combined with KMP meeting or exceeding expectations against their overall individual objectives resulted in STI outcomes ranging from 65% to 84% of maximum. Across the KMP, performance against a number of targets, mainly non-financial targets, while being solid, were below target in the balanced scorecard which adversely affected their overall STI reward.

The Board view these FY23 STI outcomes as an appropriate recognition of the KMP's performance. This outcome also recognises that FY23 performance was reflected in strong outcomes for shareholders, customers, and the broader workforce (who were also eligible for comparable bonus payments in FY23).

DIRECTORS' REPORT CONTINUED

The FY23 STI outcomes against each of the KMPs Balanced Scorecards are summarised below:

Balanced Scorecard Outcomes	D Jones Group CEO	A Bell Group CFO	C Baddock CEO ALM	S Marshall CEO Food	A Welsh CEO IHG
FINANCIAL & VALUE CREATION OBJECTIVES (60%)					
Sales revenue[1]	Stretch	Stretch	Stretch	Stretch	Below target
UPAT	Above target	Above target	N/A	N/A	N/A
EBIT	Stretch	Stretch	Stretch	Stretch	Above target
Cash Conversion	Above target	Above target	N/A	N/A	N/A
Working Capital	N/A	N/A	Not met	Stretch	On target
Project Horizon Delivery	Below target	Below target	Below target	Below target	Below target
STRATEGIC OBJECTIVES (40%)					
Our Future (ESG priorities)					
Strong & Positive Culture	Stretch	Stretch	Stretch	Stretch	Stretch
Sustainable Growth	Above target	Above target	Above target	Above target	Above target
Safety	Stretch	Stretch	Not met	Stretch	Stretch
Our Business					
Customer NPS	Above Target	Above Target	Above target	Above target	Above target
Behaviours	Strong	Strong	Strong	Strong	Strong
Overall rating	**Stretch**	**Stretch**	**On target**	**Stretch**	**Above target**
STI % of maximum awarded	**84%**	**84%**	**65%**	**83%**	**72%**

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

The table below reflects the KMP's FY23 STI outcomes when compared against target and maximum potential STI:

KMP	Target potential STI $	Maximum potential STI $	STI awarded % of maximum	STI cash[1] $	STI deferred[2] $	Total STI awarded $	Maximum STI forfeited $
D Jones	1,225,000	2,756,250	84%	1,547,524	762,213	2,309,737	446,513
A Bell[3]	479,700	1,079,325	84%	678,356	226,119	904,475	174,850
C Baddock	443,415	997,684	65%	486,371	162,124	648,495	349,189
S Marshall[4]	660,000	1,485,000	83%	928,125	309,375	1,237,500	247,500
A Welsh	443,415	997,684	72%	541,190	180,397	721,587	276,097

1. The cash component of the FY23 STI reward of 67% (Group CEO) and 75% (other KMP) is payable in cash in July 2023.
2. The deferred equity component of the FY23 STI reward of 33% (Group CEO) and 25% (other KMP) is deferred and released through the issue of Metcash performance rights, conditional upon the executive being employed by the Company on 15 April 2024. Shares are issued to participants by 30 April 2024 and are then restricted from trading until the close of 26 June 2024.
3. On 5 December 2022, Metcash announced that Mr Bell intends to retire from his position as Group CFO when a successor has been appointed and following the completion of a transition period. The Board determined performance rights be issued in relation to 25% of Mr Bell's FY23 STI reward which was deferred and will vest in accordance with existing timeframes. The amortisation of all these performance rights has been accelerated for accounting purposes up to the end of his expected service period.
4. Mr Marshall resigned as CEO Food effective 27 January 2023 and ceased employment on 23 June 2023. The Board determined performance rights be issued in relation to 25% of Mr Marshall's FY23 STI reward which was deferred and will vest in accordance with existing timeframes. The amortisation of all these performance rights has been accelerated for accounting purposes up to the end of his service period.

FY22 STI deferred equity component outcomes

The following table presents the vesting of the FY22 STI deferred equity component, following completion of the employment service condition on 15 April 2023:

Participant	Vesting date	No. of rights held	No. of rights vested	No. of rights forfeited
D Jones	15 April 2023	35,861	35,861	—
A Bell	15 April 2023	40,917	40,917	—
C Baddock	15 April 2023	43,397	43,397	—
S Marshall	15 April 2023	61,694	61,694	—
A Welsh	15 April 2023	42,529	42,529	—

The number of performance rights were calculated by dividing 33% (Group CEO) and 25% (other KMP) of the FY22 STI award dollar value by the VWAP of Metcash ordinary shares over the 20 trading days ended 30 April 2022 of $4.65 per share. The FY22 STI deferred equity component subsequently vested on 15 April 2023 following the KMP's completion of the service condition. These performance rights have now been released as shares and are restricted for trading until the close of 26 June 2023.

'At-risk' Long-term incentives

Details of LTI grants made to KMP during the financial year

FY23-FY25 LTI grant

The following FY23-FY25 LTI grant was made to KMP during FY23:

Participant	Grant date	Hurdle	Vesting date	No. of rights	Fair value per right $	Grant entitlement (% of TEC)[1]
D Jones	7 September 2022	ROFE	15 August 2025	150,538	3.64	80%
		TSR	15 August 2025	150,538	1.30	
A Bell[2]	15 July 2022	ROFE	15 August 2025	49,597	3.69	60%
		TSR	15 August 2025	49,597	1.32	
C Baddock	15 July 2022	ROFE	15 August 2025	46,290	3.69	60%
		TSR	15 August 2025	46,290	1.32	
S Marshall[3]	15 July 2022	ROFE	15 August 2025	64,516	3.69	60%
		TSR	15 August 2025	64,516	1.32	
A Welsh	15 July 2022	ROFE	15 August 2025	46,290	3.69	60%
		TSR	15 August 2025	46,290	1.32	

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

2 On 5 December 2022, Metcash announced that Mr Bell intends to retire from his position as Group CFO when a successor has been appointed and following the completion of a transition period. In FY23, Mr Bell was issued 99,194 performance rights in relation to the FY23-FY25 grant. Mr Bell is expected to retain (on a pro rata basis) 66,129 FY23-FY25 LTI performance rights, which will remain on foot and will be tested in accordance with existing financial performance conditions. The amortisation of these performance rights has been accelerated for accounting purposes up to the end of his expected service period. The number of performance rights retained was determined on a pro-rata basis up to the expected date of cessation of employment. The balance of 33,065 performance rights are expected to be forfeited.

3 Mr Marshall resigned as CEO Food effective 27 January 2023 and ceased employment on 23 June 2023. In FY23, Mr Marshall was issued 129,032 performance rights in relation to the FY23-FY25 grant, which will be forfeited upon cessation of his employment.

LTI Vesting outcomes

FY21-FY23 LTI grant

The plan is expected to vest on 15 August 2023 at 100%, subject only to the active participants remaining in employment until 15 August 2023. The FY21-FY23 LTI grant vesting results are set out below:

Performance condition	Weighting	Performance result	Vesting result (%)
ROFE	50%	ROFE performance over the three-year plan period was 29.8%	100%
ATSR	50%	ATSR CAGR performance over the three-year plan period was 21.0%	100%

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

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

DIRECTORS' REPORT CONTINUED

Participant	Hurdle	No. of rights held	No. of rights expected to vest	No. of rights expected to be forfeited
A Bell [1]	ROFE	77,510	77,510	-
	ATSR	77,510	77,510	-
C Baddock	ROFE	81,395	81,395	-
	ATSR	81,395	81,395	-
S Marshall	ROFE	103,779	103,779	-
	ATSR	103,779	103,779	-
A Welsh	ROFE	81,395	81,395	-
	ATSR	81,395	81,395	-

1 On 5 December 2022, Metcash announced that Mr Bell intends to retire from his position as Group CFO when a successor has been appointed and following the completion of a transition period. In FY23, Mr Bell was issued 155,020 performance rights in relation to the FY21-FY23 LTI grant which will remain on foot and will vest in accordance with existing timeframes. The amortisation of all these performance rights has been accelerated for accounting purposes up to the end of his expected service period.

2 Mr Marshall resigned as CEO Food effective 27 January 2023 and ceased employment on 23 June 2023. In FY23, Mr Marshall was issued 207,558 performance rights in relation to the FY21-FY23 LTI grant which will remain on foot and will vest in accordance with existing timeframes. The amortisation of all these performance rights has been accelerated for accounting purposes up to the end of his service period.

FY22-FY24 LTI grant

The ATSR component is currently performing at close to the maximum level on the vesting scale. This interim performance assessment is based on a VWAP of $3.94 per share, measured across the 20 business days to 30 April 2023. In FY23, the Group provided for the ROFE component based on the maximum level of performance.

FY23-FY25 LTI grant

The ATSR component is currently performing below threshold on the vesting scale. This interim performance assessment is based on a VWAP of $3.94 per share, measured across the 20 business days to 30 April 2023. In FY23, the Group provided for the ROFE component based on the maximum level of performance.

FY23 Group CEO buy-out grant

Tranche 1 of the plan vested on 31 January 2023 at 100% following the achievement of the performance conditions.

Participant	Tranche	Performance results	Vesting result	No. of rights held	No. of rights vested	No. of rights forfeited
D Jones	Tranche 1	Service condition and FY23 Group underlying EBIT performance hurdle met[1]	100%	160,428	160,428	-

1 The shares were allocated to Mr Jones' on 29 March 2023 and are then restricted from trading until the close of 26 June 2023.

The second tranche (Tranche 2) is tested independently, subject to performance conditions and is eligible for vesting as soon as is practicable after 31 January 2024, following Board review and approval.

FY23 CEO Food retention LTI grant

Tranche 1 of the plan vested on 30 September 2022 at 100% following the achievement of the performance conditions.

Participant	Tranche	Performance results	Vesting result	No. of rights	No. of rights vested	No. of rights forfeited
S Marshall	Tranche 1	Service condition and FY23 Food EBIT performance hurdle met[1]	100%	53,476	53,476	-

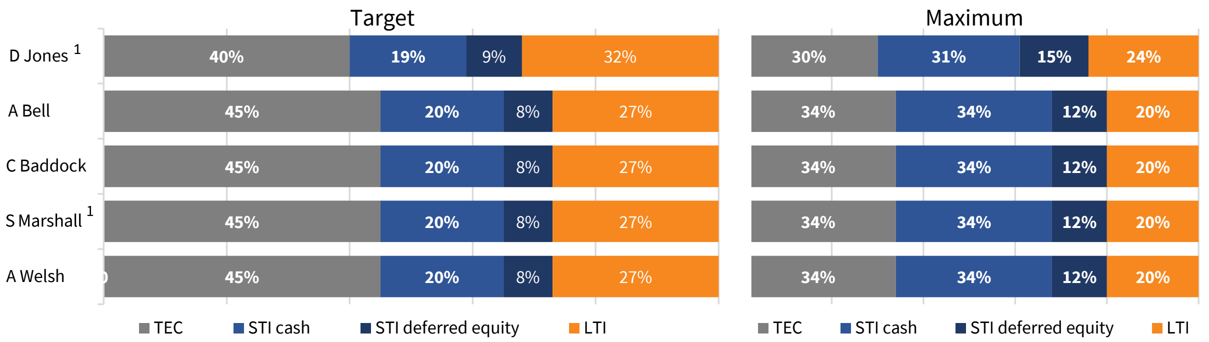
1 The shares were allocated to Mr Marshall on 28 October 2022.

On cessation of employment, the second and third tranche (Tranche 2 and Tranche 3) will lapse in accordance with the Plan Rules.

Remuneration mix

The chart below outlines the FY23 remuneration mix for KMP at the end of the year including the deferral of the 33% (Group CEO) and 25% (other KMP) of STI 'at-risk' equity component. Each remuneration component is shown as a percentage of total remuneration measured at Target and at Maximum earnings opportunity. LTI values have been measured at grant date, based on the face value of incentives granted in FY23.

The KMP remuneration weighting as a percentage of TEC during FY23 was as follows:



1 Represents Mr Jones' and Mr Marshall's FY23 KMP remuneration excluding the additional LTI incentives granted to them in FY23. Refer to Section 4.3 'Additional LTI Grants' for details.

7. KMP SERVICE AGREEMENTS

Name	Agreement term	Executive notice	Metcash notice	Redundancy
D Jones [1]	Ongoing unless notice given	12 months	12 months	12 months
A Bell [2]	Ongoing unless notice given	12 months	12 months	12 months
C Baddock	Ongoing unless notice given	12 months	12 months	12 months
S Marshall [3]	Ongoing unless notice given	12 months	12 months	12 months
A Welsh	Ongoing unless notice given	12 months	12 months	12 months

1 In FY23, Mr Jones secured Permanent Residency and is no longer subject to 482 visa limitations. An amendment to his employment agreement has been issued replacing his four-year fixed-term employment status to permanent terms and conditions.

2 On 5 December 2022, Metcash announced that Mr Bell intends to retire from his position as Group CFO when a successor has been appointed and following the completion of a transition period.

3 Mr Marshall resigned as CEO Food effective 27 January 2023 and ceased employment on 23 June 2023.

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

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

Minimum shareholding guidelines

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

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

DIRECTORS' REPORT CONTINUED

8. NON-EXECUTIVE DIRECTOR REMUNERATION

Remuneration policy

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

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

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

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

Aggregate fee limit

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

Minimum shareholding guidelines

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

Non-executive Director fee structure

Consistent with all executive remuneration practices in Metcash, extensive annual independent data benchmarking is undertaken on Board fees. In FY23, an increase in fees of 3.0% was made, which moves the position to between 94% and 110% of the market benchmark.

	FY23 $[1]	FY22 $[1]
BOARD		
Chair	433,094	462,761
Non-executive Director	161,537	156,832
COMMITTEE		
Audit, Risk & Compliance		
Chair	38,596	37,472
Member	17,361	16,856
People & Culture		
Chair	38,596	37,472
Member	17,361	16,856
Nomination		
Chair	-	-
Member	-	-
Technology Advisory[2]		
Chair	36,050	-
Member	18,540	-

1. Per annum fees as at the end of the financial year, including superannuation.
2. The Technology Advisory Committee was established on 1 March 2023.

Non-executive Director remuneration

Name	Financial year	Fees $	Superannuation $	Total $
P Birtles[1]	FY23	357,532	24,110	381,642
	FY22	176,775	17,530	194,305
M Haseltine	FY23	179,231	18,684	197,915
	FY22	158,018	15,670	173,688
C Holman	FY23	162,022	16,877	178,899
	FY22	158,018	15,670	173,688
M Johnson[2]	FY23	126,862	13,321	140,183
	FY22	-	-	-
M Jordan	FY23	177,737	18,514	196,251
	FY22	173,353	17,190	190,543
H Nash	FY23	190,625	9,509	200,134
	FY22	185,472	8,832	194,304
T Dwyer (retired)[3]	FY23	-	-	-
	FY22	26,436	2,511	28,947
R Murray (retired)[4]	FY23	146,110	8,144	154,254
	FY22	439,505	23,256	462,761
Total	**FY23**	**1,340,119**	**109,159**	**1,449,278**
	FY22	**1,317,577**	**100,659**	**1,418,236**

1. Mr Birtles was appointed Chairman on 1 August 2022.
2. Mr Johnson was appointed as a Non-executive Director on 1 August 2022.
3. Ms Dwyer retired as a Non-executive Director on 30 June 2021.
4. Mr Murray retired as a Non-executive Director on 31 August 2022.

Non-executive Director shareholdings

Name	Balance at 1 May 2022	Acquired during the year	Balance at 30 April 2023	Balance at report date
DIRECTORS				
P Birtles[1]	40,000	72,998	112,998	112,998
M Haseltine	57,839	-	57,839	57,839
C Holman	30,000	25,000	55,000	55,000
M Johnson[2]	-	15,000	15,000	15,000
M Jordan	57,441	-	57,441	57,441
H Nash	51,189	-	51,189	51,189
R Murray[3]	84,005	-	84,005	84,005
	320,474	**112,998**	**433,472**	**433,472**

1. Mr Birtles was appointed Chairman on 1 August 2022.
2. Mr Johnson was appointed as a Non-executive Director on 1 August 2022.
3. Mr Murray retired as a Non-executive Director on 31 August 2022.

DIRECTORS' REPORT CONTINUED

9. STATUTORY DISCLOSURES

Fixed and 'at-risk' remuneration

KMP	Year	Fixed remuneration $	STI cash[1] $	STI deferred[2,3] $	Super-annuation $	Leave[4] $	LTI (share-based payments) $	Total $	Performance-related %
D Jones[5]	FY23	1,724,995	1,547,524	464,484	25,005	26,923	1,322,995	5,111,926	65.2%
	FY22	244,897	194,006	47,777	4,478	43,888	179,536	714,582	59.0%
J Adams (retired)[6]	FY23	—	—	—	—	—	—	—	—
	FY22	1,548,000	1,164,644	970,806	—	55,385	1,625,793	5,364,628	70.1%
A Bell[7]	FY23	774,495	678,356	208,193	25,005	12,679	314,574	2,013,302	59.7%
	FY22	745,494	570,797	138,453	23,256	51,145	86,649	1,615,794	49.3%
C Baddock	FY23	714,020	486,371	181,961	25,005	(15,891)	307,784	1,699,250	57.4%
	FY22	694,244	605,391	202,092	23,256	3,638	309,496	1,838,117	60.8%
S Marshall[8]	FY23	1,074,995	928,125	298,126	25,005	80,060	106,365	2,512,676	53.0%
	FY22	976,744	860,625	287,529	23,256	51,889	731,521	2,931,564	64.1%
A Welsh	FY23	714,020	541,190	189,080	25,005	26,499	287,774	1,783,568	57.1%
	FY22	694,244	593,282	205,588	23,256	40,574	247,426	1,804,370	58.0%
Total	**FY23**	**5,002,525**	**4,181,566**	**1,341,844**	**125,025**	**130,270**	**2,339,492**	**13,120,722**	**59.9%**
	FY22	**4,903,623**	**3,988,745**	**1,852,245**	**97,502**	**246,519**	**3,180,421**	**14,269,055**	**63.2%**

1 The cash component of the FY23 STI reward of 67% (Group CEO) and 75% (other KMP) is payable in cash in July 2023. The cash component of the FY22 STI reward of 67% (Group CEO) and 75% (other KMP) was paid in cash in July 2022.

2 The deferred equity component of the FY23 STI reward of 33% (Group CEO) and 25% (other KMP) is deferred and released through the issue of Metcash performance rights, conditional upon the executive being employed by the Company on 15 April 2024. Shares are issued to participants by 30 April 2024 and are then restricted from trading until the close of 26 June 2024. The fair value of the deferred share component is amortised over the two-year performance period.

3 The deferred equity component of the FY22 STI reward of 33% (Group CEO) and 25% (other KMP) vested during the year. Shares were issued to participants in April 2023 and are restricted from trading until the close of 26 June 2023. The fair value of the deferred share component was amortised over the two-year performance period.

4 Includes changes in annual and long service leave entitlements.

5 Mr Jones' LTI includes his FY22 Group CEO buy-out grant as set out in Section 4.3. The FY22 amounts disclosed above reflect Mr Jones' remuneration for the period from 11 March 2022 to 30 April 2022 as KMP.

6 In FY22, Mr Adams stood aside as operational Group CEO on 10 March 2022 and retired as Group CEO on 6 October 2022.

7 On 5 December 2022, Metcash announced that Mr Bell intends to retire from his position as Group CFO when a successor has been appointed and following the completion of a transition period. The Board determined performance rights be issued in relation to 25% of Mr Bell's FY23 STI reward which was deferred and will remain on foot and will vest in accordance with existing timeframes. In addition, Mr Bell retained 120,320 of his FY22-FY24 performance rights and 66,129 (on a pro-rata basis) of his FY23-FY25 LTI performance rights, which will be tested in accordance with existing financial performance conditions. The amortisation of all these performance rights has been accelerated for accounting purposes up to the end of his expected service period.

8 Mr Marshall resigned as CEO Food on 27 January 2023 and ceased employment on 23 June 2023. The amounts disclosed above reflect Mr. Marshall's remuneration relating to the period from 1 May 2022 to 30 April 2023 and includes his FY22 CEO Food retention LTI grant as set out in Section 4.3. The Board determined performance rights be issued in relation to 25% of Mr Marshalls' FY23 STI reward which was deferred and will remain on foot and will vest in accordance with existing timeframes. The amortisation of all these performance rights has been accelerated for accounting purposes up to the end of his service period. Mr Marshall's performance rights entitlements under all other LTI plans on foot, including the FY22-24 LTI, FY23-25 LTI and CEO Food retention LTI, will be forfeited upon cessation of his employment.

KMP performance rights holdings

Name	Balance at 1 May 2022	Granted	Vested/ Exercised[1]	Forfeited	Balance at 30 April 2023	Balance at report date
D Jones	600,836	336,937	(196,289)	-	741,484	741,484
A Bell	275,340	140,111	(40,917)	(33,065)	341,469	341,469
C Baddock	430,072	135,977	(198,379)	-	367,670	367,670
S Marshall	832,966	190,726	(312,770)	(503,364)	207,558	207,558
A Welsh	313,838	135,109	(81,277)	-	367,670	367,670
Total	**2,453,052**	**938,860**	**(829,632)**	**(536,429)**	**2,025,851**	**2,025,851**

1 As foreshadowed in the FY22 financial report, a total of 391,330 performance rights from the FY20-FY22 LTI plan vested on 15 August 2022. The vested shares were acquired on market and allocated to the participants on 15 August 2022. In addition, a total of 224,398 performance rights were granted to the KMPs and have then subsequently vested in relation to the deferred component of the FY22 STI plan. The amounts disclosed above also include 160,428 and 53,476 performance rights that have vested and issued in shares to Mr Jones and Mr Marshall respectively in relation to the additional LTI grants, as set out in Section 4.3.

KMP shareholdings

Name	Balance at 1 May 2022	Acquired during the year[1]	Sold during the year	Balance at 30 April 2023	Balance at report date
D Jones[2]	—	196,289	—	196,289	196,289
A Bell	38,771	40,917	—	79,688	79,688
C Baddock	197,372	198,379	(100,000)	295,751	295,751
S Marshall[3]	241,317	312,770	—	554,087	554,087
A Welsh	165,669	81,277	—	246,946	246,946
Total	**643,129**	**829,632**	**(100,000)**	**1,372,761**	**1,372,761**

1 Includes vesting of shares in relation to Metcash deferred STI and LTI plans.

2 The amounts disclosed above include 160,428 shares issued to Mr Jones in relation to Tranche 1 of the Group CEO buy-out grant, as set out in Section 4.4.

3 The amounts disclosed above include 99,194 shares issued to Mr Marshall in relation to Tranche 1 of the CEO Food retention LTI grant, as set out in Section 4.4.

This concludes the Remuneration Report.

DIRECTORS' REPORT CONTINUED

OTHER DISCLOSURES

Unissued shares under share options and performance rights

At the date of this report, there were 7,064,289 performance rights (6,951,265 at the reporting date). There were no share options on issue at the reporting date or at the date of this report. Refer to note 7.1 of the financial statements for further details regarding performance rights.

Shares issued as a result of options and performance rights

During the year, a total 1,696,720 shares and 279,808 shares were acquired on market in relation to the vesting of the FY20-FY22 LTI grant and FY22 STI deferred equity component, respectively, and these shares were issued to employees and executives. There were no other shares issued to employees or executives during or since the end of the financial year in respect of the exercise of options or performance rights.

Indemnification of Auditors

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

Non-audit services

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

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

The auditor's independence declaration for the year ended 30 April 2023 has been received and is included on page 115.

Subsequent events

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

Rounding

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

Signed in accordance with a resolution of the Directors.

DOUG JONES
Director
Sydney, 26 June 2023

FINANCIAL REPORT
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2023

	Notes	FY23 $m	FY22 $m
Sales revenue	3.1, 3.2	15,803.4	15,164.8
Cost of sales		(13,961.1)	(13,482.3)
Gross profit		**1,842.3**	**1,682.5**
Other income	3.3	21.0	23.8
Share of profit from equity-accounted investments	4.4	19.2	19.2
Employee benefit expenses	3.3	(905.5)	(823.4)
Depreciation and amortisation	3.3	(175.0)	(175.9)
Lease expenses	3.3	(67.2)	(67.7)
Provisions for impairment, net of reversals	3.3	(48.9)	(41.0)
Other expenses		(185.1)	(145.2)
Finance costs, net	3.3	(64.7)	(48.5)
Significant items	3.3	(59.6)	(65.6)
Profit before income tax		**376.5**	**358.2**
Income tax expense	3.4	(116.2)	(111.1)
Net profit for the year		**260.3**	**247.1**
Other comprehensive income for the year, net of tax		1.3	—
Total comprehensive income for the year		**261.6**	**247.1**
Net profit for the year is attributable to:			
Equity holders of the parent		259.0	245.4
Non-controlling interests		1.3	1.7
		260.3	**247.1**
Total comprehensive income for the year is attributable to:			
Equity holders of the parent		260.3	245.4
Non-controlling interests		1.3	1.7
		261.6	**247.1**
Earnings per share attributable to the ordinary equity holders of the company:			
Basic earnings per share (cents)	3.5	26.8	25.0
Diluted earnings per share (cents)	3.5	26.7	24.9

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2023

	Notes	FY23 $m	FY22 $m
ASSETS			
Current assets			
Cash and cash equivalents		89.5	104.7
Trade receivables and loans	4.1	1,767.8	1,764.0
Lease receivables	4.2	41.1	40.7
Inventories	4.3	1,183.4	1,125.2
Assets held for sale		7.6	9.2
Other financial assets		2.0	2.3
Total current assets		**3,091.4**	**3,046.1**
Non-current assets			
Trade receivables and loans	4.1	9.9	18.2
Lease receivables	4.2	216.5	234.4
Equity-accounted investments	4.4	123.6	102.5
Net deferred tax assets	3.4	152.3	139.6
Property, plant and equipment	4.5	273.6	245.9
Right-of-use assets	4.2	616.7	615.4
Intangible assets	4.6	895.1	798.8
Total non-current assets		**2,287.7**	**2,154.8**
TOTAL ASSETS		**5,379.1**	**5,200.9**
LIABILITIES			
Current liabilities			
Trade and other payables		2,294.9	2,321.9
Interest-bearing borrowings	5.2	168.3	45.0
Lease liabilities	4.2	147.8	148.1
Provisions	4.8	164.1	152.6
Income tax payable		11.6	33.8
Put options and other financial liabilities	5.3	109.7	23.5
Total current liabilities		**2,896.4**	**2,724.9**
Non-current liabilities			
Interest-bearing borrowings	5.2	270.8	248.7
Lease liabilities	4.2	901.6	882.5
Provisions	4.8	40.8	42.9
Put options and other financial liabilities	5.3	184.4	211.5
Total non-current liabilities		**1,397.6**	**1,385.6**
TOTAL LIABILITIES		**4,294.0**	**4,110.5**
NET ASSETS		**1,085.1**	**1,090.4**
EQUITY			
Contributed equity	5.4	818.3	818.3
Retained earnings		257.2	265.0
Other reserves	5.4	(1.9)	(3.4)
Equity holders of the parent		**1,073.6**	**1,079.9**
Non-controlling interests		11.5	10.5
TOTAL EQUITY		**1,085.1**	**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 YEAR ENDED 30 APRIL 2023

	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		—	259.0	1.3	260.3	1.3	261.6
Transactions with owners							
Dividends paid	5.5	—	(217.2)	—	(217.2)	(2.2)	(219.4)
Recognition of put option liabilities	6.1	—	(38.0)	—	(38.0)	—	(38.0)
Transactions with non-controlling interests		—	—	—	—	1.9	1.9
Transfers		—	(11.6)	11.6	—	—	—
Shares issued to employees	7.1	—	—	(18.4)	(18.4)	—	(18.4)
Share-based payments expense		—	—	7.0	7.0	—	7.0
At 30 April 2023		**818.3**	**257.2**	**(1.9)**	**1,073.6**	**11.5**	**1,085.1**
At 1 May 2021		**867.0**	**414.6**	**(1.7)**	**1,279.9**	**11.2**	**1,291.1**
Total comprehensive income/(loss), net of tax		—	245.4	—	245.4	1.7	247.1
Transactions with owners							
Dividends paid	5.5	—	(198.5)	—	(198.5)	(2.4)	(200.9)
Recognition of put option liabilities		—	(44.8)	—	(44.8)	—	(44.8)
Share buyback and related costs	5.4	(48.7)	(151.7)	—	(200.4)	—	(200.4)
Shares issued to employees	7.1	—	—	(9.4)	(9.4)	—	(9.4)
Share-based payments expense		—	—	7.7	7.7	—	7.7
At 30 April 2022		**818.3**	**265.0**	**(3.4)**	**1,079.9**	**10.5**	**1,090.4**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 APRIL 2023

	Notes	FY23 $m	FY22 $m
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		19,722.0	18,796.9
Payments to suppliers and employees		(19,144.1)	(18,210.9)
Financing component of lease payments, net	4.2	(34.2)	(34.3)
Interest paid, net		(29.0)	(12.3)
Dividends received		9.7	9.9
Income tax paid, net of tax refunds	3.4	(151.7)	(117.0)
Net cash generated from operating activities	5.1	**372.7**	**432.3**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of assets		0.3	2.4
Payments for acquisition of assets		(152.1)	(121.7)
Payments for acquisition of subsidiaries, net of cash acquired	6.1	(55.9)	(44.4)
Payments for acquisition of additional interest in associate	6.1	(4.5)	(11.0)
Receipts from subleases, excluding the financing component	4.2	43.0	42.7
Loans repaid by other entities, net		12.6	10.3
Net cash used in investing activities		**(156.6)**	**(121.7)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	5.2	4,503.4	1,430.0
Repayments of borrowings	5.2	(4,359.3)	(1,136.3)
Payments for acquisition of non-controlling interests		(12.8)	(59.4)
Payments for lease liabilities, excluding the financing component	4.2	(119.8)	(149.4)
Payment for off-market buyback of shares, including costs	5.4	-	(200.4)
Payments for on-market purchase of shares		(16.2)	(8.3)
Payment of dividends to owners of the parent	5.5	(217.2)	(198.5)
Payment of dividends to non-controlling interests		(9.4)	(8.2)
Net cash used in financing activities		**(231.3)**	**(330.5)**
Net decrease in cash and cash equivalents		**(15.2)**	**(19.9)**
Add: opening cash and cash equivalents		104.7	124.6
Cash and cash equivalents at the end of the year		**89.5**	**104.7**

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023 CONTINUED

1. CORPORATE INFORMATION

The financial statements of Metcash Limited (the 'Company') and its controlled entities (together the 'Group') for the year ended 30 April 23 were authorised for issue in accordance with a resolution of the Directors on 26 June 2023.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

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

The current financial year comprises a 52-week period that commenced on 2 May 2022 and ended on 30 April 2023. The prior financial year comprised a 53-week period that commenced on 26 April 2021 and ended on 1 May 2022.

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

2.2 Changes in accounting policy

The accounting policies adopted are consistent with those of the previous period, other than the revision to the accounting policy choice 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 policy choice 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 policy choice has been applied retrospectively and there was no material impact from a quantitative or qualitative perspective.

There are no accounting pronouncements which have become effective from 1 May 2022 that have a significant impact on the Group's financial report. Refer to Appendix A for new or amended Accounting Standards and Interpretations.

2.3 Significant accounting policies

2.3.1 Basis of consolidation

Controlled entities

The financial statements comprise the consolidated financial statements of Metcash Limited and its controlled entities for the year ended 30 April 2023. Refer to Appendix B for a list of controlled entities.

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

Consolidation procedures

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

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

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

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

Separate financial statements

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

2.4 Significant accounting judgements, estimates and assumptions

The Group has incorporated judgements, estimates and assumptions in determining the amounts recognised in the financial statements based on conditions existing at balance date.

2.4.1 Significant accounting judgements

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

Note	Areas	Judgements
Note 3.2	Sales revenue	- Charge-through sales – In addition to warehouse purchases, customers purchase goods through the Group's charge-through platform and have these goods delivered directly to them from suppliers. The Group earns a margin on these sales for providing procurement, cross-docking and settlement services. The Group also bears credit risk on the receivables from these sales with limited recourse to suppliers. - The Group determined that it is an agent in these contracts as it does not control the goods before they are being transferred to customers.
Note 4.2	Leases	- Determination of lease term of contracts with renewal options.
Note 4.3	Inventories	- Supplier rebate income – The recognition and measurement of supplier rebate income requires the use of judgement, due to a high degree of variability and complexity in arrangements with suppliers, and due to timing differences between stock purchases and the provision of promotional services.
Note 6.1	Business combinations	- Determining the existence of control, joint control or significant influence over the Group's acquisitions. Where the Group exercises significant influence or joint control, the acquisitions are accounted for as equity accounted investments (note 4.4); and where the Group exercises control, the acquisitions are accounted for as business combinations. - Determining the acquisition date fair value of assets acquired and liabilities assumed on acquisition of controlled entities.

2.4.2 Significant accounting estimates

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023 CONTINUED

3. GROUP PERFORMANCE

3.1 Segment information

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

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

– **Food** activities comprise the distribution of a range of products and services to independent supermarket and convenience retail outlets.

– **Hardware** activities comprise the distribution of hardware products to independent retail outlets and the operation of company owned and joint venture retail stores.

– **Liquor** activities comprise the distribution of liquor products to independent retail outlets and hotels.

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

Sales between segments are based on similar terms and conditions to those in place with third party customers and are eliminated from the results below.

Segment results

	Segment revenue		Segment results	
	FY23 $m	FY22 $m	FY23 $m	FY22 $m
Food	8,410.1	8,379.3	204.0	200.3
Hardware	2,344.1	2,033.1	219.2	191.3
Liquor	5,049.2	4,752.4	104.1	97.4
Segment total	**15,803.4**	**15,164.8**	**527.3**	**489.0**
Corporate			(26.5)	(16.7)
Group underlying earnings before interest and tax ('EBIT')			**500.8**	**472.3**
Finance costs, net (Note 3.3)			(64.7)	(48.5)
Significant items (Note 3.3)			(59.6)	(65.6)
Profit before income tax			**376.5**	**358.2**

3.2 Sales revenue

Sale of goods

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

Charge-through sales

The Group operates a charge-through platform whereby goods are delivered directly to the Group's customers by suppliers. The Group retains the credit risk associated with these transactions; however, the Group does not bear any material inventory risk or exercise any material discretion in establishing prices. Charge-through transactions are therefore reported on an agency or net 'commission' basis with the gross sale value included in trade receivables and the gross purchase cost included in trade payables. Gross charge-through sales to customers during the year were $2.249 billion (FY22: $2.241 billion).

3.3 Other income and expenses

	FY23 $m	FY22 $m
(I) OTHER INCOME		
Lease income – rent	8.2	8.1
Lease income – outgoings recoveries	12.8	15.4
Net gain from disposal of plant and equipment	—	0.3
	21.0	**23.8**
(II) EMPLOYEE BENEFIT EXPENSES		
Salaries and wages, incentives, and on-costs	837.8	763.3
Superannuation expense	61.2	52.7
Share-based payments expense	6.5	7.4
	905.5	**823.4**
(III) DEPRECIATION AND AMORTISATION		
Depreciation of right-of-use assets	112.7	117.0
Depreciation of property, plant and equipment	39.6	34.8
Amortisation of software	18.1	19.5
Amortisation of other intangible assets	4.6	4.6
	175.0	**175.9**
(IV) LEASE EXPENSES		
Property rent	4.9	5.2
Property outgoings	53.8	56.5
Equipment and other leases	8.5	6.0
	67.2	**67.7**
(V) PROVISIONS FOR IMPAIRMENT, NET OF REVERSALS		
Trade receivables and loans	10.2	10.3
Inventories	31.7	31.7
Property provisions	2.3	(0.1)
Other impairments (net)	4.7	(0.9)
	48.9	**41.0**
(VI) FINANCE COSTS, NET		
Interest expense	25.3	11.0
Transaction fees in relation to customer charge cards (Note 4.1)	4.5	2.5
Deferred borrowing costs	1.3	1.6
Finance component of lease payments, net	34.2	34.3
Finance costs from discounting of liabilities	1.6	2.9
Interest income	(2.2)	(3.8)
	64.7	**48.5**

SIGNIFICANT ACCOUNTING POLICIES

Finance costs

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023 CONTINUED

	FY23 $m	FY22 $m
(VII) SIGNIFICANT ITEMS		
Project Horizon implementation costs	34.6	31.4
Put option valuation and business acquisition costs	30.0	27.6
Mega Distribution Centre transition costs	4.3	3.6
Impairment/(benefit), net of reversals	(9.3)	3.0
Total significant items before tax	59.6	65.6
Income tax benefit attributable to significant items	(11.1)	(11.4)
Total significant items after tax	**48.5**	**54.2**

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, with the inventory forecasting and replenishment system delivering early benefits and significantly improving forecasting accuracy. The remaining components of the first stage are focused on accessing benefits within the Food and Liquor pillars.

The program is subject to continual assessment in relation to program governance, independent assurance, Board oversight and program risks. To further minimise risks to our customers and business and help ensure project outcomes are maximised, the expected completion date for stage 1 has been extended from the end of 2023 to the end of FY2025. The change in timeline has been supported by Metcash's ability to maintain its current systems longer than anticipated and does not result in a change to the expected capital expenditure of the project and a limited increase in operating project office expenses for the longer time frame.

In FY23, the Group incurred $62.8 million (FY22: $46.9 million) of capital expenditure which comprised $60.2 million in relation to software assets and $2.6 million in relation to prepaid assets and $34.6 million (FY22: $31.4 million) of expenses on the project. The project expenses included resource costs, accelerated amortisation of legacy software assets and incremental software licence and maintenance costs. These costs are separately disclosed within significant items in the Statement of Comprehensive Income to enable a better understanding of the Group's results.

Put option valuation and business acquisition costs

The carrying 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 $17.5 million (FY22: $24.0 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 $9.5 million (FY22: $5.4 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 $1.5 million in relation to the acquisition of Total Tools JV Stores in FY23. Refer note 6.1 for further details about the acquisitions.

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 $4.3 million (FY22: $0.9 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 FY22, the Group incurred $2.7 million of implementation costs related to the *MFuture* program.

Impairment, net of reversals

In FY23, the Group recognised a $7.3 million (FY22: nil) reversal of impairment previously recognised in relation to its joint venture entity, Adcome Pty Ltd (Cornetts) reflecting an increase in the estimated recoverable amount of the investment since the date the impairment loss was originally recognised in FY12.

In addition, an impairment reversal of $2.0 million (FY22: $3.0 million impairment charge) was recognised reflecting a decrease in the expected credit losses previously recognised in relation to specific groups of trade receivables impacted by COVID-19 restrictions.

3.4 Income Taxes

	FY23 $m	FY22 $m
MAJOR COMPONENTS OF INCOME TAX EXPENSE		
Current income tax charge	125.8	120.7
Adjustments in respect of income tax of previous years	1.6	0.3
Deferred income tax relating to origination and reversal of temporary differences	(11.2)	(9.9)
Total income tax expense	**116.2**	**111.1**
RECONCILIATION OF INCOME TAX EXPENSE		
Profit before income tax	376.5	358.2
At the Group's statutory income tax rate of 30% (FY22: 30%)	113.0	107.4
Other assessable amounts – net	1.6	3.4
Adjustments in respect of income tax of previous years	1.6	0.3
Income tax expense	**116.2**	**111.1**
COMPONENTS OF NET DEFERRED TAX ASSETS		
Provisions	114.6	114.8
Leases	44.9	34.4
Accelerated depreciation for accounting purposes	7.0	6.8
Other	17.2	16.4
Intangible assets	(31.4)	(32.8)
	152.3	**139.6**
MOVEMENTS IN NET DEFERRED TAX ASSETS		
Opening balance	139.6	125.8
Credited to net profit for the year	11.6	12.7
Tax benefit associated with share issue/buyback costs	—	0.1
Adjustments related to business combinations	1.1	1.0
Closing balance	**152.3**	**139.6**

The Group has unrecognised gross capital losses of $28.7 million (FY22: $19.5 million) that are available indefinitely for offset against future capital gains. During the year, the Group paid $151.7 million of income tax (FY22: $117.0 million). The income tax paid exceeded the level of income tax expense of $116.2 million (FY22: $111.1 million) largely as a result of balancing payments made during the current year arising from prior increases in deferred tax assets, as well as the subsequent associated increase in the income tax instalment rate.

Tax consolidation

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

Tax effect accounting by members of the tax consolidated group

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

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

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SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

3.5 Earnings per share

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

	FY23 $m	FY22 $m
EARNINGS USED IN CALCULATING BASIC AND DILUTED EPS		
Net profit attributable to ordinary equity holders of Metcash Limited	259.0	245.4

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

	FY23 Number	FY22 Number
Weighted average number of ordinary shares used in calculating basic EPS	965,541,602	982,848,334
Effect of dilutive securities	3,141,713	3,369,269
Weighted average number of ordinary shares used in calculating diluted EPS	**968,683,315**	**986,217,603**

At the reporting date, 7,064,289 performance rights (FY22: 7,609,890) were outstanding, of which 3,922,576 (FY22: 4,240,621) were not included in the calculation of diluted EPS as they are not dilutive for the periods presented. Refer note 7.1 for more details about performance rights.

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

4. ASSETS AND LIABILITIES

4.1 Trade receivables and loans

	FY23 $m	FY22 $m
CURRENT		
Trade receivables	1,392.6	1,415.7
Allowance for impairment loss	(49.7)	(59.8)
Trade receivables	1,342.9	1,355.9
Customer charge cards agreement (a)	232.5	235.9
Other receivables and prepayments	189.3	169.4
Trade and other receivables	**1,764.7**	**1,761.2**
Customer loans	3.8	3.2
Allowance for impairment loss	(0.7)	(0.4)
Customer loans	**3.1**	**2.8**
Total trade receivables and loans – current	**1,767.8**	**1,764.0**
NON-CURRENT		
Customer loans	12.3	18.2
Allowance for impairment loss	(2.4)	—
Total trade receivables and loans – non-current	**9.9**	**18.2**

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

Movements in allowance for impairment loss

	FY23 $m	FY22 $m
Opening balance	60.2	57.3
Charged as an expense during the year	8.2	10.3
Accounts written off as non-recoverable	(15.6)	(7.4)
Closing balance	**52.8**	**60.2**

Weighted average interest

Trade and other receivables are non-interest-bearing and repayment terms vary by pillar. As at 30 April 2023, $5.5 million (FY22: nil) of customer loans are non-interest-bearing and $10.6 million (FY22: $21.4 million) of customer loans have a weighted average annual interest rate of 7.2% (FY22: 6.1%).

Maturity of trade receivables

At 30 April 2023, 89.2% (FY22: 90.3%) of trade receivables are either due or required to be settled within 30 days, 9.7% (FY22: 8.7%) have terms extending from 30 to 60 days and 1.1% (FY22: 1.0%) have terms greater than 60 days.

Customer charge cards agreement

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

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

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

The customer charge cards agreement is presented as part of current trade and other receivables and a matching current liability of $232.5 million (FY22: $235.9 million) is included within trade and other payables, with no impact to the Group's net asset position.

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Customer loan security

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

Ageing of trade receivables and loans, net

	Trade receivables (a)		Customer loans		Other receivables and prepayments	
Days overdue	**$m**	**%**	**$m**	**%**	**$m**	**%**
AT 30 APRIL 2023						
Neither past due nor impaired	1,485.1	94.3%	11.5	88.7%	189.3	100.0%
Less than 30 days	80.3	5.1%	0.1	0.8%	—	—
Between 30 and 60 days	8.1	0.5%	0.1	0.8%	—	—
Between 60 and 90 days	1.9	0.1%	—	—	—	—
Between 90 and 120 days	—	—	—	—	—	—
More than 120 days	—	—	1.3	9.7%	—	—
Total	**1,575.4**	**100.0%**	**13.0**	**100%**	**189.3**	**100.0%**
AT 30 APRIL 2022						
Neither past due nor impaired	1,463.8	91.9%	19.9	95%	169.4	100.0%
Less than 30 days	122.5	7.7%	0.1	1.0%	—	—
Between 30 and 60 days	4.0	0.3%	—	—	—	—
Between 60 and 90 days	1.5	0.1%	0.3	1.0%	—	—
Between 90 and 120 days	—	—	—	—	—	—
More than 120 days	—	—	0.7	3.0%	—	—
Total	**1,591.8**	**100.0%**	**21.0**	**100.0%**	**169.4**	**100.0%**

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

SIGNIFICANT ACCOUNTING POLICIES

Trade receivables

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

Allowance for impairment loss

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

SIGNIFICANT ACCOUNTING ESTIMATES

Allowance for impairment loss

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

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

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

	Right-of-use assets (a)				
	Leasehold properties $m	**Motor vehicles and equipment $m**	**Total $m**	**Lease receivables (b)(c) $m**	**Lease liabilities $m**
As at 1 May 2022	**574.9**	**40.5**	**615.4**	**275.1**	**(1,030.6)**
New and modified leases	54.7	3.4	58.1	2.5	(61.0)
Additions through business combinations	16.6	—	16.6	—	(16.6)
Leases exited	(1.5)	—	(1.5)	(6.2)	6.6
Lease receivable measurement	—	—	—	3.9	—
Lease remeasurements	40.6	3.3	43.9	27.1	(70.0)
Depreciation	(98.6)	(14.1)	(112.7)	—	—
Reclassifications	(0.2)	—	(0.2)	(1.9)	2.3
Impairments, net	(2.9)	—	(2.9)	0.1	0.1
Cash (receipts)/payments	—	—	—	(55.8)	166.8
Financing component of lease receipts/(payments)	—	—	—	12.8	(47.0)
As at 30 April 2023	**583.6**	**33.1**	**616.7**	**257.6**	**(1,049.4)**
Current	—	—	—	41.1	(147.8)
Non-current	583.6	33.1	616.7	216.5	(901.6)
As at 1 May 2021	**565.7**	**53.2**	**618.9**	**280.5**	**(1,034.6)**
New and modified leases	78.2	3.3	81.5	9.0	(88.9)
Additions through business combinations	18.1	—	18.1	—	(18.1)
Leases exited	(1.0)	—	(1.0)	(1.3)	6.3
Lease remeasurements	13.5	0.6	14.1	25.2	(44.7)
Impairments, net	1.4	(0.6)	0.8	4.4	—
Depreciation	(101.0)	(16.0)	(117.0)	—	—
Cash (receipts)/payments	—	—	—	(56.3)	197.3
Financing component of lease receipts/(payments)	—	—	—	13.6	(47.9)
As at 30 April 2022	**574.9**	**40.5**	**615.4**	**275.1**	**(1,030.6)**
Current	—	—	—	40.7	(148.1)
Non-current	574.9	40.5	615.4	234.4	(882.5)

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

	Right-of-use assets		
	Leasehold properties $m	**Motor vehicles and equipment $m**	**Total $m**
Cost	971.4	91.4	1,062.8
Accumulated depreciation and impairment	(387.8)	(58.3)	(446.1)
As at 30 April 2023	**583.6**	**33.1**	**616.7**
Cost	856.5	85.5	942.0
Accumulated depreciation and impairment	(281.6)	(45.0)	(326.6)
As at 30 April 2022	**574.9**	**40.5**	**615.4**

(b) As at 30 April 2023, lease receivables include a gross carrying amount of $273.5 million (FY22: $290.5 million) and allowance for impairment losses of $15.9 million (FY22: $15.4 million).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023 CONTINUED

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

	FY23 $m	FY22 $m
Within one year	53.2	53.6
After one year but not more than five years	195.8	203.4
More than five years	77.9	94.9
	326.9	351.9
Unearned finance income	(53.4)	(61.4)
Impairment of receivables	(15.9)	(15.4)
	257.6	**275.1**

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

	FY23 $m	FY22 $m
Within one year	2.4	2.2
After one year but not more than five years	9.9	7.6
More than five years	5.0	4.6
	17.3	**14.4**

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

	FY23 $m	FY22 $m
Receipts from subleases, excluding the financing component	43.0	42.7
Payment for lease liabilities, excluding the financing component	(119.8)	(149.4)
Financing component of lease payments, net	(34.2)	(34.3)
Net cash payments	**(111.0)**	**(141.0)**

(f) In FY23, the Group recognised rent expense of $13.4 million (FY22: $11.2 million) from short-term leases and variable lease payments.

(g) Extension options are included in a number of lease contracts across the Group. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. The extension options are exercisable only by the Group and not by the lessors. The present value of lease payments to be made under these options that are considered reasonably certain to be exercised have been included in the lease liability balance at 30 April 2023. The undiscounted potential future payments at current rental rates under options that are not considered reasonably certain to be exercised is approximately $1.8 billion, which includes potential lease payments within the next five years of approximately $201.6 million.

SIGNIFICANT ACCOUNTING POLICIES

Group as a lessee

Right-of-use assets

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

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

Depreciation

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

	FY23	FY22
Leasehold properties	1-30 years	1-30 years
Motor vehicles and equipment	4-5 years	4-5 years

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

Lease liabilities

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

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

Group as a lessor

Lease receivables

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

Amounts due from finance leases are recognised as lease receivables at the amount of the Group's net investment in the lease. Lease receivables are subsequently remeasured if there is a change in the lease term and for changes in future cash flows resulting from a change in an index or rate or variable lease payments becoming fixed. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

Short-term leases and leases of low-value assets

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

SIGNIFICANT ACCOUNTING JUDGEMENT

Determination of lease term of contracts with renewal options

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

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

SIGNIFICANT ACCOUNTING ESTIMATES

Property provisions

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023 CONTINUED

4.3 Inventories

	FY23 $m	FY22 $m
Inventories	1,183.4	1,125.2

SIGNIFICANT ACCOUNTING POLICIES

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

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

4.4 Equity-accounted investments

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

Investee	Principal activities	Reporting date	FY23 %	FY22 %
ASSOCIATES				
Ritchies Stores Proprietary Limited[1]	Grocery retailing	30 June	29.9	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 (Cornetts)	Grocery retailing	30 April	45.0	45.0
BMS Retail Group Holdings Pty Ltd	Grocery retailing	30 June	49.0	49.0
Waltock Pty Ltd	Hardware retailing	30 June	49.0	49.0
LA United Pty Limited[2]	Liquor wholesaling	30 June	75.3	75.3
Liquor Alliance Proprietary Limited[2]	Liquor wholesaling	30 June	66.7	66.7

1. During FY23, Metcash acquired 5,600 shares from a minority shareholder (or 1% in Ritchies), bringing Metcash's share in Ritchies to 29.9%.
2. 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.

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

(a) Share of investees' financial information

The table below provides summarised financial information for Ritchies Stores Proprietary Limited (Ritchies), being an associate that is material to the Group. The Group has a 29.9% ownership interest in Ritchies (FY22: 28.9%).

Summarised Balance Sheet

Ritchies' financial year end date is 30 June. The summarised balance sheet information disclosed below represents the amounts presented in the statutory financial statements of Ritchies at 30 June, adjusted to include significant transactions over the following 10 months between that date and 30 April. The table also reconciles the summarised financial information to the carrying amounts of the Group's interest in Ritchies.

	FY23 $m	FY22 $m
Current assets	173.8	159.4
Non-current assets	409.3	409.6
Total assets	583.1	569.0
Current liabilities	(189.8)	(201.8)
Non-current liabilities	(208.9)	(201.9)
Total liabilities	(398.7)	(403.7)
Net assets	**184.4**	**165.3**
Proportion of the Group's ownership interest in the investment	**55.2**	**47.8**
Equity method notional goodwill	29.7	27.0
Carrying amount of the Group's investment	**84.9**	**74.8**

Summarised Statement of Comprehensive Income

The summarised financial information below reflects the amounts presented in the financial statements of Ritchies.

	FY23 $m	FY22 $m
Revenue	1,337.8	1,373.1
Profit before income tax	57.2	41.9
Income tax expense	(17.5)	(11.7)
Net profit for the year	39.7	30.2
Other comprehensive income/(loss), net of tax	—	—
Total comprehensive income for the year	**39.7**	**30.2**
Group's share of profit for the year	**11.6**	**9.8**
Dividends received by the Group	6.0	3.9

(b) Aggregate information of equity accounted investments that are not individually material

	FY23 $m	FY22 $m
Aggregate carrying amount of individually immaterial associates and joint ventures	**38.7**	**27.7**
Aggregate amounts of the Group's share of:		
Profit after tax	7.6	9.4
Other comprehensive income	—	—
Total comprehensive income	**7.6**	**9.4**

(c) Unrecognised share of gains or losses of equity accounted investments

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

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

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
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SIGNIFICANT ACCOUNTING ESTIMATES

Impairment of equity-accounted investments

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value.

In assessing the recoverable amount, assumptions are made about the growth prospects of the investment and in determining the discount rate used to calculate the net present value of future cash flows when a discounted cash flow model is used.

An impairment loss recognised in prior periods is reversed if there has been a change in estimates used to determine the equity-accounted investments recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the investment is increased to its recoverable amount, with the increase being recognised as a reversal of an impairment loss in the Statement of Comprehensive Income.

4.5 Property, plant and equipment

	Land & buildings $m	Plant & equipment $m	Total $m
YEAR ENDED 30 APRIL 2023			
Opening balance	35.7	210.2	245.9
Additions	—	71.3	71.3
Additions through business combinations	—	2.3	2.3
Disposals	—	(1.3)	(1.3)
Impairments	—	(3.0)	(3.0)
Reclassifications	3.0	(4.1)	(1.1)
Depreciation	(0.3)	(40.2)	(40.5)
Closing balance	**38.4**	**235.2**	**273.6**
AT 30 APRIL 2023			
Cost	46.6	540.5	587.1
Accumulated depreciation and impairment	(8.2)	(305.3)	(313.5)
Net carrying amount	**38.4**	**235.2**	**273.6**
YEAR ENDED 30 APRIL 2022			
Opening balance	36.8	195.0	231.8
Additions	—	50.4	50.4
Additions through business combinations	—	12.1	12.1
Disposals	—	(0.7)	(0.7)
Impairments	—	(3.4)	(3.4)
Reclassifications	(0.6)	(8.9)	(9.5)
Depreciation	(0.5)	(34.3)	(34.8)
Closing balance	**35.7**	**210.2**	**245.9**
AT 30 APRIL 2022			
Cost	43.6	479.7	523.3
Accumulated depreciation and impairment	(7.9)	(269.5)	(277.4)
Net carrying amount	**35.7**	**210.2**	**245.9**

Additions to plant and equipment include $24.0 million (FY22: $25.3 million) of assets under construction. The closing balance of plant and equipment includes $34.1 million (FY22: $24.4 million) of assets under construction.

SIGNIFICANT ACCOUNTING POLICIES

Recognition and measurement

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

Depreciation

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

	FY23	FY22
Freehold buildings	25-40 years	25-40 years
Plant and equipment	2-20 years	2-20 years

Derecognition

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

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

4.6 Intangible assets

	Software development costs $m	Customer contracts $m	Trade names and other $m	Goodwill $m	Total $m
YEAR ENDED 30 APRIL 2023					
Opening balance	122.4	35.4	73.7	567.3	798.8
Additions	80.8	—	—	—	80.8
Additions through business combinations	—	—	—	42.2	42.2
Adjustments to business combinations	—	—	—	0.4	0.4
Impairments	(2.3)	—	—	—	(2.3)
Disposals	(3.3)	—	—	—	(3.3)
Reclassifications	0.6	—	(0.5)	0.2	0.3
Amortisation	(17.2)	(4.5)	(0.1)	—	(21.8)
Closing balance	**181.0**	**30.9**	**73.1**	**610.1**	**895.1**
AT 30 APRIL 2023					
Cost	389.8	176.1	76.7	1,592.5	2,235.1
Accumulated amortisation and impairment	(208.8)	(145.2)	(3.6)	(982.4)	(1,340.0)
Net carrying amount	**181.0**	**30.9**	**73.1**	**610.1**	**895.1**
YEAR ENDED 30 APRIL 2022					
Opening balance	68.1	39.9	73.8	541.0	722.8
Additions	71.3	—	—	—	71.3
Additions through business combinations	—	—	—	26.9	26.9
Adjustments to business combinations	—	—	—	(0.2)	(0.2)
Disposals	(0.5)	—	—	(0.4)	(0.9)
Reclassifications	9.5	—	—	—	9.5
Amortisation	(26.0)	(4.5)	(0.1)	—	(30.6)
Closing balance	**122.4**	**35.4**	**73.7**	**567.3**	**798.8**
AT 30 APRIL 2022					
Cost	311.7	176.1	77.2	1,549.7	2,114.7
Accumulated amortisation and impairment	(189.3)	(140.7)	(3.5)	(982.4)	(1,315.9)
Net carrying amount	**122.4**	**35.4**	**73.7**	**567.3**	**798.8**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023 CONTINUED

SIGNIFICANT ACCOUNTING POLICIES

Recognition and measurement

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

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

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

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

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

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

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

Derecognition

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

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

Useful lives

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

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

	FY23	FY22
Customer contracts	15 years	15 years
Software development costs	5-10 years	5-10 years
Other	10 years	10 years

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

4.7 Impairment of non-financial assets

Impairment tests for goodwill and intangibles with indefinite useful lives

Description of cash generating units

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

Allocation to CGUs

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

	Allocated goodwill		Trade names and other intangibles		Post-tax discount rates	
Cash-generating units	**FY23 $m**	**FY22 $m**	**FY23 $m**	**FY22 $m**	**FY23 %**	**FY22 %**
Food	214.3	214.3	1.5	2.1	9.4%	10.6%
Hardware	248.5	210.3	58.6	58.6	9.4%	9.4%
Liquor	147.3	142.7	13.0	13.0	9.4%	9.4%
	610.1	**567.3**	**73.1**	**73.7**		

Assessment of recoverable amounts

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

Key assumptions used in assessment

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

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

  Cash flow projections are based on risk-adjusted forecasts allowing for estimated changes in the business, the competitive trading environment, legislation and economic growth whilst noting that uncertainties remain over the potential impact of changes to consumer behaviour and other uncertainties surrounding macroeconomic indicators such as unemployment and GDP growth create future uncertainty over the Group's operating cash flows.
- Discount rates – Discount rates are based on the weighted average cost of capital ('WACC') for the Group adjusted for an asset-specific risk premium assigned to each CGU. The asset-specific risk premium is determined based on risk embedded within the cash flow projections and other factors specific to the industries in which the CGUs operate.

  The calculation of WACC is market-driven and key inputs include target capital structure, equity beta, market risk premium, risk-free rate of return and debt risk premium. Pre-tax equivalents of the adopted discount rates are derived iteratively and differ based on the timing and extent of tax cash flows. Pre-tax rates were 13.4% across all CGUs (FY22: 15.1% for Food and 13.4% for Hardware and Liquor).
- Terminal growth rates – Cash flows beyond the projection period are extrapolated indefinitely using estimated long-term growth rates applicable to the trading environment in which the CGUs operate. A terminal growth rate of 2.5% was applied to all CGUs.

Results of assessment

Based on the FY23 assessment, no impairment of goodwill was identified in any of the Group's CGUs.

Sensitivity to changes in key assumptions

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023 CONTINUED

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Impairment losses are recognised in the Statement of Comprehensive Income.

SIGNIFICANT ACCOUNTING ESTIMATES

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

4.8 Provisions

	Employee entitlements $m	Property provisions $m	Total $m
30 APRIL 2023			
Current	155.0	9.1	164.1
Non-current	10.2	30.6	40.8
	165.2	**39.7**	**204.9**
30 APRIL 2022			
Current	144.0	8.6	152.6
Non-current	12.3	30.6	42.9
	156.3	**39.2**	**195.5**

Movements in property provisions

	FY23 $m	FY22 $m
Opening balance	39.2	44.7
Charged as an expense during the year, net	3.1	1.6
Utilised during the year, net	(4.2)	(9.0)
Finance cost discount rate adjustment	1.6	1.9
Closing balance	**39.7**	**39.2**

SIGNIFICANT ACCOUNTING POLICIES

Employee entitlements

Wages, salaries, incentives, annual leave and sick leave

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

Long service leave

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

Property provisions

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

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

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

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

SIGNIFICANT ACCOUNTING ESTIMATES

Property provisions

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023 CONTINUED

5. CAPITAL STRUCTURE, FINANCING AND RISK MANAGEMENT

5.1 Reconciliation of cash flows from operating activities

	FY23 $m	FY22 $m
Net profit for the year	260.3	247.1
ADJUSTMENTS FOR:		
Depreciation and amortisation	175.0	175.9
Provisions for impairment, net of reversals	48.9	41.0
Share of profit from equity-accounted investments	(19.2)	(19.2)
Movements in put option liabilities	28.5	30.5
Share-based payments expense	6.5	7.4
Other adjustments	5.3	17.5
CHANGES IN ASSETS AND LIABILITIES:		
Increase in trade and other receivables	(1.5)	(154.3)
Increase in inventories	(66.4)	(122.3)
(Decrease)/increase in payables and provisions	(29.7)	214.7
Decrease in tax balances	(35.0)	(6.0)
Cash flows from operating activities	**372.7**	**432.3**

5.2 Interest-bearing borrowings

	FY23 $m	FY22 $m
CURRENT		
Bank loans – working capital	168.3	45.0
	168.3	**45.0**
NON-CURRENT		
Bank loans – syndicated	200.0	200.0
Bank loans – bilateral	75.0	51.5
Deferred borrowing costs	(4.2)	(2.8)
	270.8	**248.7**

Financial covenants

Refer to note 5.6 for details of the Group's core borrowing facilities. The core borrowings of the Group must comply with two primary covenants which apply to the syndicated, bilateral and working capital bank facilities. They include a Fixed Charges Cover Ratio and a Senior Leverage Ratio. There were no defaults or breaches on the Group's core borrowings in FY23 and FY22.

Weighted average interest

The weighted average effective interest rate on the syndicated, bilateral and working capital loans was 3.7% (FY22: 1.7%), reflecting an average BBSY of 2.55% (FY22: 0.17%) over the year. These rates exclude line fees on unutilised facility balances.

Statement of Cashflows – Proceeds from and repayment of borrowings

The Statement of Cash Flows sets out the Group's proceeds from borrowings of $4.50 billion (FY22: $1.43 billion), which includes gross proceeds from syndicated and bilateral loans of $4.38 billion (FY22: $1.34 billion) and net proceeds from working capital loans of $123.4 million (FY22: $95.0 million). The increased volume of proceeds and repayments during the current year typically reflected a monthly rollover of the syndicated and bilateral loans that was implemented to reduce finance costs by taking greater advantage of the yield curve and lower margins available on shorter dated loans.

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

5.3 Put options and other financial liabilities

	Put option liabilities $m	Other financial liabilities $m	Total $m
30 APRIL 2023			
Current	108.5	1.2	109.7
Non-current	173.7	10.7	184.4
	282.2	**11.9**	**294.1**
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 option liabilities

		2023		2022	
Put Option Maturity	**Financial Year**	**Number of stores**	**Put option value $m**	**Number of stores**	**Put option value $m**
Total Tools Holdings Pty Ltd - Franchisor					
Between November 2023 and January 2024	FY24	n/a	95.8	n/a	79.3
Total Tools JV Stores					
Between May 2024 and July 2024	FY25	16	91.9	13	80.1
Between May 2025 and July 2025	FY26	14	52.6	14	51.2
Between May 2026 and July 2026	FY27	2	8.2	—	—
Between May 2030 and July 2030	FY31	6	20.1	—	—
		38	172.8	27	131.3
Total Tools Group put options			**268.6**		**210.6**
Other put options			**13.6**		**21.1**
Total			**282.2**		**231.7**

Total Tools Group put options

Metcash has an 85% ownership interest in 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 38 Total Tools independent retail stores (JV stores).

The remaining shareholders in Total Tools have the right to put their 15% ownership interest to Metcash, via a put option, exercisable between 1 November 2023 and 31 January 2024. Metcash has the right to acquire the remaining 15% equity interest via a call option, exercisable at any time from 1 November 2023. The exercise price of the put and call options are 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 $95.8 million at balance date.

In addition, Total Tools has ownership of between 51% and 80% in 38 Total Tools JV stores, including three greenfield JV stores established during FY23 and 8 JV stores acquired in FY23 from franchise owners (refer note 6.1). 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 38 JV Stores to Total Tools. Metcash has the right to acquire the remaining equity interests via call options, generally exercisable at any time. The exercise price of the put options are based on a multiple of the respective store's EBITDA over a 12-month period immediately prior to the respective exercise dates, adjusted for a number of items, including net debt and working capital.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023 CONTINUED

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

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

At balance date, the carrying amount of the Total Tools Group put option liabilities is $268.6 million (FY22: $210.6 million). Refer note 3.3 of the financial report for details in relation to the put option valuation adjustments recognised during the period.

Other put options

The Group has also recognised a liability of $13.6 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 measured at the present value of the redemption amount under the option.

SIGNIFICANT ACCOUNTING POLICIES

Arrangements within certain business combinations entitle the non-controlling interests to require the Group to acquire their shareholding via exercise of a put option, subject to specific terms and conditions. Where such an arrangement is deemed to be part of the business combination, a financial liability is recognised on the acquisition date measured at the present value of the redemption amount under the arrangement. The initial recognition of the put option liability is charged directly to retained earnings and the non-controlling interest is derecognised.

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

SIGNIFICANT ACCOUNTING ESTIMATE

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

Contingent put option liabilities

Ritchies Stores Pty Ltd (Ritchies) put option

The Group has a put option with Ritchies Stores Pty Ltd (Ritchies). Metcash has a 29.9% (FY22: 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 70.1% (FY22: 71.1%) ownership interests to Metcash, via a 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 70.1% 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 $345 million and $355 million.

During FY23, a small shareholder holding an aggregate of 5,600 shares (or 1.0% stake in Ritchies) exercised their option under the 'small shareholder put option' in relation to Ritchies' 2022 financial year, bringing Metcash's share in Ritchies to 29.9%.

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

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

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

5.4 Contributed equity and reserves

Contributed equity

	FY23		FY22	
	Number of shares	$m	Number of shares	$m
At 1 May	965,541,602	818.3	1,022,362,821	867.0
Share buyback and related costs, net of tax	—	—	(56,821,219)	(48.7)
At 30 April	**965,541,602**	**818.3**	**965,541,602**	**818.3**

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

In FY22, the Group completed an off-market buyback of 56,821,219 ordinary shares (or 5.6% of total shares in issue) for $200.0 million. The ordinary shares were bought back at $3.52 per share, which represented a 14% discount to Metcash market price of $4.10 (being the volume weighted average price of Metcash ordinary shares on the ASX over the five trading days up to and including 13 August 2021). The buyback comprised a fully franked dividend of $2.67 per share ($151.7 million) and a capital component of $0.85 per share ($48.3 million). These amounts, along with $0.4 million of transaction costs, were debited to the Company's profit reserve and share capital account, respectively. The shares bought back were subsequently cancelled.

Other reserves

	Share-based payments reserve $m	Foreign currency translation reserve $m	Cash flow hedge reserve $m	Total other reserves $m
At 1 May 2021	5.0	(5.3)	(1.4)	(1.7)
Total comprehensive income, net of tax	—	(0.9)	0.9	—
Shares issued to employees	(9.4)	—	—	(9.4)
Share-based payments expense	7.7	—	—	7.7
At 30 April 2022	**3.3**	**(6.2)**	**(0.5)**	**(3.4)**
Total comprehensive income, net of tax	—	1.3	—	1.3
Transferred to retained earnings	11.6	—	—	11.6
Shares issued to employees	(18.4)	—	—	(18.4)
Share-based payments expense	7.0	—	—	7.0
At 30 April 2023	**3.5**	**(4.9)**	**(0.5)**	**(1.9)**

SIGNIFICANT ACCOUNTING POLICIES

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

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023 CONTINUED

5.5 Dividends

	FY23 $m	FY22 $m
DIVIDENDS PAID ON ORDINARY SHARES DURING THE YEAR		
Final fully franked dividend for FY22: 11.0c (FY21: 9.5c)	106.2	97.1
Interim fully franked dividend for FY23: 11.5c (FY22: 10.5c)	111.0	101.4
	217.2	**198.5**
DIVIDENDS DETERMINED (NOT RECOGNISED AS A LIABILITY AS AT 30 APRIL)		
Final fully franked dividend for FY23: 11.0c (FY22: 11.0c)	106.2	106.2

On 26 June 2023, the Board determined to pay a fully franked FY23 final dividend of 11.0 cents per share, sourced from the profit reserve established by Metcash Limited (Parent Company), with a record date of 19 July 2023 and payable in cash on 21 August 2023.

Dividend Reinvestment Plan

With effect from the FY23 final dividend, the Group has reactivated the Dividend Reinvestment Plan (DRP) under which eligible shareholders may elect to reinvest all or part of their dividends in additional Metcash shares.

Franking credit balance of Metcash Limited

	FY23 $m	FY22 $m
Franking account balance as at the end of the financial year at 30% (FY22: 30%)	177.3	156.2
Franking credits that will arise from the payment of income tax payable at the reporting date	4.5	23.9
Franking credits on dividends determined but not distributed to shareholders during the year	(45.5)	(45.5)
	136.3	**134.6**

5.6 Financial risk management

Objectives and policies

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

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

Liquidity risk and funding management

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and extreme circumstances. To limit this risk, the Group manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. The Group's primary sources of debt funding are syndicated, bilateral and working capital facilities, of which 40.6% (FY22: 33.6%) has been utilised as at 30 April 2023. The Group monitors forecasts of liquidity reserves on the basis of expected cash flow.

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

	Total facilities $m	Debt usage $m	Guarantees & other usage $m	Facilities available $m
AT 30 APRIL 2023				
Syndicated facilities	725.0	200.0	—	525.0
Working capital, including guarantees	250.0	168.3	3.0	78.7
Bilateral loans	125.0	75.0	—	50.0
	1,100.0	**443.3**	**3.0**	**653.7**
AT 30 APRIL 2022				
Syndicated facilities	525.0	200.0	—	325.0
Working capital, including guarantees	250.0	45.0	6.3	198.7
Bilateral loans	126.5	51.5	—	75.0
	901.5	**296.5**	**6.3**	**598.7**

Syndicated facilities

Syndicated bank loans are senior unsecured revolving facilities. The facilities are due to expire in September 2025 ($100.0 million), May 2026 ($200.0 million), May 2027 ($300.0 million) and May 2028 ($125.0 million). Interest is payable on the facilities based on BBSY plus a margin. The applicable margin is dependent upon an escalation matrix linked to the Senior Leverage Ratio achieved. These bank loans are subject to certain financial undertakings as detailed in note 5.2.

During the year, as part of refinancing the Group's syndicated facilities, $525.0 million of Sustainable Finance facilities were established, with an average tenure of 4.5 years. The establishment of the facility is aligned with Metcash's sustainability targets and includes three key performance indicators (KPIs) centred around emissions reduction, general waste to landfill reduction and mental health first aid accreditations.

Working capital

Working capital bank loans are represented by four unsecured revolving facilities totalling $250.0 million. These facilities mature in July 2023 ($120.0 million), September 2023 ($25.0 million), November 2023 ($30.0 million) and February 2024 ($75.0 million). Interest payable on any loans drawn under these facilities is based on BBSY or the RBA cash rate plus a margin. These bank loans are subject to certain financial undertakings as detailed in note 5.2.

Bilateral loans

Bilateral bank loans are represented by three unsecured revolving facilities totalling $125.0 million. These facilities mature in June 2024 ($25.0 million), June 2025 ($50.0 million) and December 2028 ($50.0 million). Interest payable on any loans drawn under these facilities is based on BBSY plus a margin. These bank loans are subject to certain financial undertakings as detailed in note 5.2.

Maturity analysis of financial liabilities based on contracted date

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

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

	1 year or less $m	1 – 5 years $m	More than 5 years $m	Total $m
AS AT 30 APRIL 2023				
Trade and other payables	2,294.9	—	—	2,294.9
Bank loans	186.6	299.2	—	485.8
Financial guarantee contracts	0.9	—	—	0.9
Other financial liabilities	0.3	9.2	—	9.5
Put options written over non-controlling interests	123.3	151.6	28.2	303.1
Lease liabilities	186.6	660.4	439.1	1,286.1
Derivative liabilities – gross settled:				
— Inflows	3.1	—	—	3.1
— Outflows	(3.1)	—	—	(3.1)
Net maturity	**2,792.6**	**1,120.4**	**467.3**	**4,380.3**
AS AT 30 APRIL 2022				
Trade and other payables	2,321.9	—	—	2,321.9
Bank loans	50.0	209.6	51.5	311.1
Financial guarantee contracts	0.5	0.9	—	1.4
Other financial liabilities	1.9	—	—	1.9
Put options written over non-controlling interests	21.1	224.4	—	245.5
Lease liabilities	193.4	637.3	437.3	1,268.0
Derivative liabilities – gross settled:				
— Inflows	4.9	—	—	4.9
— Outflows	(4.9)	—	—	(4.9)
Net maturity	**2,588.8**	**1,072.2**	**488.8**	**4,149.8**

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FOR THE YEAR ENDED 30 APRIL 2023 CONTINUED

Interest rate risk

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

Metcash manages this risk by entering into interest rate swap contracts with various major Australian banks. At 30 April 2023, the principal hedged was $150.0 million (FY22: nil) with a weighted average hedge maturity of 1.2 years (FY22: nil) and a weighted average fixed interest rate of 3.7% (FY22: nil). The Group considered these derivatives to be effective hedges in accordance with AASB 9 *Financial Instruments* and therefore treats them as cash flow hedges. These interest rate swaps are exposed to fair value movements based on changes to the interest rate curve.

The Group's treasury policy provides percentage ranges across yearly periods for the interest rate hedging of net debt. Core debt is defined as the minimum level of drawn debt which is expected to occur over the year. At 30 April 2023, Metcash has $443.3 million (FY22: $296.5 million) bank debt obligations.

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

	FY23 $m	FY22 $m
FINANCIAL ASSETS		
Cash and cash equivalents	89.5	104.7
FINANCIAL LIABILITIES		
Bank loans – syndicated	(200.0)	(200.0)
Bank loans – working capital	(168.3)	(45.0)
Bank loans – bilateral	(75.0)	(51.5)
Less: Interest rate swaps notional principal value – designated as cash flow hedges	150.0	—
Net exposure	**(203.8)**	**(191.8)**

Sensitivity analysis

Based on the Group's net debt position, after the impact of hedging as at 30 April 2023 and 2022, with all variables held constant, an 0.5% change in interest rates is estimated to result in a $0.7 million (FY22: $0.7 million) change in the Group's net profit after tax. This sensitivity estimate is driven by higher/lower interest costs from variable rate cash and bank debt, net of interest rate derivatives that hedge core debt.

These movements have been selected as they are considered reasonable, given the current economic climate and the current levels of short term and long-term Australian interest rates.

Credit risk

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

Trade receivables and loans

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

Receivables and loans are monitored on an ongoing basis and a formal review of all balances occurs every six months to measure impairment losses. As identified in note 4.1, the current level of impairment provision represents 2.9% (FY22: 3.3%) of the Group's receivables and loans.

Lease receivables

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

Others

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

Foreign exchange risk

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Fair value hedges

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

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

Cash flow hedges

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

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

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

Current versus non-current classification

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

5.7 Capital management

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

On 26 June 2023, the Board determined to pay a fully franked FY23 final dividend of 11.0 cents per share. The FY23 final dividend represents a full year dividend payout ratio of 70.6% of underlying profit after tax.

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

Management monitor capital through the debt leverage ratio (net debt / underlying EBITDA - depreciation of ROU assets). The FY23 debt leverage ratio was 0.62x, which reflects a low gearing position.

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

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6. GROUP STRUCTURE

6.1 Business combinations and acquisition of additional interest in associate

Acquisition of subsidiaries

Total Tools 'JV stores'

The Total Tools acquisition has been very successful, with the business continuing to grow strongly since the acquisition of our 70% majority stake in FY21 and a further 15% ownership interest in FY22. It is a complementary business to our Hardware pillar, targeting tradespeople that use professional tools for a living with an unrivalled range of the best professional brands in the world, together with professional service solutions and advice. During the year, the Total Tools store footprint has continued to expand with a further acquisition of ownership interests of between 51% and 60% in eight Total Tools independent retail stores, together with the establishment of three greenfield JV stores. Accordingly, Metcash holds an effective ownership interest of between 43% and 51% in these 'JV Stores'. While the Group has beneficial ownership of less than 50% in some of these entities, the Group has control over key operating and financial decisions in these entities. Accordingly, these entities are accounted for as controlled entities.

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	2.4
Trade and other receivables	5.3
Inventories	18.0
Trade payables and provisions	(10.3)
Property, plant and equipment	1.7
Other assets – net	0.2
Net identifiable assets acquired (a)	**17.3**
Non-controlling interest	(7.6)
Goodwill	22.0
Total purchase consideration	**31.7**

(a) Net identifiable assets acquired include $15.2 million of right-of-use assets and lease liabilities.

From their respective dates of acquisition, the Total Tools JV stores contributed $44.6 million of incremental sales revenue and $5.3 million of incremental earnings before interest and tax (EBIT) to the Metcash Group, with 4 of the 8 JV stores having been acquired during March and April 2023.

Put and call options written over non-controlling interests

In accordance with the AASB 10 *Consolidated Financial Statements*, the Group has recognised financial liabilities for the Total Tools JV Store put options at their provisional fair values totalling $47.1 million and has derecognised the non-controlling interests of $9.1 million related to the acquisitions and the new greenfield JV stores. Details of these put options are set out in note 5.3 of the financial report. As at the date of acquisition, the net amount of $38.0 million has been recognised as an adjustment to retained earnings as shown below:

	$m
Non-controlling interests derecognised[1]	9.1
Adjustment recognised directly in equity (retained earnings)	38.0
Fair value of put options recognised as a financial liability	**47.1**

(a) Non-controlling interests derecognised of $9.1 million include $7.6 million in relation to the eight JV stores acquired and $1.5 million in relation to the three greenfield stores established in FY23.

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

Purchase consideration – cash outflow

	$m
Cash consideration	31.7
Less: Cash and cash equivalents acquired	(2.4)
Net cash outflow – investing activities	**29.3**

Transaction costs incurred in relation to the acquisition of the above eight Total Tools JV stores of $1.5 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 year, the Group also entered into a number of other business combinations within the Hardware pillar (7 businesses) and Liquor pillar (1 business) that were not material to the Group, individually. The total cash purchase price consideration paid for these businesses was $26.6 million (net of cash acquired) and $2.4 million has been recognised as a liability in relation to deferred purchase consideration. The provisional fair values of net assets acquired included $20.6 million of goodwill, $6.5 million of inventory and $1.9 million of other assets (net).

From their respective dates of acquisition, these businesses contributed $25.6 million of incremental sales revenue to the Metcash Group.

The accounting for the above business combinations is provisional as at 30 April 2023.

SIGNIFICANT ACCOUNTING POLICIES

Business combinations

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

Acquisition of additional interest in associate

During the year, the Group acquired an additional 1.025% interest in the voting shares in Ritchies from a small shareholder, increasing its ownership interest to 29.9% for a cash consideration of $4.5 million. Refer note 5.3 for further details.

6.2 Parent entity information

	FY23 $m	FY22 $m
STATEMENT OF FINANCIAL POSITION		
Current assets – amounts receivable from subsidiaries	1,171.3	899.9
Net assets	**1,171.3**	**899.9**
Contributed equity (note 5.4)	818.3	818.3
Accumulated losses	(1,265.4)	(1,265.4)
Profit reserve	1,614.9	1,343.7
Share-based payments reserve	3.5	3.3
Total equity	**1,171.3**	**899.9**
STATEMENT OF COMPREHENSIVE INCOME		
Dividend received from a subsidiary	500.0	—
Net profit for the year	**500.0**	**—**
Total comprehensive income for the year, net of tax	**500.0**	**—**

Profit reserve

The parent entity, Metcash Limited, established a profit reserve in FY17 within its separate financial statements, in accordance with the Company's constitution.

In FY23, the Parent Company received distributions of $500.0 million from its wholly-owned subsidiary, Metcash Trading Limited. The distributions were recognised as dividend income during the year and credited to the profit reserve.

Closed Group

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

Contingent liabilities

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023 CONTINUED

6.3 Related party disclosures

A list of the Group's subsidiaries is included in Appendix B and a list of equity-accounted investments is included in Note 4.4.

Material transactions and balances with related parties – Group

	FY23 $	FY22 $
TRANSACTIONS WITH RELATED PARTIES – EQUITY-ACCOUNTED INVESTMENTS		
Sales revenue	1,325,409,325	1,332,521,928
Lease and other charges	913,122	996,955
Dividends received	9,692,635	9,827,925
Interest income from lease receivables	2,202,054	2,451,681
BALANCES WITH RELATED PARTIES – EQUITY-ACCOUNTED INVESTMENTS		
Trade receivables – gross	127,329,465	122,518,230
Provision for impairment loss	—	—
	127,329,465	**122,518,230**
Lease receivables – gross	45,597,061	48,694,583
Provision for impairment loss	—	—
	45,597,061	**48,694,583**

Parent entity

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

Compensation of key management personnel of the Group

	FY23 $	FY22 $
Short-term	11,866,054	12,062,190
Long-term	130,270	246,519
Post-employment	234,184	198,161
Share-based payments	2,339,492	3,180,421
	14,570,000	**15,687,291**

Other transactions with key management personnel

- Ms Helen Nash is a director of Inghams Group Limited.
- Ms Christine Holman is a director of McGrath Foundation.
- Ms Margaret Haseltine is a director of Real Pet Food Company Pty Ltd.
- Mr Mark Johnson is a director of Goodman Limited.
- In FY22, Mr Peter Birtles was a director of GWA Group Limited.

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

7. OTHER DISCLOSURES

7.1 Share-based payments

Description of share-based payment arrangements

In FY23, the Group had the following share-based incentive schemes for employees:

Scheme name	Description
SHORT-TERM INCENTIVES (STI SCHEMES)	
FY23 at-risk STI plan – deferred component	The FY23 at-risk STI plan included a 33% (Group CEO) and 25% (other KMP and senior executives) deferred component which will be released through the issue of performance rights conditional upon the executives remaining employed by the Company until 15 April 2024.
FY22 at-risk STI plan – deferred component	The FY22 at-risk STI plan included a 33% (Group CEO) and 25% (other KMP and senior executives) deferred component which was released through the issue of performance rights to executives who remained employed by the Company until 15 April 2023.
LONG-TERM INCENTIVES (LTI SCHEMES)	
FY23-FY25 LTI grant	This grant was issued to KMP and senior executives during FY23 and is subject to two performance conditions: Return on Funds Employed ('ROFE') and Total Shareholder Returns ('TSR') over a three-year period from 1 May 2022 to 30 April 2025.
FY22-FY24 LTI grant	This grant was issued to KMP and senior executives during FY22 and is subject to two performance conditions: Return on Funds Employed ('ROFE') and Total Shareholder Returns ('TSR') over a three-year period from 1 May 2021 to 30 April 2024.
FY21-FY23 LTI grant	This grant was issued to KMP and senior executives during FY20 and is subject to two performance conditions: Return on Funds Employed ('ROFE') and Total Shareholder Returns ('TSR') over a three-year period from 1 May 2020 to 30 April 2023.
Group CEO buy-out grant	This grant was issued to the Group CEO during FY22 and is subject to two performance conditions: Service condition and a forecast achievement of a minimum Group underlying EBIT hurdle over two annual performance periods that are measured between 1 February 2022 and 31 January 2024. The EBIT hurdles align to the Group's annual budget and STI metrics. In addition, the Group CEO's ongoing performance and behaviours must be deemed as acceptable over each performance period by the Board.
CEO Food retention grant	This grant was issued to the CEO Food during FY22 and is subject to two performance conditions: Service condition and a forecast achievement of a minimum Food underlying EBIT hurdle over three annual performance periods that are measured between 1 October 2021 and 30 September 2024. The EBIT hurdles align to the Food pillar's annual budget and STI metrics. In addition, the CEO Food's ongoing performance and behaviours must be deemed as acceptable over each performance period by the Board.
Project Horizon LTI plan	This grant was issued to employees dedicated to *Project Horizon* during FY22 and is subject to two performance conditions: Service condition and performance conditions such as quality and timing of the deliverables, cost of the program and value of the benefits realised.

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

The FY21-FY23 LTI is expected to vest at 100%. These vested performance rights will be converted to shares and allocated to the participants under the rights plan on 15 August 2023.

As foreshadowed in FY22, the FY20-FY22 LTI plan vested on 15 August 2022 at 100% which was equivalent to 2,004,471 performance rights. Each performance right entitled the participant to one Metcash share. Metcash acquired 1,696,720 shares on market and allocated these to the participants on 15 August 2022. The balance relating to good leavers was settled in cash.

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Measurement of fair values

FY23 at-risk STI plan – deferred component

The 33% (Group CEO) and 25% (other KMP and senior executives) components of the FY23 at-risk STI plan will be deferred and released through the issue of Metcash performance rights conditional upon the executive remaining employed by the Company until 15 April 2024. The number of performance rights will be calculated by dividing 33% (Group CEO) and 25% (other KMP and senior executives) of the STI award dollar value by the volume-weighted average price (VWAP) of Metcash ordinary shares over the 20 trading days ended 30 April 2023 of $3.94 per share. The FY23 expense for the FY23 at-risk STI plan – deferred component has been based on an estimate of the fair value of the performance rights. The fair value per grant will be determined in accordance with AASB 2 *Share-based payments* at grant date.

FY22 at-risk STI plan – deferred component

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

Performance rights

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

	At-risk STI deferred FY22	LTI FY23–FY25 (ROFE)	LTI FY22–FY24 (ROFE)	LTI FY21–FY23 (ROFE)	Group CEO buy-out grant	CEO Food retention LTI grant	*Project Horizon* LTI plan
Dividend yield	4.7%	4.7%	4.5%	4.2%	4.5%	4.5%	4.5%
Risk free rate	3.0%	3.0%	0.1%	0.1%	0.1%	0.1%	0.1%
Expected volatility	32%	32%	35%	37%	35%	35%	35%
Contractual life (days)	277	1,113	1,095	895	546	357	997
Share price at grant date	4.23	4.19	3.98	3.62	4.01	4.00	3.98
Fair value at grant date	4.08	3.64	3.44	3.28	3.89	3.62	3.53

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

	LTI FY23–FY25 (TSR)	LTI FY22–FY24 (TSR)	LTI FY21–FY23 (TSR)
Dividend yield	4.7%	4.5%	4.2%
Risk free rate	3.0%	0.1%	0.1%
Expected volatility	32%	35%	37%
Contractual life (days)	1,113	1,095	895
Share price at grant date	4.19	3.98	3.62
Fair value at grant date	1.69	1.74	2.30

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

SIGNIFICANT ACCOUNTING POLICIES

Share-based payment transactions

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

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

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

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

Reconciliation of outstanding performance rights

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

	FY23 Number	FY22 Number
Outstanding at the beginning of the year	7,609,890	6,496,163
Granted during the year	2,339,496	4,349,521
Vested/exercised during the year	(2,530,339)	(2,347,360)
Expired/forfeited during the year	(354,758)	(888,434)
Outstanding at the end of the year	**7,064,289**	**7,609,890**

The outstanding balance of performance rights as at 30 April 2023 is represented by:

Scheme name	Vesting date	Total outstanding (number)	Exercisable (number)	Remaining contractual life
LTI FY23 – FY25	15 August 2025	1,841,762	-	2 years 4 months
LTI FY22 – FY24	15 August 2024	1,951,652	-	1 year 4 months
LTI FY21 – FY23[1]	15 August 2023	2,490,012	-	4 months
Group CEO buy-out grant (Tranche 2)	As soon as practicable[2]	160,428	-	9 months
CEO Food retention LTI grant	N/A[3]	213,904	-	-
Project Horizon LTI plan	15 August 2024	284,811	-	1 year 4 months
Others	15 August 2023	121,720	-	4 months
Total outstanding at the reporting date		**7,064,289**		

1. The FY21-FY23 LTI performance rights plan is expected to vest on 15 August 2023 at 100% subject only to the employees remaining in employment until 15 August 2023. These vested performance rights will be converted to shares and allocated to the participants under the Rights Plan on 15 August 2023.
2. This LTI will be tested independently and will vest as soon as is practicable after 31 January 2024, following Board review and approval.
3. Mr Marshall resigned as CEO Food on 27 January 2023 and ceased employment on 23 June 2023. Mr Marshall's outstanding performance rights entitlements under the CEO Food retention LTI grant, will be forfeited upon cessation of his employment.

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Key terms and conditions

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

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

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

7.2 Auditors remuneration

	FY23 $	FY22 $
Amounts received or due and receivable by the auditor of the parent entity and any other entity in the Group for:		
– Auditing the statutory financial report of the parent entity covering the Group and the statutory financial report of any controlled entities	2,179,000	2,021,000
– Fees for other assurance and agreed-upon procedure services	209,000	134,000
– Fees for tax compliance and other	97,000	335,000
	2,485,000	**2,490,000**

7.3 Commitments and contingent liabilities

Commitments

Capital expenditure commitments

The Group had no material commitments for capital expenditure at 30 April 2023 (FY22: nil).

Contingent liabilities

	FY23 $m	FY22 $m
Bank guarantees to third parties in respect of property lease obligations	1.0	4.3
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 (Cornetts). 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 30 April 2023, the amount payable would have been $25.2 million (FY22: $31.2 million). The fair value of the financial guarantee contract at the reporting date was $0.9 million (FY22: $1.4 million) and is recognised as a financial liability.

Put options

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

7.4 Subsequent events

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023 CONTINUED

APPENDIX A – NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS

(a) New or amended Accounting Standards and Interpretations

Several other amendments and interpretations apply for the first time in FY23, but do not have an impact on the financial report of the Group. These are as follows:

- Amendments to AASB 1 and AASB Practice Statement 2: *Disclosure of Accounting Policies*
- Amendments to AASB 108: *Definition of Accounting Estimates*
- Amendments to AASB 12: *Deferred tax related to assets and liabilities arising from a Single Transaction*

(b) Australian Accounting Standards issued but not yet effective

A number of new accounting standards (including amendments and interpretations) have been issued but were not effective as at 30 April 2023. The following are the pronouncements that the Group has elected not to early adopt in these financial statements:

- Amendments to AASB 101: *Classification of Liabilities as Current or Non-current*
- Amendments to AASB 16: *Lease liability in sale and leaseback*
- Amendments to AASB 1: *Non-current Liabilities with Covenants*

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

APPENDIX B – INFORMATION ON SUBSIDIARIES

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

	FY23 %	FY22 %
ENTITIES WITHIN THE CLOSED GROUP		
Action Holdings Pty Ltd	100	100
Action Supermarkets Pty Ltd	100	100
Australian Asia/Pacific Wholesalers Pty Ltd	100	100
Australian Hardware Distributors Pty. Limited	100	100
Australian Hardware Support Services Pty Ltd	100	100
Australian Liquor Marketers (QLD) Pty Ltd	100	100
Australian Liquor Marketers (WA) Pty Ltd	100	100
Australian Liquor Marketers Pty. Limited	100	100
Big Bargain Bottleshops Australia Pty Ltd	100	100
Capeview Hardware Pty Ltd	100	100
City Ice & Cold Storage Company Proprietary Limited	100	100
Clancy's Food Stores Pty Ltd	100	100
Composite Buyers Finance Pty Ltd	100	100
Composite Buyers Pty Limited	100	100
Community Co Australia Pty Ltd	100	100
Danks Holdings Pty Limited	100	100
Davids Foodservices Pty Ltd	100	100
Davids Group Staff Superannuation Fund Pty. Ltd.	100	100
Echuca Hardware Pty Ltd	100	100
Finlayson Installations Pty Ltd	100	100
Finlayson Timber & Hardware Pty Ltd	100	100
Foodland Properties Pty Ltd	100	100
Foodland Property Holdings Pty Ltd	100	100
Franklins Pty Limited	100	100
Franklins Supermarkets Pty Limited	100	100
Fresco Supermarket Holdings Pty Ltd	100	100
Garden Fresh Produce Pty Ltd	100	100
G Gay Hardware Pty Ltd	100	100
Global Liquor Wholesalers Pty Limited	100	100
Hammer Hardware Stores Pty Ltd	100	100
Hardings Hardware Pty Ltd	100	100
Himaco Pty Ltd	100	100
Home Hardware Australasia Pty Ltd	100	100
Home Timber & Hardware Group Pty Ltd	100	100
Homestead Hardware Australasia Pty Ltd	100	100
HTH Events Pty Ltd	100	100
HTH Stores Pty Limited	100	100
Hudson Building Supplies Pty Limited	100	100
IGA Community Chest Limited	100	100
IGA Distribution (SA) Pty Limited	100	100
IGA Distribution (Vic) Pty Limited	100	100
IGA Distribution (WA) Pty Limited	100	100
IGA Fresh (Northern Queensland) Pty Limited	100	100
IGA Fresh (NSW) Pty Limited	100	100
IGA Retail Services Pty Limited	100	100
Independent Brands Australia Pty Limited	100	100
Independent Hardware Group Pty Ltd	100	100
Interfrank Group Holdings Pty Limited	100	100
Jewel Food Stores Pty Ltd	100	100
JV Pub Group Pty Ltd	100	100
K&B Timber and Hardware Pty Ltd	100	100
Keithara Pty Ltd	100	100
Liquor Traders Pty Ltd	100	100
Liquorsmart Pty Ltd	100	100
M-C International Australia Pty Limited	100	100
Mega Property Management Pty Ltd	100	100
Metcash Food & Grocery Convenience Division Pty Limited	100	100
Metcash Food & Grocery Pty Ltd	100	100
Metcash Holdings Pty Ltd	100	100
Metcash Management Pty Limited	100	100
Metcash Services Proprietary Limited	100	100
Metcash Storage Pty Limited	100	100
Metcash Trading Limited	100	100
Metro Cash & Carry Pty Limited	100	100
Mirren (Australia) Pty Ltd	100	100
Mitre 10 Australia Pty Ltd	100	100
Mitre 10 Mega Pty Ltd	100	100
Mitre 10 Pty Ltd	100	100
Narellan Hardware Pty Ltd	100	100
National Retail Support Services Pty Ltd	100	100
Payless Superbarn (N S W) Pty Ltd	100	100
QIW Pty Limited	100	100
Queensland Independent Wholesalers Pty Limited	100	100
Quickstop Pty Ltd	100	100
Roma Hardware Pty Ltd	100	100
SE Hardware Pty Limited	100	100
South Coast Operations Pty Ltd	100	100
South West Operations Pty Ltd	100	100
Thrifty-Link Hardware Pty Ltd	100	100
Timberten Pty Ltd	100	100
UIAL NSW/ACT Pty Ltd	100	100
UIAL Tasmania Pty Ltd	100	100
Vawn No 3 Pty Ltd	100	100
W.A. Hardware Services Pty. Ltd	100	100
ENTITIES OUTSIDE OF THE CLOSED GROUP		
CampbellsPlus Pty Ltd	100	100
Central Timber 10 Pty Ltd	50	50
Faggs Geelong Pty Ltd	90	90
Foodland Property Unit Trust	100	100
Feldman Tools Pty Ltd	68	51
Futura Machinery Sales and Service Pty Ltd	68	51
Gympie Property Investment Pty Ltd	84.7	84.7
Hardware Property Trust	100	100
Metoz Holding Limited (incorporated in South Africa) (In liquidation)	100	100
Mitre 10 Mega Property Trust	100	100
Napier Liquor Merchants Limited (incorporated in New Zealand)	100	100
NFRF Developments Pty Ltd	51	51
Northern Hardware Group Pty Ltd	84.7	84.7
Nu Fruit Pty. Ltd.	51	51
Produce Traders Trust	100	100
Rainbow Unit Trust	100	100
Rainfresh Vic Pty Ltd	51	51
Retail Merchandise Services Pty Limited	100	100
Sunshine Hardware Pty Ltd	84.7	84.7

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2023 CONTINUED

	FY23 %	FY22 %
Tasman Liquor Company Limited (incorporated in New Zealand)	100	100
Tasmania Hardware Pty Ltd	95	80
Timber and Hardware Exchange Pty Ltd	68.4	68.4
Total Tools (Importing) Pty Ltd	85	85
Total Tools Commercial Pty Ltd	85	85
Total Tools Holdings Pty Ltd	85	85
Total Tools Industrial Pty. Limited	85	85
Total Tools Licensing Pty Ltd	85	85
Total Tools Moorabbin Store Pty Ltd	85	85
Total Tools New Zealand Limited	85	85
Total Tools Online Pty Ltd	85	85
Total Tools Stores Pty Ltd	85	85
TT Brookvale Pty Ltd	85	85
Total Tools Fyshwick Pty Ltd[1]	43.4	43.4
Toolshack Pty Ltd[1]	43.4	43.4
TT Brooklyn Pty Ltd[1]	43.4	43.4
TT Darwin Pty Ltd[1]	43.4	43.4
TT Geelong Pty Ltd[1]	43.4	43.4
TT Melton Pty Ltd[1]	43.4	43.4
TT South Melbourne Pty Ltd[1]	43.4	43.4
TT Adelaide West Pty Ltd	51	51
TT Mackay Pty Ltd	51	51
TT Albury Pty Ltd[1]	43.4	43.4
Total Tools Wagga Wagga Pty Ltd[1]	43.4	43.4
TT Traralgon Pty Ltd	51	51

	FY23 %	FY22 %
TT Ferntree Gully Pty Ltd	51	51
TT Kilsyth Pty Ltd	51	51
TT Dandenong Pty Ltd	51	51
TT Narre Warren Pty Ltd	51	51
TT Mitcham Pty Ltd	51	51
MOTS Support Services Pty Ltd	85	85
Phar Management Pty Ltd[1]	43.4	43.4
Alltools (Pakenham) Pty Ltd	51	51
Four Of Six Pty Ltd	51	51
Midland Tools Pty Ltd	51	51
Virginia Tools Pty Ltd	51	51
Cado Tools Pty Ltd	51	51
Total Tools Preston Pty Ltd	51	51
Wimbledon Unit Trust	100	100
TT Seaford Pty Ltd	68.0	—
TT Warners Bay Pty Ltd	51.0	—
McHawking Enterprises Pty Ltd	51.0	—
TT Sandgate Pty Ltd	51.0	—
Card Tools Pty Ltd	51.0	—
Add Tools Pty Ltd[1]	43.4	—
Total Tools Lake Haven Pty Ltd[1]	43.4	—
Total Tools Alexandria Pty Ltd[1]	43.4	—
Inverted Tools Pty Ltd[1]	43.4	—
TJT Tools Pty Ltd[1]	43.4	—
TMAC Penrith Pty Ltd[1]	43.4	—

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

Entities within the closed group as at 30 April 2023

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

Summary Statement of Comprehensive Income of the Closed Group

	FY23 $m	FY22 $m
Distributions from subsidiaries outside the Closed Group	17.7	10.6
Other net income	319.4	322.9
Significant items	(48.3)	(53.8)
Profit before income tax	**288.8**	**279.7**
Income tax expense	(83.9)	(85.6)
Net profit for the year	**204.9**	**194.1**

Summary Statement of Financial Position of the Closed Group

	FY23 $m	FY22 $m
ASSETS		
Cash and cash equivalents	41.3	46.7
Trade receivables and loans	1,637.7	1,643.0
Lease receivables	41.1	40.3
Amounts due from related parties	16.1	13.1
Inventories	958.4	947.5
Other current assets	9.8	8.0
Total current assets	**2,704.4**	**2,698.6**
Investments	335.8	325.1
Lease receivables	216.5	232.2
Property, plant and equipment	209.1	193.7
Net deferred tax assets	133.6	124.3
Intangible assets and goodwill	691.8	604.8
Right-of-use assets	503.6	531.5
Other non-current assets	9.9	18.2
Total non-current assets	**2,100.3**	**2,029.8**
Total assets	**4,804.7**	**4,728.4**
LIABILITIES		
Trade and other payables	2,094.1	2,146.2
Lease liabilities	120.4	128.0
Interest-bearing borrowings	168.3	45.0
Income tax payable	6.1	25.5
Provisions	146.2	134.4
Put options and other financial liabilities	108.1	21.7
Total current liabilities	**2,643.2**	**2,500.8**
Interest-bearing borrowings	270.8	248.7
Lease liabilities	807.7	812.4
Amounts due to related parties	—	—
Provisions	37.4	39.8
Put options and other financial liabilities	9.9	80.2
Total non-current liabilities	**1,125.8**	**1,181.1**
Total liabilities	**3,769.0**	**3,681.9**
Net assets	**1,035.7**	**1,046.5**
EQUITY		
Contributed and other equity, opening balance	818.3	867.0
Share buyback and related costs	—	(48.7)
Equity raised, net of costs	—	—
Contributed and other equity, closing balance	**818.3**	**818.3**
Retained earnings, opening balance	231.6	387.7
Net profit for the year	204.9	194.1
Dividends paid	(217.2)	(198.5)
Share buyback and related costs	—	(151.7)
Retained earnings, closing balance	**219.3**	**231.6**
Other reserves	**(1.9)**	**(3.4)**
Total equity	**1,035.7**	**1,046.5**

DIRECTORS' DECLARATION

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

1. In the opinion of the directors:
   a. The financial statements, notes and the additional disclosures included in the directors' report designated as audited, of Metcash Limited are in accordance with the *Corporations Act 2001*, including:
      i. Giving a true and fair view of the consolidated entity's financial position as at 30 April 2023 and of its performance for the year ended on that date; and
      ii. Complying with Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*;
   b. The financial statements and notes also comply with *International Financial Reporting Standards* as disclosed in Note 2.1; and
   c. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 April 2023.
3. In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Appendix B will be able to meet any obligation or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

DOUG JONES
Director
Sydney, 26 June 2023

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Auditor's Independence Declaration to the Directors of Metcash Limited

As lead auditor for the audit of the financial report of Metcash Limited for the financial year ended 30 April 2023, I declare to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b) No contraventions of any applicable code of professional conduct in relation to the audit; and

c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit

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

Ernst & Young

Christopher George
Partner
26 June 2023

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Independent auditor's report to the members of Metcash Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Metcash Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 April 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 April 2023 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

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

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

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Impairment assessment of goodwill and other intangible assets

Why significant	1. How our audit addressed the key audit matter
At 30 April 2023, the Group's consolidated statement of financial position includes goodwill and other intangible assets with a carrying value $895.1 million, representing 16.6% of total assets. The Group recognised $42.2 million in goodwill and other intangible assets arising from business acquisitions during the year. The directors have assessed goodwill and other intangible assets for impairment. As disclosed within Note 4.7 to the financial statements, the assessment of the impairment of the Group's goodwill and other intangible assets incorporated significant judgments and estimates, based upon conditions existing as at 30 April 2023, specifically concerning factors such as forecast cashflows, discount rates and terminal growth rates. The estimates and assumptions relate to the sustainability of future performance, market and economic conditions. Significant assumptions used in the impairment testing referred to above are inherently subjective. The disclosures in the financial report provide important information about the assumptions made in the impairment testing and the market conditions at 30 April 2023. Accordingly, we considered the impairment testing of goodwill and other intangible assets and the related disclosures in the financial report to be a key audit matter.	Our audit procedures included the following: ▶ Assessed the Group's determination of the cash generating units (CGUs) used in the impairment model, based on our understanding of the nature of the Group's business and the economic environment in which the segments operate. We also considered internal reporting of the Group's results to assess how earnings and goodwill are monitored and reported. ▶ Assessed the Group's allocation of additional goodwill arising from business combinations to CGUs used in the impairment model. ▶ Assessed the cash flow forecasts, assumptions and estimates used by the Group, as outlined in Note 4.7 to the financial statements, by considering the reliability of the Group's historical cash flow forecasts, our knowledge of the business and corroborating data with external information where possible. ▶ Considered the impact on the cash flow forecasts related to the group's climate change commitments. ▶ Evaluated the appropriateness of discount and terminal growth rates applied with involvement from our valuation specialists. ▶ Tested the mathematical accuracy of the impairment testing models including the consistency of relevant data with latest Board approved forecasts. ▶ Performed sensitivity analysis on key assumptions including discount rates, terminal growth rates and EBIT forecasts for each of the Group's CGUs. ▶ Assessed the adequacy of the financial report disclosures contained in Note 4.7.

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Accounting for Rebates

► Why significant	2. How our audit addressed the key audit matter
Note 4.3 of the financial report outlines the Group's accounting policy relating to supplier rebates, or supplier income as they are referred to in the financial report. The Group receives rebates and other similar incentives from suppliers which are determined based upon a number of measures which can include volumes of inventory purchased or sold and the performance of promotional activities. We considered this to be a key audit matter as supplier rebates contributed significantly to the Group's results. There are a large number of specific agreements in place and some of the arrangements require judgment to be applied in determining the timing of rebate recognition and the appropriate classification within the financial statements, based upon the terms of the agreement.	Our audit procedures included the following: ► Evaluated the Group's processes and design of controls relating to the recognition and valuation of rebate amounts recognised and classified within the consolidated statement of comprehensive income. ► Assessed the operating effectiveness of relevant controls in place relating to the recognition and measurement of purchase-volume based and non purchase-volume based rebates. ► Selected a sample of supplier rebates including non purchase-volume based rebates received and recorded as receivables at year-end and assessed whether the income was correctly calculated and recognised in the correct period. ► Considered the Group's assessment of the value of rebates associated with inventory on hand at year end that were deducted from the carrying value of inventory. ► Considered the impact of supplier claims during and subsequent to year end on amounts recognised. ► Inquired of the Group as to the existence of any non-standard agreements or side arrangements.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's 2023 Annual Report other than the financial report and our auditor's report thereon. We obtained the directors' report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 51 to 67 of the Directors' report for the year ended 30 April 2023.

In our opinion, the Remuneration Report of Metcash Limited for the year ended 30 April 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Christopher George
Partner
Sydney
26 June 2023


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ASX INFORMATION

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 7 July 2023.

DISTRIBUTION OF EQUITY SECURITIES

The number of shareholders, by size of holding, in each class of share is:

Size of holding	Number of shareholders
1–1,000	8,623
1,001–5,000	11,888
5,001–10,000	4,772
10,001–100,000	3,928
100,001+	142
Total	**29,353**

There were 1,183 shareholders holding less than a marketable parcel of Metcash ordinary shares.

TWENTY LARGEST HOLDERS OF QUOTED SHARES

The names of the 20 largest holders of quoted shares are:

Name	Number of shares	Percentage of shares
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	290,139,826	30.05%
CITICORP NOMINEES PTY LIMITED	170,471,324	17.66%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	157,425,888	16.30%
NATIONAL NOMINEES LIMITED	46,798,787	4.85%
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	38,546,001	3.99%
BNP PARIBAS NOMS PTY LTD <DRP>	33,868,799	3.51%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	6,770,805	0.70%
BKI INVESTMENT COMPANY LIMITED	3,621,084	0.38%
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	3,616,341	0.37%
BUTTONWOOD NOMINEES PTY LTD	3,174,055	0.33%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,859,552	0.30%
BNP PARIBAS NOMS (NZ) LTD <DRP>	2,672,838	0.28%
CERTANE CT PTY LTD <METCASH EMPLOYEE SHARE PLAN>	2,628,611	0.27%
NAVIGATOR AUSTRALIA LTD <SMA ANTARES INV DV BUILD A/C>	2,446,028	0.25%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,215,760	0.23%
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	2,154,057	0.22%
UBS NOMINEES PTY LTD	2,026,721	0.21%
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,967,226	0.20%
POWERWRAP LIMITED <ESCALA SMA TRADING A/C>	1,586,073	0.16%
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	1,290,924	0.13%
Total	**776,280,700**	**80.40%**

ASX INFORMATION

SUBSTANTIAL SHAREHOLDERS

The following is extracted from the Company's register of substantial shareholders:

	Number of shares
Perpetual Limited	84,957,571
Superannuation and Investments HoldCo Pty Ltd	71,390,817
Allan Gray Australia Pty Ltd	68,495,340
State Street Corporation	62,252,487
Mitsubishi UFJ Financial Group, Inc	59,938,323
The Vanguard Group, Inc	48,338,717

VOTING RIGHTS

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

CORPORATE INFORMATION

DIRECTORS

Doug Jones (Group CEO)
Peter Birtles (Chair)
Mark Johnson
Margaret Haseltine
Christine Holman
Murray Jordan
Helen Nash

COMPANY SECRETARY

Julie Hutton

SHARE REGISTER

Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001

Freecall: 1800 655 325
Telephone: 61 2 9290 9600

AUDITOR

Ernst & Young
200 George Street
Sydney NSW 2000 Australia

Telephone: 61 2 9248 5555

METCASH LIMITED

ABN 32 112 073 480

1 Thomas Holt Drive
Macquarie Park NSW 2113

PO Box 557
Macquarie Park NSW 1670

Telephone: 61 2 9741 3000

METCASH FOOD (HEAD OFFICE)

1 Thomas Holt Drive
Macquarie Park NSW 2113

PO Box 557
Macquarie Park NSW 1670

Telephone: 61 2 9741 3000

AUSTRALIAN LIQUOR MARKETERS (HEAD OFFICE)

1 Thomas Holt Drive
Macquarie Park NSW 2113

PO Box 557
Macquarie Park NSW 1670

Telephone: 61 2 9741 3000

INDEPENDENT HARDWARE GROUP (HEAD OFFICE)

19 Corporate Drive
Heatherton VIC 3202

Telephone: 61 2 9741 3000

CORPORATE GOVERNANCE

A copy of the Corporate Governance Statement can be found on our website.

Visit www.metcash.com/corporateinformation/corporate-governance

FOOD

HARDWARE

LIQUOR