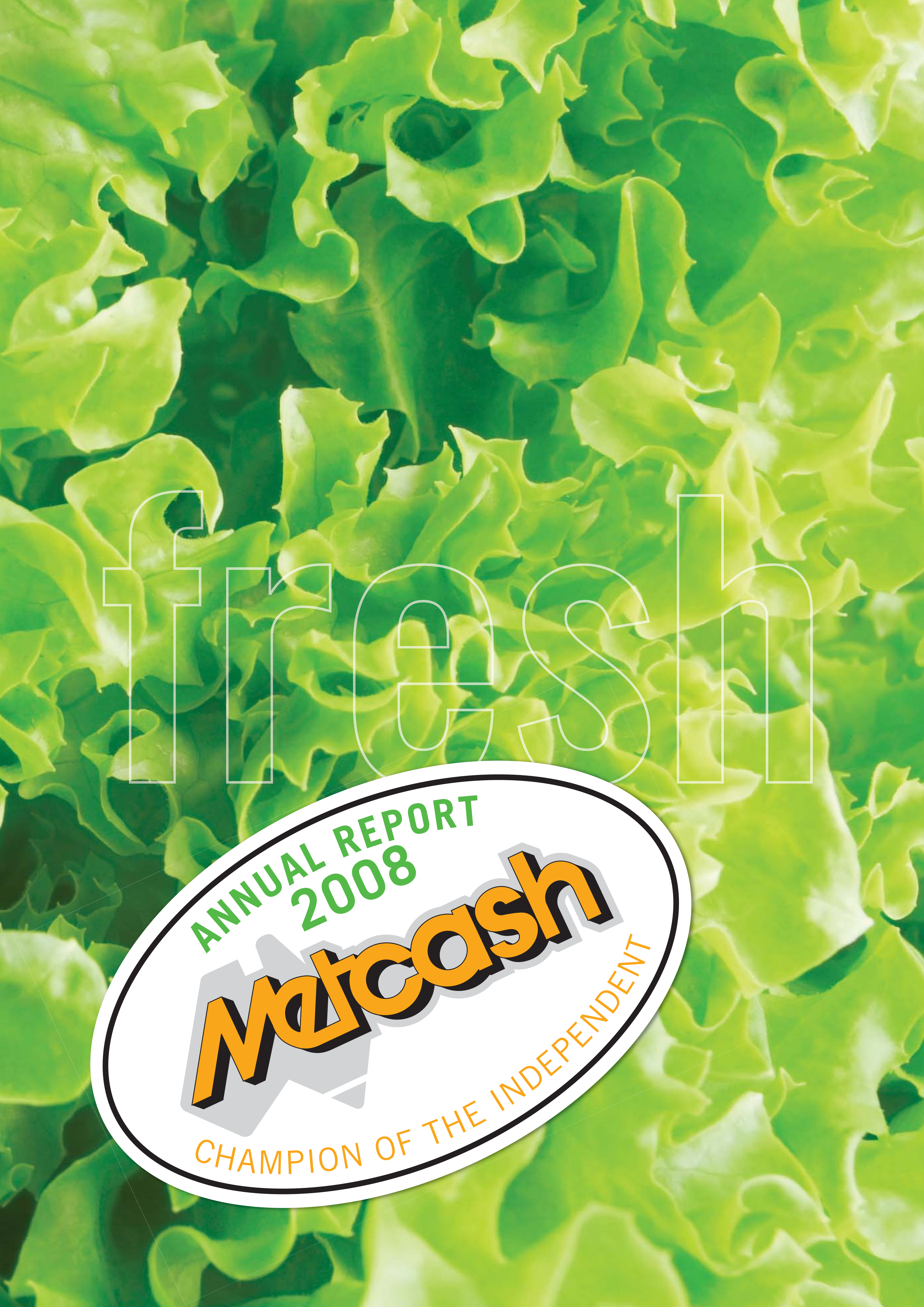
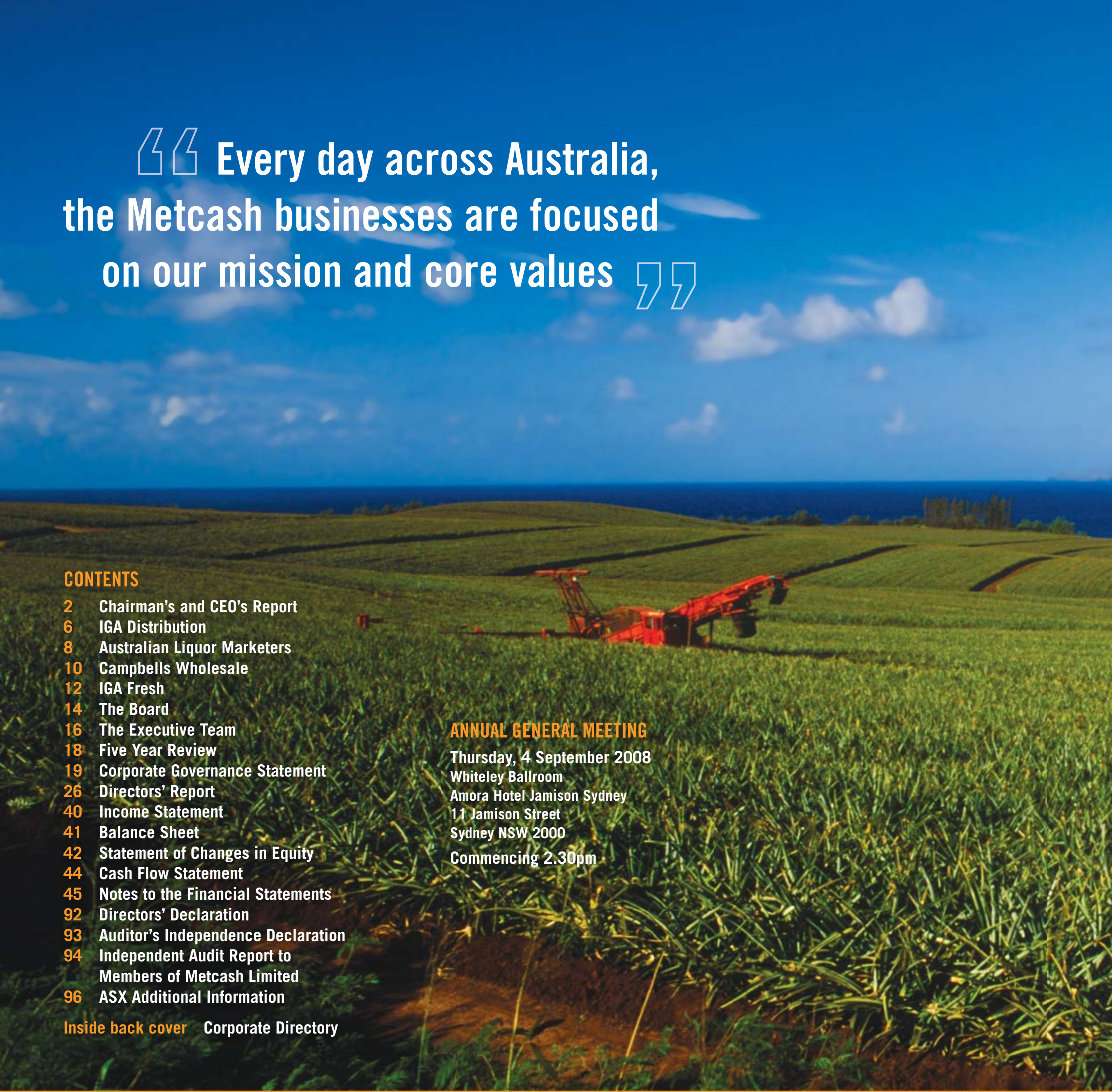


fresh

ANNUAL REPORT 2008

Metcash

CHAMPION OF THE INDEPENDENT



> "Every day across Australia, the Metcash businesses are focused on our mission and core values"

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ANNUAL GENERAL MEETING

Thursday, 4 September 2008
Whiteley Ballroom
Amora Hotel Jamison Sydney
11 Jamison Street
Sydney NSW 2000

Commencing 2.30pm

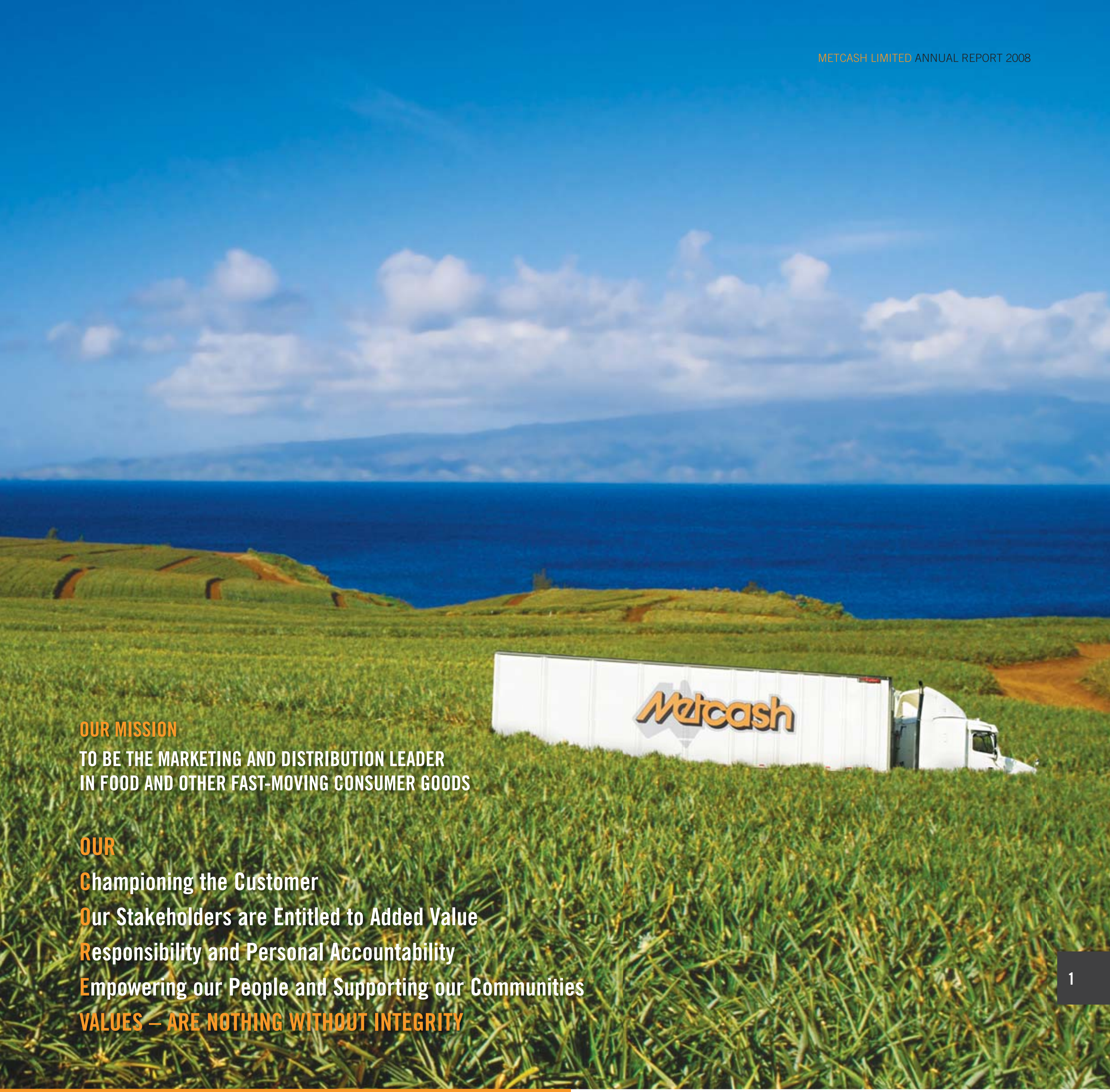
highlights

ESTABLISHMENT of a new fresh food distribution business

Ninth consecutive **RECORD ANNUAL PROFIT**

Wholesale sales reached **$10 BILLION**

DIVIDENDS PER SHARE declared in excess of 20 cents per share



OUR MISSION

TO BE THE MARKETING AND DISTRIBUTION LEADER IN FOOD AND OTHER FAST-MOVING CONSUMER GOODS

OUR

Championing the Customer
Our Stakeholders are Entitled to Added Value
Responsibility and Personal Accountability
Empowering our People and Supporting our Communities

VALUES – ARE NOTHING WITHOUT INTEGRITY

Metcash Limited is a leading marketing and distribution company operating in the grocery and liquor wholesale distribution industries through its four business pillars:

IGA D DISTRIBUTION
LEADING INDEPENDENTS FORWARD

IGA FRESH

AUSTRALIAN LIQUOR MARKETERS PTY. LTD.

Campbells WHOLESALE

TOTAL REVENUE ($m) 2008
10,199 +4.5%

WHOLESALE SALES ($m) 2008
10,045 +6.3%

EARNINGS BEFORE INTEREST AND TAX (EBIT) ($m) 2008
335.4 +18.5%

chairman's and ceo's report

REPORT FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

We are pleased to announce that the 2008 year demonstrated another strong performance by Metcash Limited with the ninth consecutive record profit.

Wholesale sales reached $10 billion for the first time, a tremendous achievement. Supporting these sales was an increase to a 19.2% share of the grocery market (as measured by AC Nielsen). Profit after tax rose to $197.4 million.

We are also pleased to announce that the full year dividend of 21 cents per share has been declared. This represents a payout ratio of 81% of reported earnings per share and is the first time a dividend in excess of 20 cents per share has been declared.

Each of the Metcash businesses performed well during the year despite tighter economic conditions with higher fuel prices and interest rates as well as strong competition from the dominant national chains. Growth this year has been internally generated. Benefits continued to flow from the economies of scale achieved with the full integration of Foodland Associated Limited's (FAL) Australian operations, whilst the cost of doing business was reduced despite higher fuel and other costs.

PROFIT AFTER TAX ($m) 2008

+24.5% 197.4

EARNINGS PER SHARE (cents) 2008

+22.8% 25.86

OPERATING CASHFLOW ($m) 2008

+11.3% 197.6

Highlights

Building on the foundation of the two acquired FAL fresh produce warehouses, a new fresh food distribution business has been established. By December 2008, a national fresh produce distribution network will be in place. This, together with the execution of meat, delicatessen and bakery strategies, will provide Metcash's independent retailers with top quality, competitively priced fresh food.

Despite strong price competition in the first half of the year from its chain competitors, the Company's core distribution business, IGA Distribution (IGA>D), produced double digit profit growth.

This was achieved despite losing the Blacktown, New South Wales, dry grocery warehouse through hail damage in December 2007, the busiest trading period in the year. The dedication, strength and durability of Metcash staff and distribution systems to overcome adversity was demonstrated by absorbing the loss of this important warehouse and quickly restoring full service to the retail customers.

We would like to thank the Metcash management, staff and customers in New South Wales, Victoria and Queensland for making the impossible possible. The Blacktown warehouse resumed operations in May 2008.

Australian Liquor Marketers (ALM) grew sales by 1.9% to $2.5 billion. Sales growth achieved was 6.5% when we took out the impact of losing the Hedley/Coles Queensland business in 2007. The strategy of restructuring to cut costs and provide a growth framework has been effective, with Earnings Before Interest, Tax & Amortisation (EBITA) growing by 10.1% to $31.2 million.

At the same time, the investment in Independent Brands Australia (IBA) has resulted in membership growth to 2,417 independent liquor outlets whilst 410 Liquor Alliance hotels have been branded as 'Thirsty Camel', creating a clear brand identity for consumers.

Growth was also demonstrated by Campbells Wholesale with sales increasing by 9.4% to $1.55 billion and EBITA by 5.8% to $30.6 million. This result was driven by the continued strong growth of confectionery and primary product categories which has also seen the business's convenience market share grow to 33%.

These gains have been made in spite of the disruptions caused by the loss of the Blacktown warehouse, discounting and petrol offers by the major chains.

"Each of the Metcash businesses performed well during the year despite tighter economic conditions"

BEFORE: Hail damage at the Blacktown, NSW dry grocery warehouse in December 2007.

AFTER: May 2008, after the recovery process was completed.

HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY (HSEC)

Good progress continues to be made in implementing the Company's HSEC program. This encompasses care for our people with workplace engagement, development and competency, health services and safety.

Environmental management, product safety and public health are also managed through the HSEC program.

A wide range of development programs for all levels of management is provided by the Company, through face to face lectures, eLearning and distance learning. To date, 200 managers have successfully completed the Diploma of Business (Frontline Management), whilst the Metcash Pro-Fit programs assist employees to derive the appropriate 'work/life' balance.

In addition to working towards the reduction of packaging waste and plastic bag utilisation, new sustainability measures are being developed. Carbon footprint analysis and emissions mapping are being conducted and site energy efficiency audits have commenced.

Workplace safety is a high priority and substantial effort has been applied over recent years to ensure that a strong safety culture is ingrained in all employees and a high level of safety maintained. Unfortunately, a small number of incidents have affected the severity and duration rates, leading to an examination of our operational processes to ensure optimal procedures are in place. It is pleasing to note the overall reduction in the number of lost time injuries and number of workers' compensation insurance claims.

WAY FORWARD

The Company will be pursuing growth through both internal generation and acquisitions. We have announced that we might have an interest in acquiring Symbion Pharmaceuticals' wholesaling business. At the time of writing, the bidding process is still underway. This acquisition is attractive to the Company as the business model is similar to the Metcash model, marketing and distributing products to independent retailers, in this instance, independent pharmacists. The pharmaceutical industry has become more attractive as some of the previous structural inefficiencies have been removed and rationalisation has commenced.

Additionally, the Company would be able to apply its purchasing, marketing and logistical skills to enhance the effectiveness of the Symbion business.

Each of the Metcash businesses is executing strategies to provide generic growth. This will be done through marketing, opening new stores, extending and refurbishing existing stores and ensuring customer satisfaction.

2009 will be a difficult economic environment year, with the risk of 'stagflation' (high inflation, low growth) present for the first time in many years.

Metcash is expecting earnings growth with earnings per share (pre Goodwill Amortisation) forecast to be between 28.3 cents per share and 29.3 cents per share for the 2009 financial year.

"With the growth initiatives that are in place we expect earnings to grow to between 28.3 cents per share and 29.3 cents per share for the 2009 financial year"

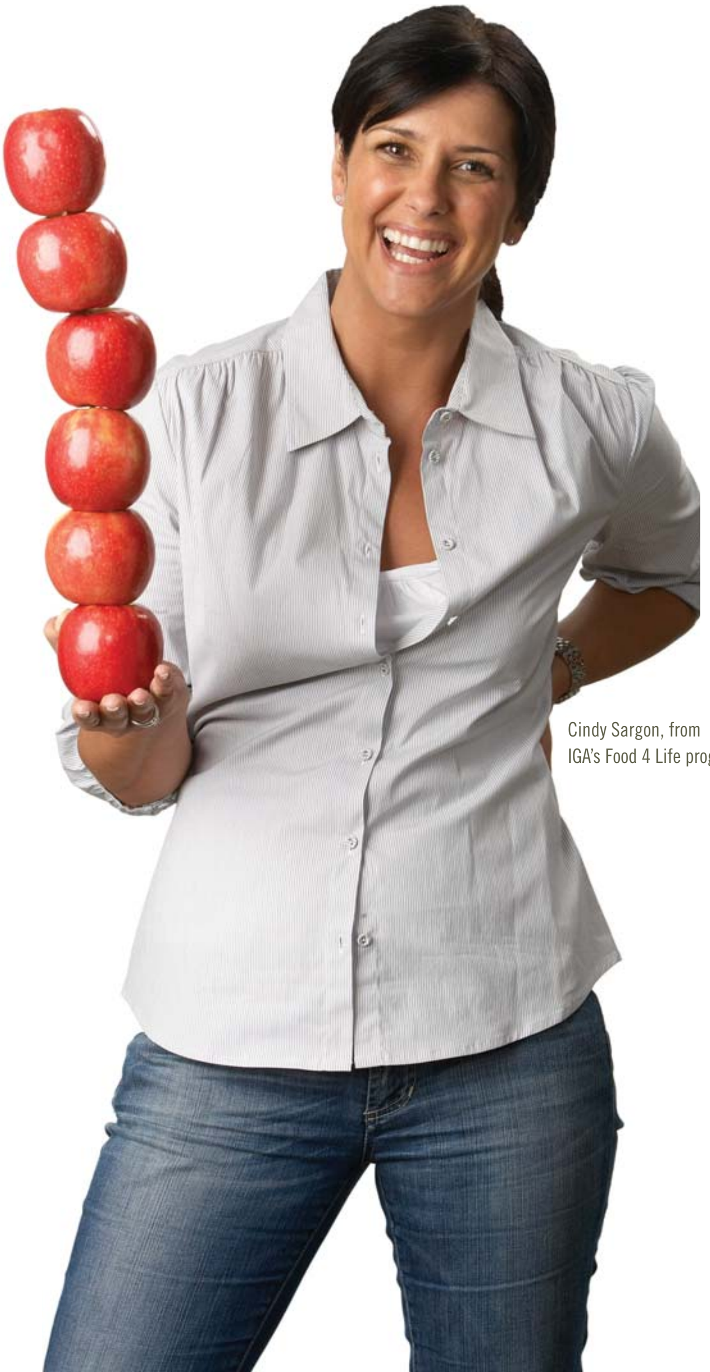
APPRECIATION

We would like to thank Ted Harris who retired from the Board on 30 August 2007. He had been a Director since the Company's initial listing in 1994. Ted has been a tower of strength, a source of wisdom and guidance, providing access to key sections of the Australian business and regulatory communities and serving the Company with distinction. We thank him for his contribution to the Company's success.

We would also like to thank our fellow Directors, employees, customers and suppliers for their good counsel, hard work and support during the past year.

Carlos S dos Santos
Chairman

Andrew Reitzer
CEO



Cindy Sargon, from IGA's Food 4 Life program.

Way forward

ensuring customer satisfaction

Highlights

DIVIDENDS PER SHARE (cents) 2008

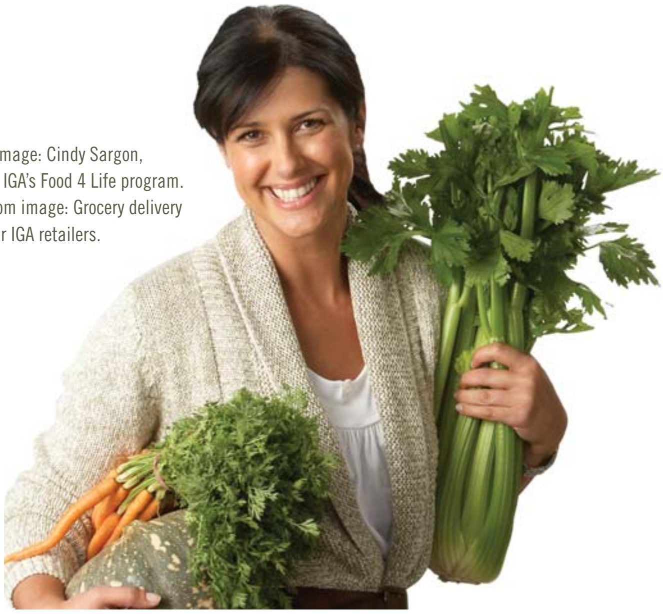
21.0 +23.5%

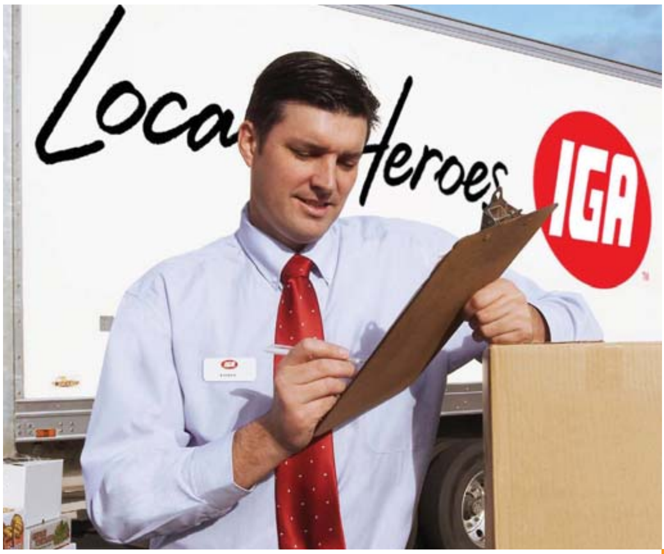
DIVIDEND PAYOUT RATIO (%) 2008

81% +49 basis points

IGA Distribution

Top image: Cindy Sargon, from IGA's Food 4 Life program. Bottom image: Grocery delivery to our IGA retailers.





2008 was a year of strong performance under difficult circumstances for IGA Distribution (IGA>D). Wholesale sales increased by 7.4% to $6 billion whilst EBITA grew by 11.1% to $275 million.

With the 'bedding down' of the former FAL wholesale business and finalisation of the transfer of the Action stores to independent retailers, the year saw a focus on maximising the benefits of the larger IGA>D network.

Marketing programs were reviewed, the overall relationship between IGA>D and the IGA retailers analysed, new stores opened and existing stores refurbished and extended. The end result was an increase of market share by Metcash (as measured by AC Nielsen) to 19.2%.

Growth in the market by IGA>D was 7.9% compared to overall market growth of 5.2%. It was 'business as usual' meeting the stiff price competition that was generated by the two chain competitors in the first half of the year when nature entered the equation, suddenly. On 9 December 2007, a severe hailstorm closed the Blacktown distribution facility for nearly five months. The facility was not returned to full operations until the end of May 2008, bringing to a close one of the most testing events in the organisation's history.

The logistical challenges of serving hundreds of IGA stores across New South Wales and the Australian Capital Territory using an emergency satellite warehouse and the distribution centres of Crestmead in Queensland and Laverton in Victoria, were seemingly impossible (particularly leading into the Christmas trading period).

WHOLESALE SALES ($m) 2008

+7.4% **5,994**

EARNINGS BEFORE INTEREST, TAX & AMORTISATION (EBITA) ($m) 2008

+11.1% **275.1**

MARKET SHARE (%) 2008

+60 basis points **19.2%**

IGA>D DISTRIBUTION
LEADING INDEPENDENTS FORWARD

"IGA Distribution's role is to be the *Champion of the Independent Retailer*"

Highlights

However, the minimal disruption to our retail customers was largely due to the outstanding effort of staff during the disaster recovery process, as well as the understanding and assistance provided to the business by our suppliers and retail customers. The collaborative effort from both retailer and wholesaler to find solutions was heartening and indicative of the strength of the warehouse/retailer relationship.

Had the new Crestmead dry grocery warehouse with its large capacity not been commissioned in late 2007, then the story might have had a different ending.

During the past year, 55 new stores were added to IGA, adding 51,628 square metres of new retail space; 28 stores were extended which added 10,637 square metres of retail; and 95 stores were refurbished.

This growth coincides with a further commitment to the Local Heroes marketing program from both IGA>D and retailers alike. 2008 saw the introduction of a fresh new Local Heroes TV campaign that highlighted the buying power, range and strength of our network, whilst still retaining our IGA store heartland of local and community … "they're big on a national level, but even bigger on being a local". This program was supported by extensive grocery and fresh food point of sale in stores.

The Authentic Brand Index 2008 found the IGA brand had the biggest increase (from 14.5 to 34.5 points) of the 104 brands measured. By comparison, the number one brand in the survey (Microsoft) measured 48.1 for the same period. This research by Principles and Synovate research companies measures Australia's most popular brands across multiple industries against seven key drivers, and is testament to the strength and performance of IGA in the past 12 months.

Early in the year it was agreed by IGA>D and the IGA retailers that the joint business model needed to be analysed to ensure that the structure and relationship were optimised to meet the challenges of the future and generate mutual growth in the face of the competitive force of the two chain competitors.

A committee consisting of IGA>D and IGA retailer representatives was appointed to conduct the analyses and provide recommendations on the way forward, referred to in the business as 'Terms of Engagement'. PricewaterhouseCoopers (PWC) was engaged to take an independent and renewed view of the way the business model operates. It has provided a report that has identified a range of opportunities to secure additional growth and profitability but also risks that need to be addressed. IGA>D and IGA retailer working groups have been established to develop strategies and execution plans and also minimise exposure to risks.

During the next 12 months, marketing to promote lifestyle, health and well-being will be undertaken through IGA's Food 4 Life program. A multimedia advertising program will be utilised to encourage Australian consumers to live a healthier and balanced life. IGA>D and IGA Fresh are working closely on this marketing initiative.

Ongoing implementation of the opportunities founded by the Terms of Engagement process will remain a key initiative next year, including the rationalisation of store and warehouse technologies, to extract greater synergies for all stakeholders.

The rollout of the IGA Fresh business pillar is important to the merchandising and promotional areas of IGA>D and the two businesses are working together to drive new fresh food concepts, particularly in bakery and meat categories.

The past 12 months have been extremely successful for IGA>D and the business is in an excellent position to take advantage of a number of opportunities in 2009.

LOU JARDIN
CEO IGA DISTRIBUTION

MAJOR ACTIVITIES

- Marketing and distribution specialists supplying IGA branded and non-branded independent grocery stores in New South Wales, the Australian Capital Territory, Victoria, Queensland, South Australia and Western Australia.
- Providing expertise, tailored to Independent Retailers' requirements, with a range of marketing, merchandising, buying, operational and distribution services.

SIGNIFICANT ACHIEVEMENTS

- Wholesale sales rose 7.4% from $5.6 billion to $6 billion.
- EBITA grew 11.1% from the previous year to $275 million.
- Market share grew to 19.2% (as measured by AC Nielsen).
- Consumer recognition of the IGA brand grew.
- Exceptional cooperation between IGA>D staff and retailers saw minimal disruption after a severe hailstorm at the Blacktown distribution facility.
- Commitment to the Local Heroes marketing program was supported by extensive grocery and fresh food point of sale in stores.

FUTURE DIRECTION

- Heavy marketing investment into the area of lifestyle, health and well-being through the Food 4 Life program.
- Rationalise store and warehouse technologies.
- Work closely with the IGA Fresh business pillar to grow the fresh food business.
- Increase IGA retail area by between 66,000 and 86,000 square metres.

Australian Liquor Marketers

Sales grew during the year by 1.9%, reflecting loss of volume due to the acquisition of independent liquor customers by the chains, but EBITA grew by over 10%. The growth in EBITA was driven by the business restructure commenced during the previous financial year.

During the year, ALM continued its focus on reducing the cost of doing business, and as a result undertook a restructure of the New South Wales and Queensland support functions.

The administration functions for both states are now combined and located at our Crestmead facility in Queensland. The major restructure undertaken over the past two years has achieved its objectives of reducing costs, and aligning the ALM strategy of supporting independent liquor stores with the most efficient and cost effective route to market and strong marketing support through Independent Brands Australia (IBA).

Supply chain rationalisation also continued during the year. The warehouse at Hexham, New South Wales was closed and our Sydney and Crestmead facilities now supply its customers. Following the acquisition of Magees in 2006, Cairns was left with two warehouses. Additions have since been made to our major warehouse in Cairns, and the two warehouses have been rationalised into one facility. Allied Liquor in New Zealand purchased The Edge Wholesaler and now operates a facility in Queenstown in the South Island.

IBA's 'Cellarbrations' and 'The Bottle-O' brands continue to grow in both size and reputation. Both Cellarbrations and The Bottle-O operate a multi-format offer including stand-alone liquor stores, drive-through outlets and large format liquor barns. Current retail outlets under the Cellarbrations and The Bottle-O brands stand close to 500 and 600 outlets respectively.

IGA plus Liquor has continued its strong performance during the year and plans are in place to launch into West Australian and South Australian markets during 2008-09.

Stores under the IBA structure now total 2,417.

Sales to the on-premise market were maintained despite continuing competition from the chain's discount operations. The Harbottle On-Premise (Australia) and Allied Liquor (New Zealand) businesses continue to offer an expansive range, competitive pricing and expertise to support our customer base.

The ALM web portal continues to drive significant benefit to all our stakeholders. By the end of April 2008, electronic orders had reached 44% of orders placed and over 55% of cases ordered. With around 9,000 customers who have registered to place orders and receive invoices electronically, web portal sales now exceed 31% of total sales.

The wholesale liquor market continues to experience extreme competitive pressures as the chains' growth by acquisition continues. ALM and IBA are strongly positioned to maintain, support and grow the market share of independent liquor retailers in the years ahead.

FERGUS COLLINS
CEO AUSTRALIAN LIQUOR MARKETERS

MAJOR ACTIVITIES

- Operates out of 18 distribution centres throughout Australia and New Zealand.
- Provides a complete service allowing customers to receive all their liquor supplies in one delivery, on one invoice; in full, on time, every time, together with strong marketing support and a wide variety of retail services.
- Includes a specialist liquor supply and support division to the on-premise sector including bars, restaurants and hotels in both Australia and New Zealand.

SIGNIFICANT ACHIEVEMENTS

- Sales growth up by 1.9% and EBITA up by 10.1%.
- During the year, ALM continued its focus on reducing the cost of doing business, with further supply chain rationalisation.
- Current retail outlets under the Cellarbrations and The Bottle-O brands have grown significantly to almost 500 and 600 outlets respectively.
- The ALM web portal continues to drive sales and benefits for over 9,000 registered customers and suppliers across Australia and New Zealand.

FUTURE DIRECTION

- Sales and equity growth for the major IBA brands under Cellarbrations, The Bottle-O and IGA plus Liquor.
- Continue to reduce controllable costs to ensure that ALM remains the most efficient and cost effective route to market for all Independent liquor outlets.
- Working with major suppliers to redirect beer purchases through ALM Warehouses across Australia, maximising beer distribution and enabling Independents to receive one order, one invoice and one delivery.
- Continue to strengthen our 'Liquor Alliance' relationship with the further expansion of the 'Thirsty Camel' brand around Australia.

"Restructure and supply chain rationalisation have strengthened the overall business"

the Bottle-O

IGA plus LIQUOR

Cellarbrations
helping you celebrate

AUSTRALIAN LIQUOR MARKETERS PTY. LTD.

"Broad range liquor wholesaler, supplying over 15,000 hotels, liquor stores, restaurants and other licensed premises throughout Australia and New Zealand"

WHOLESALE SALES ($m) 2008

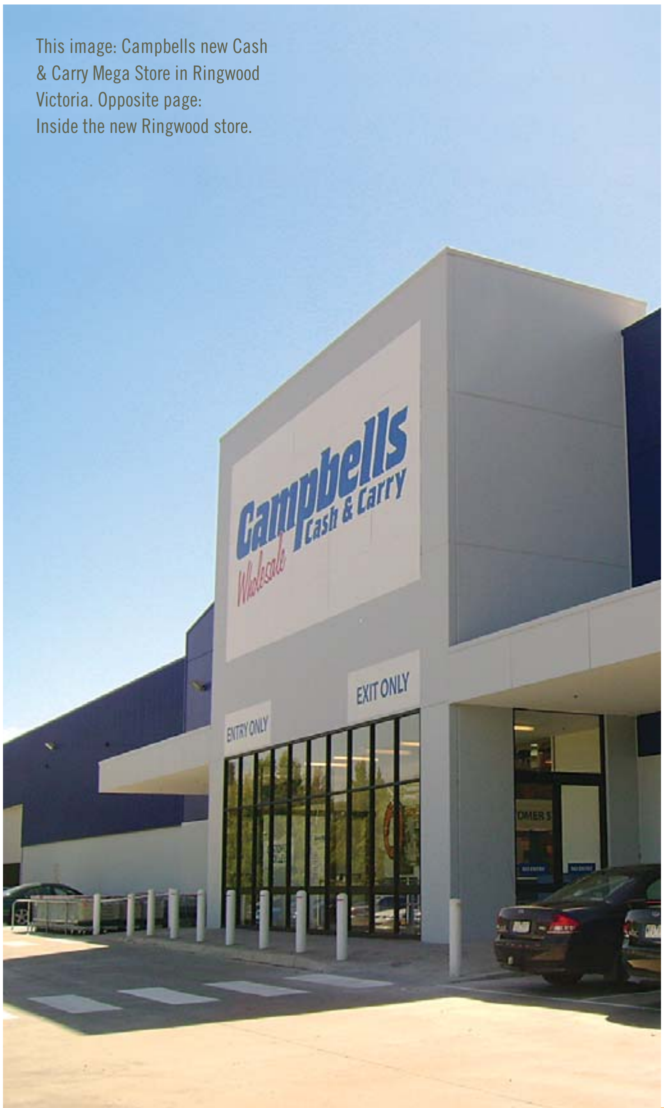
2,499 +1.9%

EBITA ($m) 2008

31.2 +10.1%

Highlights

Campbells Wholesale



This image: Campbells new Cash & Carry Mega Store in Ringwood Victoria. Opposite page: Inside the new Ringwood store.

Campbells Wholesale (CW) had a solid year with sales increasing 9.4% from $1.4 billion to $1.55 billion, and EBITA growth of 5.8% to $30.6 million. The four specialist divisions: Campbells Cash & Carry (CCC), Campbells Wholesale Division (CWD), Convenience Store Distribution (CSD) and Foodlink have all delivered record results for 2008.

These results were driven by continued strong sales growth in Confectionery, Foodservice and other primary product categories.

The winning of new customers, wide acceptance of Campbells unique supply chain solution and organic growth saw the CW convenience market share rise to 33% of a $3.7 billion market. This result was achieved despite the interruptions from the Blacktown Warehouse hail disaster and heavy discounting by the major chains.

March 2008 saw the opening of the first Campbells Cash & Carry Mega Store in Ringwood, Victoria. Sales to date are exceeding expectations and customer reaction to the new facility has been very encouraging. The Ringwood store portrays the look and feel of a retail offer in a wholesale environment and this has resulted in significant interest from new as well as traditional markets. The store features 'Sweet Spot', a specialist confectionery department, as well as a Foodservice/Fresh section which is drawing wide interest from quick service restaurants and catering businesses. Based on the success of Ringwood, existing Cash & Carry branches will be upgraded to offer the same appeal to customers.

SALES ($m) 2008

+9.4% **1,550.8**

EBITA ($m) 2008

+5.8% **30.6**

Highlights

Campbells WHOLESALE

"Primarily focused on the convenience, route and hospitality channels of trade, servicing customers who require a total supply solution across a broad range of FMCG products"

Through its network of branches, CWD has succeeded in providing an effective one-stop distribution service to its customers in regional and remote parts of Australia. CWD has experienced strong confectionery sales growth through its specialist confectionery distribution arm, Coast and Country. Construction of a 12,000 square metre state-of-the-art warehouse in Darwin, Northern Territory, will be completed in November 2008, offering broader product ranges to remote and indigenous retailers.

The CSD business continues to grow through its ability to offer a single supply solution for oil majors and franchised convenience stores. The 7-Eleven supply model, now in its second year, has proven to be very successful and has been beneficial to both franchisor and franchisees. There is renewed interest from a number of multi-site Cstore operators to effect supply from this division.

The relaunch of 180 'Lucky 7' bannered convenience stores nationally has been very successful, with operators benefiting from the improved pricing, marketing and distribution programs. Further benefits are being produced by the refurbishment program and opening of new outlets. The Lucky 7 banner, which is developed specifically for independent convenience retailers, will grow to over 400 sites and generate $300 million in retail sales by 2010.

Foodlink, the premium foodservice distributor in Perth, Western Australia continues to show strong growth by supplying the contract catering, quick service restaurants and free trade sectors of Western Australia. Significant investment in systems has taken place in this business which will further enhance customer service. Foodlink will expand to the eastern states in the near future.

PETER DUBBELMAN
CEO CAMPBELLS WHOLESALE

Campbells Wholesale DISTRIBUTION

Campbells Wholesale Cash & Carry

Lucky 7 YOUR STORE WITH MORE

C STORE DISTRIBUTION

FoodLink - FOOD SERVICE -

MAJOR ACTIVITIES

Campbells Wholesale has national service and distribution covered via:

- 22 Cash & Carry warehouses (CCC) and 18 regional warehouse distribution centres (CWD), servicing over 100,000 customers across all states and territories, stocking a broad range of groceries, confectionery, cigarettes, foodservice, and liquor.
- Four Convenience Store Distribution Centres (CSD) supported by specialist confectionery distribution centres.
- The Foodlink Foodservice business in Western Australia providing the leading distribution solution to the food service industry.

SIGNIFICANT ACHIEVEMENTS

- Sales rose 9.4% on last year to $1.55 billion.
- EBITA has grown by 5.8% to $30.6 million.
- Campbells has four distribution solutions to satisfy market needs on a national basis.
- Campbells web portal growth with over 14,000 registered users.
- 180 'Lucky 7' bannered independent convenience stores.

FUTURE DIRECTION

- Continuing to provide the total supply chain solution to the modern petrol and convenience channel throughout metropolitan and regional centres.
- Growth of independent convenience sector through the 'Lucky 7' banner.
- Expanding the Foodservice offer nationally.
- Continued growth in confectionery markets.

IGA Fresh

The acquisition of FAL, with its two produce distribution centres in Queensland and Western Australia and meat value-add production facility based in Western Australia, demonstrated the opportunity and unique operational demands required by a Fresh distribution business. In 2007, Metcash recognised the importance of Fresh to the growth and sustainability of the IGA retailers and demonstrated this through the establishment in November 2007 of IGA Fresh, as a separate Metcash business.

Total Fresh sales for 2008 were $566 million, a 10% increase on 2007.

In order to achieve the sales and volume growth planned for fresh food sales, a management structure has been put in place that aligns with the main fresh food categories – fresh produce, meat and seafood, delicatessen and bakery. All senior management teams are in place and specialist field staff are being recruited. In order to encourage IGA retailers to increase their purchases of fresh food from IGA Fresh and increase their 'teamwork' scores with IGA>D, incentives are being restructured.

The two fresh produce warehouses acquired from FAL are excellent facilities, but additional distribution centres are required to enable distribution on a national basis. As it will take too long to establish green field warehouses, existing fresh produce distributors are being acquired. In the majority of cases existing owners will retain equity in each business in order to maintain business continuity, expertise and customer relationships. At the time of writing, acquisitions have been completed in Brisbane, Cairns, Townsville and Newcastle with a further two nearing finalisation.

A complete national fresh produce network will be in place by the end of December 2008. The network will enable IGA Fresh to implement national buying strategies and ensure the consistency and competitiveness of the IGA retailers' produce offer. In addition, a new branding program focused on regional sourcing with increased promotional support will help maximise store compliance and produce sales through IGA stores.

The meat category is being structured to provide retail customers with high quality, competitively priced products that will give them a competitive advantage against their rivals. The increasing number of butchers leaving the trade, fewer new apprentices and increasing retail rents combine to increase the demand for a centrally produced, retail ready meat program. Whilst the Perth Malaga facility will continue to service Western Australian retailers, the east coast of Australia will be serviced via a strategic network of partnerships providing proven and established production and logistical capabilities. These will provide the scale and expertise to supply high quality, innovative products to the retailers.

Strategies to grow the delicatessen category include the continued installation of 'in-store poultry shops' in IGA stores; the development of a pre-packed product range; and extending the delicatessen ranges stocked in IGA>D perishable warehouses.

Whilst the bakery category is the smallest of the four IGA Fresh categories, it provides a significant growth opportunity for IGA Fresh. Plans include the continued development and growth of the IGA Baker's Oven concept, which brands the total bakery range as 'Baker's Oven' and provides a comprehensive range of fresh to store chilled and frozen bakery products, enabling IGA retailers to have a wider bakery offer that caters to demographic needs.

MAJOR ACTIVITIES

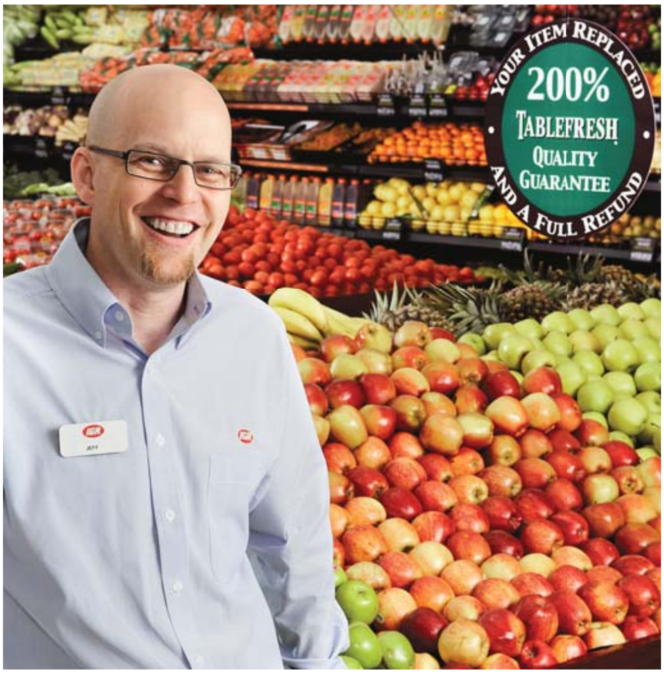
- Fresh food concept development in conjunction with IGA>D.
- Develop strategic supplier partnership through business plan development, catalogue activity, promotional programs and advertising panels.
- Provide competitive fresh foods, retail and consumer solutions for all independent channels.

SIGNIFICANT ACHIEVEMENTS

- Launch of the IGA Fresh business pillar which has aligned all aspects of fresh food.
- Supplier support and commitment to the strategy from Metcash to grow and develop fresh food in the Independent market.
- Recent acquisitions in fresh produce to deliver the overall strategy.
- Retailer support with 55 new customers being serviced from our fresh produce facilities.

FUTURE DIRECTION

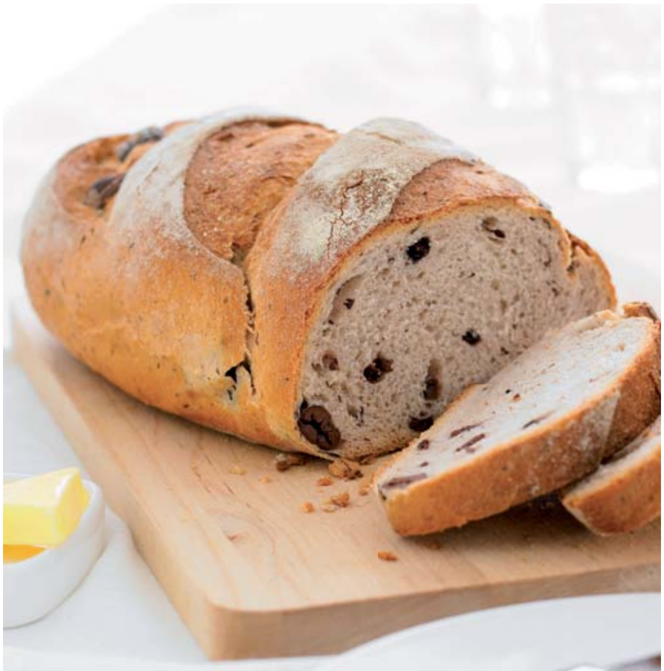
- Retail ready meat program – centralise meat works to add value to the retailer.
- National fresh produce network – nation-wide offer in warehousing and buying of Fresh produce.
- Introduction of unique products, exclusive to the Independent market.
- A comprehensive supplier accreditation program that will deliver safe, quality products to consumers.



The key focus is quality. The number one reason why consumers choose where they shop for fresh products is quality. IGA Fresh has embarked on a world class quality program to ensure the best fresh products are available to retailers at competitive prices. The program will be driven through supplier accreditation and retailer agreed product specifications. This will ensure both consistency and quality of the fresh offer and is critical to building and maintaining the position of IGA retailers above that of their competitors.

HARRY RUMPLER
CEO IGA FRESH

> "A complete national fresh produce network will be in place by the end of 2008"



IGA FRESH

"IGA Fresh is the fresh foods solution for retailers and consumers"

WHOLESALE SALES ($m) 2008

566 +10.1%

Fresh Highlights

CARLOS S DOS SANTOS CA (SA)

Non-executive Chairman
Member of the Remuneration & Nomination Committee
Date of Appointment to Metcash Limited: 18 April 2005.

Mr dos Santos is a chartered accountant and is a director of various companies trading in Africa and the Far East. He has had 38 years industry experience.

A E (TED) HARRIS, AC F.INST.D, FAIM, FAICD

Non-executive Deputy Chairman
Chairman of the Remuneration & Nomination Committee
Date of Appointment to Metcash Limited: 18 April 2005.
Mr Harris retired as a director of Metcash Limited on 30 August 2007.

Mr Harris served as Managing Director and Chief Executive Officer of the Ampol Group for a period of 10 years. He was formerly Chairman of Australian Airlines, British Aerospace Australia, Australian National Industries, the Gazal Corporation and a director of a number of public companies. Currently, Mr Harris is Chairman of Thakral Holdings, the Australian Radio Network and President of the St Vincent's Clinic Foundation. He is Deputy Chairman of APN News & Media, a member of the International Advisory Board of INP News & Media and a Director of the New Zealand Radio Network. He is a Life Governor of the Melanoma Foundation, a Life Member of the Australian Sports Commission, a former Commissioner of the ABC and was a member of the executive board of the Sydney Olympics 2000 Bid Company.

PETER L BARNES MBA (MELBOURNE), B COMMERCE (HONS)

Non-executive Deputy Chairman
Chairman of the Remuneration & Nomination Committee
Date of Appointment to Metcash Limited: 18 April 2005.

Mr Peter Barnes is Chairman of Ansell Ltd, a Director of News Corporation and Chairman of Samuel Smith & Sons Pty Ltd. Mr Barnes was formerly an executive with Philip Morris International Inc. He held several senior management positions in Australia and overseas – including Managing Director Lindeman Holdings Ltd and President, Asia Region, based in Hong Kong.

ANDREW REITZER B COMM MBL

CEO Metcash Group of Companies
Date of Appointment to Metcash Limited: 18 April 2005.

Mr Andrew Reitzer has 30 years experience in the retail/wholesale industry. Previous positions at Metro Cash and Carry Limited include Group Operations Director, heading operations in Russia and Israel, Marketing Director, IT Director and managing various operating divisions.

MICHAEL R BUTLER B SC, MBA

Non-executive Director
Member of the Audit Risk & Compliance Committee
Date of Appointment to Metcash Limited: 8 February 2007.

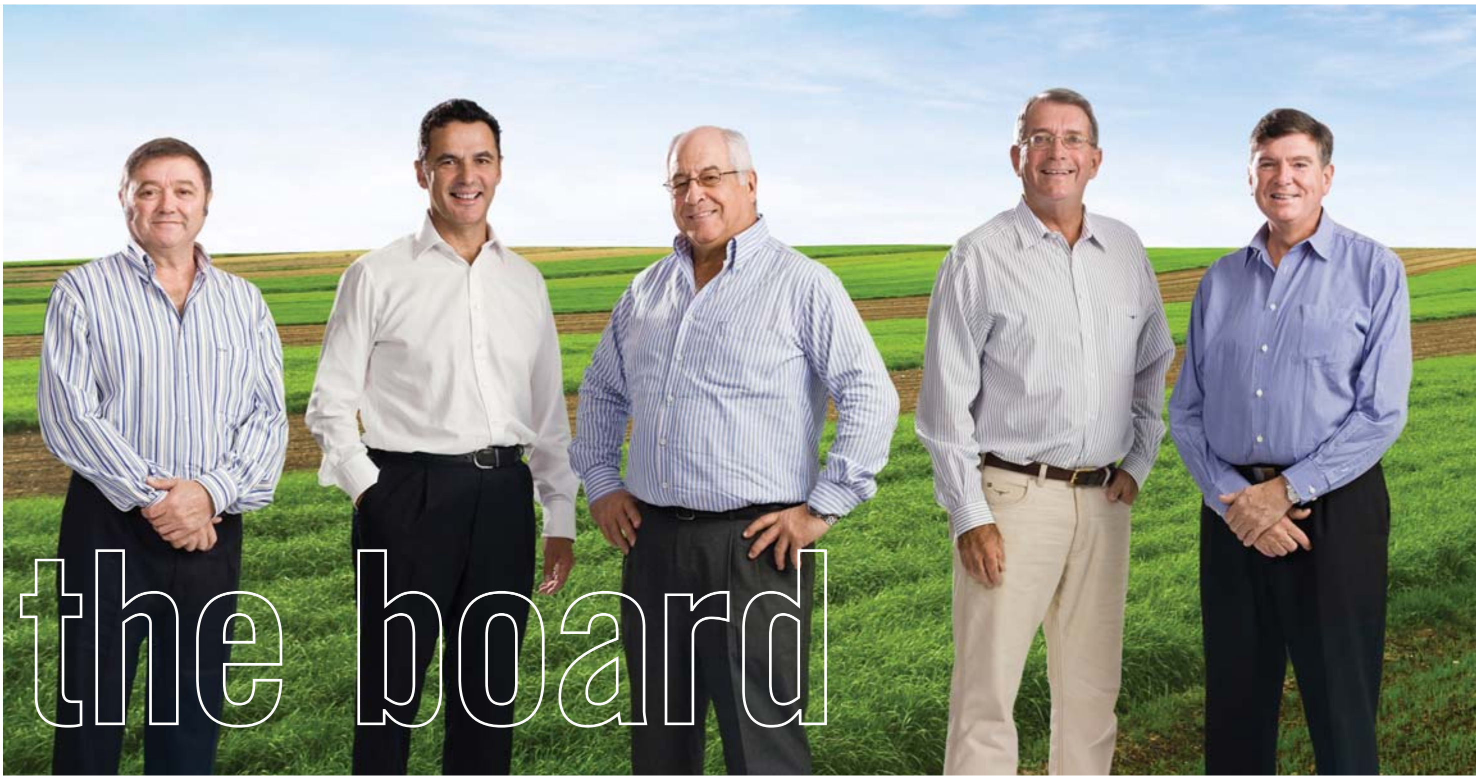
Mr Butler has extensive experience in investment banking gained as an Executive Director of Bankers Trust's Corporate Finance group and as Executive Vice President of its Private Equity group. He is presently a Non-executive Director of AXA Asia Pacific Holdings Limited and APN Property Group Limited. He was previously a Non-executive Director and Chairman of Ausdoc Group Limited, Freightways Express Limited, Hamilton Island Limited, Members Equity Bank Pty Limited, Industry Super Holdings Pty Ltd and Verticon Group Limited.

NEIL D HAMILTON LLB (UWA)

Non-executive Director
Member of the Remuneration & Nomination Committee
Date of Appointment to Metcash Limited: 7 February 2008.

Mr Hamilton is based in Perth and Sydney and has over 25 years experience in the legal profession and in business with substantial experience in a number of industries including investment/funds management, insurance, banking and resources.

Mr Hamilton is Chairman of IRESS Market Technology Limited, Mount Gibson Iron Limited and Northern Iron Limited and a Non-executive Director of Insurance Australia Group Limited and Programmed Maintenance Services Limited.



MIKE JABLONSKI

Group Merchandise Director
Date of Appointment to Metcash Limited: 18 April 2005.

Mr Jablonski has 36 years experience in the food industry. Previous positions include: 1984 Merchandise Executive Foods of OK Bazaars; 1987-1991 Merchandise and Marketing Director of Score Food Holdings Ltd, 1992-1996 Deputy Group Merchandise Director of Metro Cash and Carry Limited, 1996-1998 Director of Distribution and Retail Development of Metro Cash and Carry Limited. Mr Jablonski is the Group Merchandise Director of Metcash Limited. He is responsible for the Group's Merchandise, Supplier relationships, and the income derived thereof.

EDWIN JANKELOWITZ B COMM, CA (SA)

Finance Director
Date of Appointment to Metcash Limited: 18 April 2005.

Qualified as a chartered accountant (SA) in 1966. From July 1967 to November 1979 with Adcock Ingram Ltd in Head Office – promoted over time to Group Company Secretary and then Finance Director. Consulting January 1980 to March 1983 – business management and tax. Caxton Ltd 1983-1997 – Finance Director; Managing Director; Chairman. Chairman of other publicly quoted companies. Metcash Trading Limited, Metcash Limited – May 1998 to date – Finance Director.

Mr Jankelowitz has spent over 34 years in corporate offices of listed companies with excellent corporate governance reputations. He was a member of the Income Tax Special Court in South Africa for 20 years (1977-1997).

V DUDLEY RUBIN CA (SA), H DIP BDP, MBA

Non-executive Director
Member of the Audit Committee
Date of Appointment to Metcash Limited: 18 April 2005.

Mr Rubin is a chartered accountant and is a director of various companies trading in Africa. He has had 25 years industry experience.

LOU JARDIN

CEO IGA Distribution
Date of Appointment to Metcash Limited: 18 April 2005.

Mr Jardin has extensive industry experience, including owning and operating independent supermarkets and holding senior positions within a chain store environment, as well as warehouse and distribution operations. He held a senior position with Coles-Myer for 11 years before joining Metcash in 1997 as the National Manager of Company owned stores. In 1998, Mr Jardin moved to Queensland as the State General Manager of IGA Distribution until his current appointment in May 2000 to the role of CEO IGA Distribution.

RICHARD A LONGES BA (SYDNEY), LLB (SYDNEY), MBA (NSW)

Solicitor (non-practising)
Non-executive Director
Chairman of the Audit Risk & Compliance Committee
Date of Appointment to Metcash Limited: 18 April 2005.

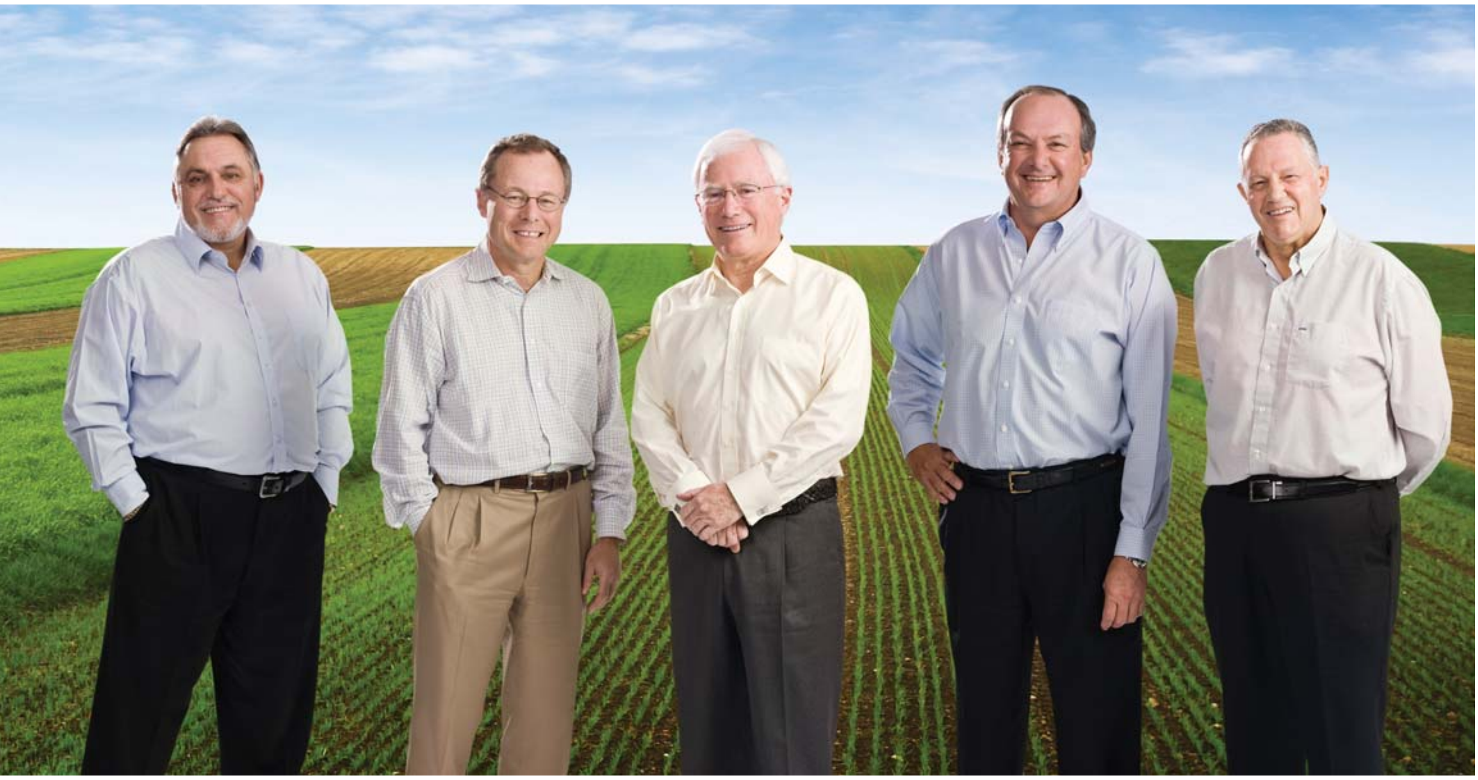
Mr Richard Longes has been a director of a number of public companies and a member of various government bodies and inquiries for more than 20 years. He is currently Chairman of Austbrokers Holdings Ltd and a Director of Boral Limited and Investec Bank (Australia) Ltd.

Mr Longes was formerly a co-founder and principal of the corporate advisory and private equity firm, Wentworth Associates, and prior to that a partner of Freehill Hollingdale & Page, solicitors.

JOHN RANDALL BEC, FCPA, FCIS, MAICD

Company Secretary

Mr Randall joined the Company in 1997. Previously Chief Financial Officer of Metal Manufactures Limited and Overseas Telecommunications Corporation Limited. Member and former President of the Accounting Foundation, University of Sydney, a former National President of the Group of 100, NSW President and National Board member of CPA Australia.



Above from left: Carlos S dos Santos, Lou Jardin, V Dudley Rubin, Neil D Hamilton, Michael R Butler, Mike Jablonski, Richard A Longes, Peter L Barnes, Andrew Reitzer, Edwin Jankelowitz.

ANDREW REITZER B COMM MBL

CEO Metcash Group of Companies

Mr Andrew Reitzer has 30 years experience in the retail/wholesale industry. Previous positions at Metro Cash and Carry Limited include Group Operations Director, heading operations in Russia and Israel, Marketing Director, IT Director and managing various operating divisions.

KEN BEAN MBA, GRAD DIP BUS, DIP. ACC.

Chief Executive, Group Logistics and Corporate Development

Mr Ken Bean has over 37 years experience in the retail wholesale industry. Previously Ken was General Manager of Coles-Myer Logistics Pty Ltd and was also responsible for Coles-Myer Asia's buying offices. Ken has also held senior roles in corporate development as well as finance and administration. He also has significant industrial property development and construction experience and is currently a member of the Logistics Association of Australia and the Australian Logistics Council.

FERGUS COLLINS B COMM (HONS) (DUBLIN), B SC MGMT (IRELAND), MBA (UQ)

CEO Australian Liquor Marketers

Fergus Collins joined ALM in December 2001 as Commercial Manager Queensland and was promoted to General Manager Queensland in May 2004. He became General Manager, IBA in July 2006. In February 2007, he was appointed Chief Executive Officer.

Fergus is a member of the Chartered Institute of Management Accountants of the UK and a graduate of the Metcash Executive Leadership Program.

Prior to moving to Australia Fergus has had extensive retail and distribution experience with Texaco and Fosters in the UK.

PETER DUBBELMAN MBA (MELB)

CEO Campbells Wholesale

Appointed CEO of Campbells Wholesale in June 1998. Peter has over 24 years experience in fast moving consumer goods distribution primarily in multi-site general management.

Major growth in the convenience sector has been achieved through the successful development of an efficient supply chain solution to organised and franchised retailers and the development of retail formats in the independent convenience market.

Peter has successfully initiated major growth of the business through the establishment of four distinct divisions each aligned with the specific needs of the convenience, liquor and hospitality markets throughout Australia.

ADRIAN GRATWICKE BA (HONS), ACA, MBA

General Manager Finance

An experienced finance professional, Mr Gratwicke brings over 20 years commercial and industry experience to his current position as General Manager Finance. Since joining Metcash in April 1998, he has held several senior roles including National Accounting Manager, National Commercial Manager-IGA>D and General Manager Mergers & Acquisitions, Risk and Investor Relations.

BERNARD HALE B TH (CAN)

Chief Information Officer

Mr Hale was formerly a Director of Metro Cash and Carry Limited of South Africa. Mr Bernard Hale has 33 years of IT industry experience, 24 of which have been within the Metro Cash and Carry organisation. Previous positions held in Metro include Operation Director IT, Group IT Director, Group Operations Director (Domestic) and Corporate Group IT Director.

He was appointed Chief Information Officer of Metcash Trading Limited on 1 December 2002. Prior to being appointed to his current role he served as a Non-executive Director of Metcash Trading Limited.

MIKE JABLONSKI

Group Merchandise Director

Mr Jablonski has 36 years experience in the food industry. Previous positions include: 1984 Merchandise Executive Foods of OK Bazaars; 1987-1991 Merchandise and Marketing Director of Score Food Holdings Ltd, 1992-1996 Deputy Group Merchandise Director of Metro Cash and Carry Limited, 1996-1998 Director of Distribution and Retail Development of Metro Cash and Carry Limited.
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Consulting January 1980 to March 1983 – business management and tax.

Caxton Ltd 1983-1997 – Finance Director; Managing Director; Chairman. Chairman of other publicly quoted companies.

Metcash Trading Limited, Metcash Limited – May 1998 to date – Finance Director.

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DAVID JOHNSTON M BUS (EMPLOYMENT RELATIONS), AFAHRI, JP

Chief Human Resources Officer

Mr Johnston joined Metcash in December 2001. He brings over 30 years experience in Human Resources with some of the world's most successful FMCG companies. He has developed and delivered highly successful culture change initiatives and executive development programs at national and international levels, and pioneered Australian industrial relations agreements.

Mr Johnston's current focus at Metcash includes employee attraction and retention, strengthening management capability and improving structural efficiency.

HARRY RUMPLER

CEO IGA Fresh

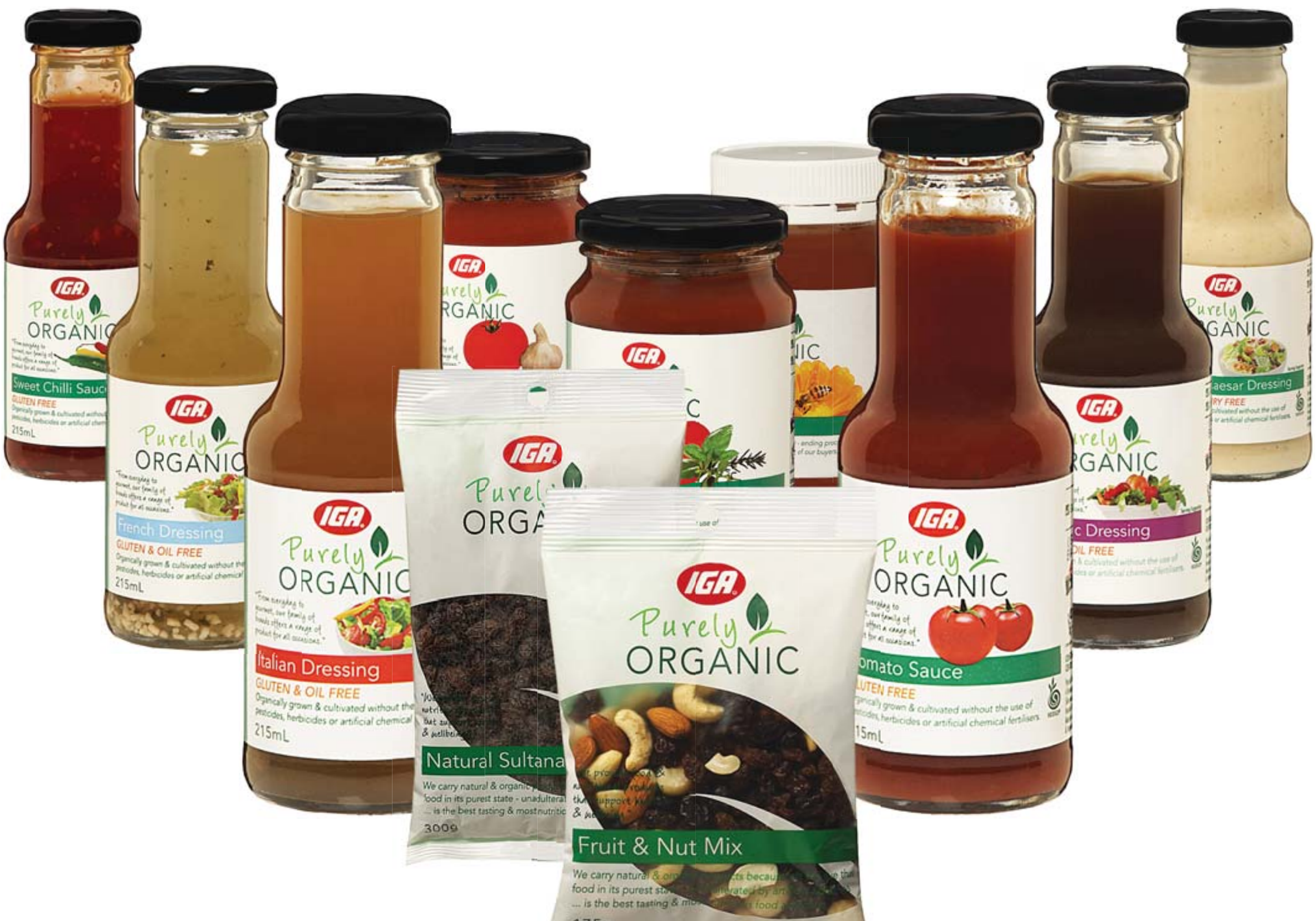
Mr Rumpler joined the Company in November 1997 as National Fresh Food Manager for Merchandise and was then appointed to General Manager IGA>D Queensland in 2005. He was appointed CEO of IGA Fresh in November 2007.

Mr Rumpler has been in retail for 31 years working in all areas of the business including operations, merchandise and buying.

Above from left: Fergus Collins, Harry Rumpler, David Johnston, Mike Jablonski, Ken Bean, Lou Jardin, Adrian Gratwicke, Andrew Reitzer, Edwin Jankelowitz, Bernard Hale, Peter Dubbelman.

five year review

	AIFRS			AGAAP	
	2008 $'000	RESTATED 2007 $'000	2006 $'000	2005 $'000	2004 $'000
INCOME STATEMENT					
Net sales	10,116,108	9,694,772	8,214,375	7,010,374	7,173,897
Earnings before interest and taxation	335,375	282,915	174,000	186,601	163,241
Interest, net	51,102	57,217	40,514	1,455	7,590
Operating profit before tax	284,273	225,698	133,486	185,146	155,651
Profit after tax	197,436	158,575	81,178	126,843	110,195
BALANCE SHEET					
Metcash shareholder equity	1,239,726	1,180,176	1,032,867	4,465	470,155
Net tangible assets per share (cents)	16.16	8.65	(2.40)	(73.00)	36.00
Gearing (debt/debt + equity) (%)	33.2	34.1	42.3	98.8	51.2
SHARE STATISTICS					
Fully paid ordinary shares	764,792,593	762,405,655	747,741,353	427,395,233	636,761,358
Weighted average ordinary shares	763,484,392	753,116,068	593,675,382	427,395,233	633,572,081
Earnings per ordinary share (cents)	25.86	21.06	16.99	29.68	16.10
Dividends declared per share (cents)	21.00	17.00	11.50	9.50	11.00
OTHER STATISTICS					
Number of employees (full-time equivalents)	5,056	5,855	7,033	4,316	4,317



corporate governance statement

The Directors of Metcash Limited (**Metcash** or **Company**) support and adhere to the principles of corporate governance set out in the Metcash Corporate Governance Statement. In supporting these principles, the Directors acknowledge the need for the highest standards of behaviour and accountability.

Except for the departures explained in this Statement, the Directors believe that the Company's policies and practices have complied in all substantial respects with corporate governance best practice in Australia, including the ASX Corporate Governance Council Principles of Good Corporate Governance (Principles) introduced in March 2003.

THE BOARD

The principal functions of the Board include:

- charting the direction, strategies and financial objectives of the Company;
- monitoring implementation of those strategies and the operational and financial performance and risk of each of the Company's activities;
- reviewing major capital expenditure, acquisitions, divestments and funding;
- reviewing performance, remuneration and succession of senior management;
- monitoring compliance with legal regulatory requirements, including occupational health and safety laws, product safety and the protection of the environment;
- monitoring the Company's relationships with its stakeholders and compliance with ethical standards and the Company's Code of Conduct;
- corporate governance generally.

The roles of Chairman and Chief Executive Officer are not exercised by the same individual.

The Board's Charter can be found on the Company's website www.metcash.com under the heading 'Corporate Governance'.

APPOINTMENT TO THE BOARD

The composition of the Board is monitored (with respect to both size and membership) to ensure that the Board has the appropriate mix of skills and experience.

When a vacancy exists, or when it is considered that the Board would benefit from the services of a new Director with particular skills, the Remuneration & Nomination Committee selects a panel of candidates with appropriate expertise and experience. This may be supplemented with advice from external consultants if necessary. The Board, on the Committee's recommendation, then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

Directors are not appointed for a fixed term but, under the Company's Constitution must be re-elected each three years by rotation and are subject to Australian Securities Exchange (ASX) Listing Rules and Corporations Act provisions.

BOARD COMPOSITION

Maintaining a balance of experience and skills is an important factor in Board composition. For details of the skills, experience and expertise of the individual Directors, please refer to page 14, headed 'The Board', of this report.

The Board of Metcash is currently constituted as follows:

INDEPENDENT NON-EXECUTIVE DIRECTORS

Six Independent Directors hold key positions that include chairing the Board and Board Committees of Audit Risk & Compliance and Remuneration & Nomination. They provide an external perspective and checks and balances for the interests of all shareholders.

The Board's six Non-executive Directors (at the date of this report), Mr dos Santos, Mr Barnes, Mr Butler, Mr Hamilton, Mr Longes and Mr Rubin, are considered by the Board to be Independent Directors.

Directors are considered independent if they are not a member of management and are free of any business or other relationship that would materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

The Board regularly assesses the independence of each Director in light of the interests disclosed by them, based on the principles outlined in the ASX Corporate Governance Principles and Recommendations.

'When determining the independent status of a Director, the Board should consider whether the Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed or has previously been employed in an executive capacity by the Company or another group member and there has not been a period of at least three years between ceasing to hold any such employment and serving on the Board;
- has within the last three years been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the Company or another group member other than as a Director of the Company.'

Having regard to the principles, the six Non-executive Directors are considered to be independent for the reasons set out as follows.

None of the six Non-executive Directors are substantial shareholders of the Company or associated with a substantial shareholder of the Company, holding 5% or more of the Company's issued shares.

Messrs Barnes, Butler, Hamilton and Longes are not employed nor have they previously been employed by the Company or another group member. Mr dos Santos and Mr Rubin were employed in executive positions by Metoz, the former majority shareholder in Metcash Trading Limited, now a wholly owned Metcash subsidiary. That employment ceased on 18 April 2005 when the Metoz scheme became effective.

A period of three years has elapsed during which Mr dos Santos and Mr Rubin have remained as Metcash Directors. Although there has not been '… a period of at least three years between ceasing such employment and serving on the Board', it is noted that their roles as Metoz employees did not put them in a position of authority, responsibility, and/or directing the activities of Metcash itself and, that this fact, combined with the three year elapsed period are important factors in determining their capacity to bring independent judgement to bear on Metcash Board deliberations. At all times, they have been Non-executive Directors of Metcash. Given the specific facts of their situation, this test does not preclude them from being considered independent.

The Board has considered all relevant factors and concluded that Mr dos Santos and Mr Rubin are Independent Directors and accordingly, Mr dos Santos is considered to be an Independent Chairman.

None of the six Non-executive Directors has, within the last three years, been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided.

None of the six Non-executive Directors is a material supplier or customer of the Company or an officer of or otherwise associated directly or indirectly with a material supplier or customer. Materiality is assessed as supplying 2.5% or more of the Company's annual purchases or a customer representing 2.5% or more of the Company's annual sales.

Mr Barnes is Chairman of Samuel Smith & Sons Pty Ltd and a Director and Chairman of Ansell Limited, suppliers to the Company; however, the level of purchases involved is not considered material being less than 0.3% of the Company's total purchases.

Mr Hamilton is a Director of Insurance Australia Group Limited and Programmed Maintenance Services Limited, suppliers of insurance and maintenance services to the Company; however, the value of services provided is not considered material being less than 0.1% of the Company's total costs and expenses.

None of the six Non-executive Directors has a material contractual relationship with the Company or another group member, other than as a Director of the Company.

EXECUTIVE DIRECTORS

The Board has four Executive Directors, each of whom is responsible for key activities of the Company.

Overall, the Board of Metcash believes it has the capability and does bring independent judgement to bear on decision-making. In May 2007, the Board commissioned Cameron Ralph Pty Ltd, a consultancy specialising in Board performance, to conduct a review of the capacity of the Metcash Board to act in that way (see below).

The Board believes that the presence of the Executive Directors adds considerable knowledge and expertise to the operations of the Board, and that the Board's mode of operation and processes are always capable of ensuring that the presence of the Executive Directors does not limit the ability of the Independent Directors to contribute.

All Directors, whether independent or not, bring an independent judgement to bear on Board decisions.

PERFORMANCE EVALUATION OF THE BOARD AND BOARD COMMITTEES

Board performance consultant Cameron Ralph Pty Ltd was engaged in May 2007 to conduct an independent review of the Board's effectiveness and, in particular, its capacity to act independently and in the interests of all shareholders. The following summary of its findings is provided by Cameron Ralph.

'The Cameron Ralph 2007 review noted the unique context for Metcash as a large wholesale grocery and liquor company operating in Australia.

'Cameron Ralph considered materials provided by the Company, interviewed each of the Directors and reviewed board papers and decision processes for several key decisions over the past year.

'Cameron Ralph is satisfied that the Board of Metcash (in its current composition) has both people and processes that enable it to act effectively and to apply independent judgement to actions and decisions.

'Aspects of the culture and group dynamics which contribute to the Board's effectiveness include:

- high degree of integrity, courage and diligence of Non-executive Directors;
- high level of industry knowledge amongst the Non-executive Directors;

- open and vigorous culture; and
- no inappropriate pressure from the Executive Directors.

'The processes which produce this result include properly constituted and well-functioning committees of the Non-executive Directors, effective use of the Deputy Chair, and full access by non-executives to Company executives.

'Cameron Ralph observed that the ability of the Metcash Board to continue to bring independent judgement to bear in decision-making depends on the current composition, culture, systems and processes. Cameron Ralph made some suggestions aimed at maintaining this capacity for independence of judgement into the future.'

A further performance evaluation of the Board and Board Committees will be conducted in the 2009 year.

INDEPENDENT PROFESSIONAL ADVICE

The Board has a policy of enabling Directors to seek independent professional advice at the Company's expense. The Board will review in advance the estimated costs for reasonableness, but will not impede the seeking of advice.

AUDIT RISK & COMPLIANCE COMMITTEE

The membership of the Audit Risk & Compliance Committee consists of the following Non-executive Directors.

MEMBER	QUALIFICATIONS	MEETINGS HELD	MEETINGS ATTENDED
R A Longes (C)	BA, LLB, MBA	7	7
M R Butler	B Sc, MBA	7	5
V D Rubin	CA(SA), HDip BDP, MBA	7	7

(C) Chairman.

The function of the Audit Risk & Compliance Committee is to advise on the establishment and maintenance of a framework of internal control, effective management of financial and other risks, compliance with laws and regulations and appropriate ethical standards for the management of Metcash. It also gives the Board additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial statements. In accordance with the Principles, the Committee consists only of Independent Directors and is chaired by an Independent Director who is not the Chairman of the Board.

The principal terms of reference of the Audit Risk & Compliance Committee are the effective management of financial and other risks through ensuring that systems and management processes are in place to identify and manage operational, financial and compliance risks.

Specific areas of review include:

- overseeing the establishment of a framework within which risks to the Company are identified and mitigated and risk avoidance processes are established and the effectiveness of the risk management process monitored;
- financial risk and exposure;
- occupational health and safety;
- environmental issues;
- Hazard Analysis and Critical Control Points (HACCP) based food safety program; and
- integrity of information technology systems.

The Committee reviews the effectiveness of risk management policies and procedures by:

- undertaking, annually, a comprehensive strategic and budget review of the Group's activities;
- reviewing monthly financial performance against budget and updated forecasts at least quarterly;
- reviewing the internal audit of the Group's financial controls, taxation compliance and adherence to policies and regulations;
- reviewing annually the effectiveness and adequacy of the Group's insurance program;
- the provision of reliable management and financial reporting; this is done by reviewing and assessing the:
  - quality and timing of management reporting to the Board to enable internal and external reporting of the Company's risks, operations and financial condition;
  - accounting policies and practices against generally accepted accounting principles and the requirements of the Corporations Law, Australian Accounting Standards and Australian Securities Exchange requirements;
  - half-yearly and annual financial statements;
- compliance with laws and regulations by monitoring developments and changes in the various rules, laws and regulations relating to the Company's business operations, the responsibilities of Directors and reviewing the extent to which the Board and the Company are meeting their obligations and to ensure that all requirements are met;
- the maintenance of an effective and efficient audit function; this is achieved by:
  - recommending to the Board the appointment of external and internal auditors;
  - reviewing the effectiveness of the external and internal audit functions;

- ensuring audit scopes are adequate and cover areas of anticipated risk;
- reviewing audit findings and management response;
- reviewing the independence of the external auditor;
- ensuring auditors have the necessary access to Company information and staff to fulfil their obligations.

The Audit Risk & Compliance Committee acts to ensure that operational, financial and compliance risks are managed in accordance with the Board's risk tolerance. The Committee has obtained assurance regarding the effectiveness of the overall system of risk management through various means. These means have included direct enquiry of management, internal and external audit reports and the monitoring of financial and operational results. The Committee meets regularly, in camera, with the lead external Audit Partner and the Chief Internal Auditor.

ENTERPRISE RISK MANAGEMENT

The Committee continues to monitor the implementation of the Risk Management Framework (RMF). Fully compliant with AS/NZS 4360:2004, the software-enabled framework is progressively delivering:

- facilitated risk and control self-assessments by business pillar and function, providing management with a better assessment of key business risks;
- monthly attestations by management that key controls continue to operate satisfactorily;
- key risk indicators for business pillars and functions to provide early warning of problems;
- enterprise-wide risk incident (including near miss) capture and analysis;
- action tracking of necessary corrective activities; and
- executive and Board-level RMF reporting.

The RMF, as it becomes embedded within Metcash's culture, will further improve the quality of risk management throughout the enterprise.

Management has confirmed to the Board the effectiveness of the Company's management of its material risks and the Chief Executive Officer and the Chief Financial Officer have provided a declaration in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards (as is also required under section 295A of the Corporations Act) (refer to the Directors' Report). The Board has received written assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration is founded on a sound system of risk management and internal compliance and control which implements the policies of the Board, and that the system is operating efficiently and effectively in all material respects.

It is the Board policy that the Lead External Audit Partner and Review Partner are each rotated periodically. The Board has adopted a policy in relation to the provision of non-audit services by the Company's external auditor that is based on the principle that work which may detract from the external auditor's independence and impartiality, or be perceived as doing so, should not be carried out by the external auditor. Details of the amounts paid to the external auditor for non-audit services performed during the year are set out in the Directors' Report at page 39. The Company's external auditor has also confirmed its independence to the Directors in accordance with applicable laws and standards as set out in the Directors' Report.

The Lead External Audit Partner is requested to attend the Company's Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

The Committee's Charter can be found on the Company's website www.metcash.com under the heading 'Corporate Governance'.

CODE OF ETHICS/CONDUCT

The Company has a Code of Conduct that applies to Directors and all employees. Subjects covered by the Code include:

- equal employment opportunity, discrimination and harassment;
- security of Company records and assets and confidentiality guidelines;
- conflict of interest, acceptance of gifts, entertainment and services;
- fraud, corruption and irregular transactions;
- legal compliance;
- honest ethical behaviour;
- environmental protection, safe working environment.

The Code can be found on the Company's website www.metcash.com under the heading 'Corporate Governance'.

Compliance with the Code is checked through the Company's processes including internal audit, security, human resources and occupational health and safety. New staff members are required to attend an induction program that includes behaviour guidelines. Additionally, the Company's staff appraisal process includes employees' performance against 'Key Behavioural Indicators' as well as 'Key Performance Indicators'.

The Company also has a Share Trading Policy and a Continuous Disclosure Policy to ensure compliance with the ASX Listing Rules and to ensure accountability at a senior management level for that compliance. Copies of the policies can be found on the Company's website www.metcash.com under the heading 'Corporate Governance'.

The Metcash Share Trading Policy restricts trading of Metcash securities by executives and Directors. Under the policy, no executive or Director may purchase or sell securities in Metcash during the periods between 1 October and the date of publication of preliminary half year results and 1 April and date of publication of preliminary final results, except with the written authority of the Chairman of Metcash. Such authority will only be granted in exceptional circumstances. The Chairman may restrict dealings in securities of Metcash during other periods. Trading in these periods is monitored to ensure Directors and executives have not traded in Metcash securities.

With regard to shares in Metcash Limited held by Directors and key executives that might be financed by margin call loans, the Committee and the Board have examined the issues and noted that:

- the number of Metcash shares held by Directors is below a threshold of materiality and their disposal would be unlikely to have a material effect on the price or value of Metcash shares;
- there is therefore no obligation to inform the market of any margin loans that might be associated with those shares; and
- there is provision in the Metcash Share Trading Policy should it be necessary for employees in distress to trade shares in closed periods at the Chairman's discretion.

It has adopted the policy that Directors and key executives be asked to advise the Chairman of any shares they hold that are subject to margin loans, and the Chairman is to be advised immediately of any decision by a bank to sell such secured Metcash shares.

This policy in no way alters the obligation of Directors to notify the Secretary of any change in the beneficial ownership of Metcash shares held by them.

REMUNERATION & NOMINATION COMMITTEE

Members of the Committee, and attendance at meetings, are shown below:

MEMBER	QUALIFICATIONS	MEETINGS HELD	MEETINGS ATTENDED
A E (Ted) Harris, AC* (C)	FID, FAIM, FAICD	4	2
C S dos Santos	CA (SA)	4	4
P L Barnes (C)	BComm (Hons), MBA	4	4
N D Hamilton**	LLB	4	1

(C) Chairman.
* Mr Harris retired on 30 August 2007. Mr Barnes was appointed Chairman on 1 September 2007.
** Mr Hamilton was appointed to the Remuneration Committee on 6 February 2008.

Responsibilities of the Committee include:

- advise the Board on remuneration of the CEO and senior management;
- advise the Board on performance-linked compensation for management;
- oversee the administration of the Metcash Employees Option Plan;
- advise the Board on directorship and Board Committee appointments, Board succession planning and performance of the CEO;
- implement processes to assess the effectiveness of the Board and its Committees.

The Committee consists only of Independent Directors and is chaired by an Independent Director who is not Chairman of the Board.

The Charter of the Committee can be found on the Company's website www.metcash.com under the heading 'Corporate Governance'.

A formal review of the Board's effectiveness was undertaken during the year 2007 by Cameron Ralph Pty Ltd (as detailed above).

In relation to key executives, the Company maintains a performance evaluation process which measures them against previously agreed Key Performance Indicators and Key Behavioural Indicators. This is performed formally once a year with quarterly reviews and took place during the 2008 financial year in accordance with this process.

Senior executives have access to continuing education to update and enhance their skills and knowledge.

REMUNERATION POLICY

The Company Remuneration Policy can be found on the Metcash Limited website www.metcash.com under the heading of 'Corporate Governance'. It is summarised in the 'Remuneration Report' contained within the Directors' Report. Details of the compensation of key management personnel are also contained in the Directors' Report.

NON-EXECUTIVE DIRECTORS' COMPENSATION

Refer to the 'Remuneration Report' contained within the Directors' Report.

TERMINATION ENTITLEMENTS

Refer to the 'Remuneration Report' contained within the Directors' Report.

DISCLOSURE TO INVESTORS

The Company has implemented procedures to ensure that it provides relevant and timely information to its shareholders and to the broader investment community in accordance with its obligations under the ASX continuous disclosure regime.

In addition to the Company's obligations to disclose information to the ASX and to distribute information to shareholders, the Company publishes annual and half-year reports, media releases, and other investor relations publications on its website, www.metcash.com. Shareholders are also provided with the choice of receiving the Company's communications by mail or electronically.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and discussion of the Company's strategy and goals. The external auditor attends the Annual General Meeting to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

corporate information

ABN 32 112 073 480

DIRECTORS

Carlos S dos Santos (Chairman)

Peter L Barnes (Deputy Chairman)

Andrew Reitzer (CEO)

Michael R Butler

Neil D Hamilton

Michael R Jablonski

Edwin M Jankelowitz

Joao Louis S Jardim (Lou Jardin)

Richard A Longes

V Dudley Rubin

COMPANY SECRETARY

John A Randall

REGISTERED OFFICE

50 Waterloo Road
Macquarie Park NSW 2113

Telephone: 61 2 9751 8200

SHARE REGISTER

Registries Limited
GPO Box 3993
Sydney NSW 2001

Telephone: 61 2 9290 9600

Facsimile: 61 2 9279 0664

AUDITOR

Ernst & Young

INTERNET ADDRESS

www.metcash.com

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directors' report

year ended 30 April 2008

Your Directors submit their report for the year ended 30 April 2008.

DIRECTORS

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

Carlos S dos Santos (Chairman)
Peter L Barnes (Deputy Chairman)
Andrew Reitzer (CEO)
Michael R Butler
Neil D Hamilton (appointed 7 February 2008)
Michael R Jablonski
Edwin M Jankelowitz
Joao Louis S Jardim (Lou Jardin)
Richard A Longes
V Dudley Rubin
A E (Ted) Harris, **AC** (retired 30 August 2007)

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

For qualifications and experience of Directors please refer to 'The Board' section of this annual report.

COMPANY SECRETARY

John A Randall

For qualifications and experience of the Company Secretary please refer to 'The Board' section of this annual report.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the Directors in the shares and options of Metcash Limited were:

	NUMBER OF ORDINARY SHARES	NUMBER OF OPTIONS OVER ORDINARY SHARES
Carlos S dos Santos	54,100	–
Peter L Barnes	177,083	–
Andrew Reitzer	1,750,000	1,200,000
Michael R Butler	50,000	–
Neil D Hamilton	–	–
Michael R Jablonski	–	650,000
Edwin M Jankelowitz	520,000	650,000
Joao Louis S Jardim	329,986	650,000
Richard A Longes	128,154	–
V Dudley Rubin	15,000	–
A E (Ted) Harris, AC*	404,695	–

* As at date of retirement.

EARNINGS PER SHARE

	CENTS
Basic earnings per share	25.86
Diluted earnings per share	25.74

DIVIDENDS

	CENTS	$'000
Final dividends for 2008 recommended		
– on ordinary shares	12.0	91,775
Dividends paid in the year		
Interim for the year		
– on ordinary shares in December 2007	9.0	68,744
Final for 2007 recommended in the 2007 financial report		
– on ordinary shares	10.0	76,267
		145,011

CORPORATE INFORMATION

CORPORATE STRUCTURE

Metcash Limited is a company limited by shares that is incorporated and domiciled in Australia.

PRINCIPAL ACTIVITIES

The principal activities during the year of entities within the consolidated entity were the wholesale distribution and marketing of groceries, liquor and associated products.

EMPLOYEES

The consolidated entity employed 5,056 full time equivalent employees as at 30 April 2008 (2007: 5,855 employees).

REVIEW AND RESULTS OF OPERATIONS

GROUP OVERVIEW

A review of the operations during the period, and the results of those operations, appears in the 'Chairman's and CEO's Report' on page 2.

Summarised operating results are as follows:

	2008	
	REVENUES $'000	PROFIT BEFORE TAX $'000
Business segments		
Food Distribution	6,065,964	275,141
Cash & Carry Distribution	1,550,818	30,562
Liquor Distribution	2,499,326	31,231
	10,116,108	336,934
Consolidated entity adjustments/(unallocated amounts)	83,014	(52,661)
Consolidated entity sales and profit from ordinary activities before income tax expense	10,199,122	284,273

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes in the state of affairs of the Company occurred during the financial period, not otherwise disclosed in the 'Chairman's and CEO's Report'.

directors' report

year ended 30 April 2008

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 7 February 2008, the Board approved the issuance of invitations to participate in an option issue under the Employee Share Option Plan (ESOP). Invitations were sent to eligible employees in April 2008 with final acceptance required by 16 May 2008.

In July 2008, the Company issued 21,079,628 options to employees under the ESOP. These options were determined to have a value of 87.7 cents each. No share-based payment expense in relation to this option issue has been recorded in the financial year.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Information with respect to likely developments is set out within the 'Chairman's and CEO's Report'.

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each of the Directors were as follows:

		MEETINGS OF COMMITTEES	
	DIRECTORS' MEETINGS	REMUNERATION & NOMINATION	AUDIT RISK & COMPLIANCE
Number of meetings held:	4	4	7
Number of meetings attended:			
Carlos S dos Santos	4	4	–
A E (Ted) Harris, AC*	2	2	–
Peter L Barnes	4	4	–
Andrew Reitzer	4	–	–
Michael R Butler	3	_	5
Neil D Hamilton**	1	1	–
Michael R Jablonski	3	–	–
Edwin M Jankelowitz	4	–	–
Joao Louis S Jardim	4	–	–
Richard A Longes	4	–	7
V Dudley Rubin	4	–	7

* Mr Harris, AC retired from the Metcash Board on 30 August 2007.

** Mr Hamilton was appointed to the Metcash Board on 7 February 2008.

All Directors were eligible to attend all meetings held, except for Neil Hamilton, who was eligible to attend one Directors' meeting and Ted Harris, AC, who was eligible to attend two Directors' meetings.

COMMITTEE MEMBERSHIP

As at the date of this report, the Company had an Audit Risk & Compliance Committee and a Remuneration & Nomination Committee. Members acting on the committees of the Board during the year were:

AUDIT RISK & COMPLIANCE	REMUNERATION & NOMINATION
R A Longes (C)	P L Barnes (C)
M R Butler	C S dos Santos
V Dudley Rubin	N D Hamilton*
	A E Harris, AC**

(C) Designates the chairman of the committee.

* Mr Hamilton was appointed a member of the Remuneration & Nomination Committee on 6 February 2008.

** Mr Harris, AC was Chairman of the Remuneration & Nomination Committee until his retirement on 30 August 2007.

For details of the committees, their charters and current membership, please refer to the section 'Corporate Governance Statement'.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

i. The Constitution of the Company permits the grant of an indemnity (to the maximum extent permitted by law) in favour of each Director, the Company Secretary, past Directors and Secretaries, and all past and present Executive Officers. The Company has entered into Deeds of Indemnity and Access with F J Conroy, C P Curran, T S Haggai, R S Allan, J J David, Sir Leo Heilscher, B A Hogan and M Wesslink together with all of the current Directors and certain other officers of the Company. This indemnity is against any liability to third parties (other than related Metcash companies) by such officers unless the liability arises out of conduct involving a lack of good faith. The indemnity also includes costs or expenses incurred by an officer in unsuccessfully defending proceedings relating to that person's position.

ii. 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.

SHAREHOLDER RETURNS

The ongoing performance of the Group has ensured that returns to shareholders, through both dividends and capital growth, has continued.

	AIFRS			AGAAP	
		RESTATED			
	2008	2007	2006	2005	2004
Earnings per share before CULS, CUPS and restructure costs in 2006 and 2007 (cents)	27.17	21.84	24.87	31.81	16.10
Earnings per share before intangible amortisation (cents)	26.64	21.84	17.48	29.68	18.86
Basic earnings per share (cents)	25.86	21.06	16.99	29.68	16.10
Dividends declared per share (cents)	21.00	17.00	11.50	9.50	11.00
Increase/(decrease) in dividends declared per share (%)	23.53	47.83	21.05	(13.64)	27.91
Dividend payout ratio (%)	81.21	80.72	67.69	32.01	68.32
Return on equity (%)	16.30	14.20	19.00	28.80	22.70
Share price (30 April) ($)	4.22	5.24	4.60	3.20	2.05
Dividend yield	4.98	3.24	2.50	2.97	5.37

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under Australian Securities and Investments Commission (ASIC) Class Order 98/0100.
The Company is an entity to which the Class Order applies.

TAX CONSOLIDATION

Metcash Limited has formed a tax consolidation group including its 100% owned Australian owned subsidiaries. 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 stand-alone 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.

OCCUPATIONAL HEALTH AND SAFETY

HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY (HSEC)

Metcash is committed to being a responsible member of the communities in which we live and work. We endeavour to achieve high standards of workplace health and safety, fair and equitable conditions of employment, environmental protection and product safety by striving to always conduct our business in a safe, environmentally sustainable and socially responsible manner.

The Metcash HSEC Governance Standards Framework provides guidance, policy and principles on what constitutes acceptable levels of performance for HSEC and enables us to implement and maintain HSEC objectives and targets. To achieve these targets, the necessary resources are provided at each function and level within the organisation. By developing measurable objectives consistent with our HSEC values we aim to demonstrate best practice HSEC leadership in all matters pertaining to Health, Safety, Environment and Community and promote individual responsibility for HSEC by all employees.

OUR PEOPLE

Employee well-being – Metcash Pro-Fit

The very successful 'Camp Metcash' activity for employees' school-age children continues, and is highly regarded by employees and their children.

Operating once a year over one of the school holiday breaks, employees' children can attend a range of activities during working hours over a full five day working week. This has proven to be a boost for our busy employee parents for whom the school holiday periods can sometimes be difficult.

During this year, 'Camp Metcash' also included employees at our Blacktown Distribution Centre and is being extended to other major sites.

In 2007 the Company lifted the maximum paid maternity leave from six weeks to eight weeks. This has been a well-received policy and has contributed markedly to the retention of our valued staff.

The Metcash Pro-Fit program including free annual influenza injections, free annual health checks and a multi-faceted Employee Assistance Program continues to be well utilised. All of this adds up to a leading edge program of employee benefits and activities designed to enhance the good health and general well-being of employees.

Employee engagement

Metcash is building a culture in which all employees are engaged and care for the well-being of the Company. A measure of success in this area is the Employee Climate Survey which is conducted each two years.

In the latter part of 2007 our third climate survey was conducted. This offered all employees the opportunity to provide their opinions about the Company and the way it works.

The results of the survey, issued to all employees at the beginning of 2008, were pleasing and showed that the majority of employees enjoy their work, care about the Company, their workmates, and hours of work and are concerned for the Company's success.

The main highlights were:

- 72% overall participation rate
- 75% of employees believe that management are accountable for their actions
- 76% of employees believe that decisions are made in the best interests of the Company
- 77% of employees enjoy their work
- 78% of employees understand Metcash's business goals and objectives
- 78% of employees understand what Metcash's values mean
- 78% of employees believe that Metcash's values are an important part of their jobs
- 81% of employees are committed to the success of Metcash
- 85% of employees understand how their job contributes to Metcash's success
- 85% of employees are committed to working safely

While this is good news, areas of improvement were also highlighted. Each site's management team has the task of examining these areas and developing action plans for improvement, which are reviewed and reported on regularly.

Employee development

Metcash identifies and improves the capacity and potential of its employees in alignment with the short and long term goals of the business.

This includes offering a wide range of management development programs to all levels of management. To date, over 200 managers have successfully completed the Diploma of Business (Frontline Management) and gained a nationally recognised qualification. During 2007 a number of senior managers attended the Executive Leadership program which provides them with the opportunity to further develop their leadership skills and strategic thinking capability.

eLearning continues to grow with the launch of a number of new programs. Traditional face to face training has also expanded with the introduction of programs such as Stress Management and High Performance Living.

The Metcash Employee Vocational Education Sponsorship (MEVES) is used to facilitate the educational development of employees through accredited vocational and tertiary education courses.

Safety

Risk and hazard management initiatives

Enforcement of a zero tolerance to Manual Handling and Mobile Plant incidents continues to be the focus of Metcash's key safety risk elimination program. An ongoing rigorous compliance driven strategy continues to deliver measured improved results in OHS legislative and internal procedural compliance across the business.

OHS Performance Review

STATISTIC		PERCENTAGE CHANGE FROM PREVIOUS YEARS
Lost time incident frequency rate (LTIFR)	↑	6% increase
Number of lost time injuries	↓	13% decrease
Number of employee consultation safety meetings	↑	9% increase
Number of hours lost	↑	28% increase
Severity rate	↑	70% increase
Duration rate	↑	60% increase
Workers' compensation claims	↓	41% decrease
Cost of workers' compensation claims	↓	43% decrease
Number of safety regulatory non-compliances/improvement notices	↓	46% decrease
Number of labour hire injuries	↓	50% decrease

Although the numbers of workers compensation claims and lost time injuries have decreased, this year disappointingly saw an increase in the number of hours lost and higher severity and duration rates, which has affected the safety performance of the organisation. This can be attributed to the statistics now including all New Zealand sites for a full year and several serious workers compensation claims requiring significant recovery time off work.

These incidents occurred despite extensive work through safety committees to eliminate potential problems and have led to an examination of our operational processes to ensure that optimal safe working procedures are in place. The results of this examination have been reviewed by the Audit, Risk and Compliance Committee. The number of workers compensation claims, however, has decreased 41%, continuing the trend from the 2007 year where claims reduced by 21%. The cost of claims also decreased 43% during the year, demonstrating a strong performance in 'return to work' rates. The focus on employee engagement in safety is demonstrated by a 9% increase in consultation meetings. Safety effectiveness and awareness was ranked No.1 in importance by employees in the Employee Climate Survey.

A key initiative during the year was the development and pilot of a technology based risk assessment tool – LIFT, used for determining and managing manual handling risks for high volume order picking warehouse facilities. LIFT reduces manual handling injuries related to picking up product from unsafe picking zones and will provide a process for calculating and managing risk across warehouse operations.

The year saw significant challenges with the integration of IGA>D and CSD into the Crestmead mega-site with no lost time incidents occurring during the move. In addition, IGA>D had the challenge of a significantly higher workload following the Blacktown site crisis. Increased site safety vigilance is producing benefits.

The 2007-08 OHS strategy included a number of projects to manage key risk areas and address issues such as an Aging Workforce, Drug & Alcohol Policy implementation and behavioural safety. Benefits continue to be obtained from the previous projects including mobile plant and equipment safety and manual handling. There has also been a significant improvement in safety compliance audit results over the past 12 months.

directors' report

year ended 30 April 2008

OUR PLACES OF WORK

Sustainability – Meeting our 2010 commitment of 20% energy reduction

The key focus areas for Metcash's environmental sustainability are energy efficiency, waste/packaging reduction, water recovery initiatives, and a Retailers Sustainability Support & Engagement Program. The Company continues to co-ordinate a series of Environmental Packaging Reduction Plans across its sites and corporate brands. The Company also assists IGA retailers with their packaging strategies. The results of the National Packaging Covenant action plans demonstrate increased recycling rates, reduced wastage to landfill, reduced usage of plastic carry bags and the availability of environmentally friendly 'green bags'. Additionally, there has been an improved adoption of the Environmental Code of Practice for Packaging (EcoPP) principles on product stewardship and lower package to food ratios have been generated. An 11% increase in recovered cardboard, plastics and liquids was achieved.

New sustainability measures are being developed to source sustainable building and other materials, and improve carbon footprint analysis and energy reduction strategies across the company's sites. Green House Gas (GHG) Emissions Mapping is currently underway with a GHG inventory being established. Energy efficiency audits of sites have commenced.

During the year focus on carbon emissions management has seen 26% more company vehicles converted from petrol to gas with 74% of the total fleet expected to be gas fuelled by the end of the 2009 financial year.

There were no environmental issues during the year.

Business Continuity Management (BCM)

BCM is an important element of good corporate governance and is critical to organisational sustainability in response to disruption or crisis events. Metcash has developed and formalised logical and systematic BCM programs with documented plans for all Metcash sites to enable timely and cost effective crisis and recovery management.

OUR PROCESSES AND PRODUCTS

Product safety/public health

The Company continues to implement strategies to ensure its business units comply with food safety and food labelling legislation whilst assisting with the training and implementation of these programs with its independent retail customers.

Company product specification management includes frequent batch testing and contracted Supplier Quality Assurance certification schemes. Metcash Corporate Label food and consumer products are tested frequently to ensure consumer safety.

Food Safety Standards

Hazard Analysis and Critical Control Points (HACCP) based food safety programs are in place at all Metcash warehouses.

These programs are frequently reviewed and certified to HACCP. Internal and external third party food safety audits conducted during the year confirm that all Metcash sites are operating at legislated food safety standards. All third party audited Metcash warehouses have no outstanding major non-conformances.

Bioterrorism assessments

Metcash continues to assist in a number of food industry consultative groups to increase security management across the businesses and to assist the Food Industry Infrastructure Assurance Action Group to better prepare the community and the Company controlled sites for possible pandemic or other bioterrorism risks. The contingency plans developed also provide responses for community hazards such as major floods, cyclones and bushfires.

REMUNERATION REPORT

This report outlines the remuneration arrangements for Directors and executives of Metcash Limited (the Company).

REMUNERATION & NOMINATION COMMITTEE

Role

The Remuneration & Nomination Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, the Chief Executive Officer (CEO) and the senior executive team.

The principal responsibilities of the Committee (which are available on the Company's website) are to:

- review and advise the Board annually on the remuneration and components of remuneration for the Chief Executive Officer and executives reporting directly to the Chief Executive Officer;
- review management's recommendation and advise the Board on performance linked compensation packages for management staff, Directors' and executives' retirement, pension and superannuation schemes, and employee participation schemes, including executive share and share option plans and employee share plans;
- oversee the administration of the Metcash Employees Option Plan and exercise the Board's discretionary power when required;
- advise the Board on directorship appointments, and implement processes to assess the Board and its committees, review the Board's required status, experience, mix of skills, and other qualities, including gender, and provide a Directors' orientation and education program;
- regularly evaluate and advise the Board on the performance of the Chief Executive Officer;
- advise the Board on the successor to the Chief Executive Officer; and
- assess the effectiveness of the Board as a whole and its committees as set out in Section 7 of the Metcash Board Charter.

The Remuneration & Nomination Committee assesses the appropriateness of the nature and amount of remuneration of Directors and senior executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

COMPENSATION STRUCTURE

In accordance with best practice corporate governance, the structure of Non-executive Director and senior executive remuneration is separate and distinct.

Non-executive Director compensation

Aggregate Non-executive Directors' remuneration is determined from time to time at a general meeting. The current limit, $1,000,000, was agreed by members at the 1 September 2005 Annual General Meeting.

Non-executive Directors are paid an annual fee which is periodically reviewed. The Remuneration & Nomination Committee has responsibility for reviewing and recommending the level of remuneration for Non-executive Directors. External professional advice is sought before any changes are made to the amount paid to Directors within the overall maximum amount approved by shareholders. Additional amounts are paid to the Chairman and Deputy Chairman to recognise the responsibilities involved with those positions. Directors performing committee duties are paid additional fees. The current fees were based on independent advice and are:

	BASE FEE	CHAIR FEE	COMMITTEE FEE	TOTAL
Chairman	$200,000		$10,000	$210,000
Deputy Chairman/Chairman, Remuneration & Nomination Committee	$150,000	$20,000		$170,000
Chairman, Audit Risk & Compliance Committee	$100,000	$25,000		$125,000
Directors (3)	$300,000		$30,000	$330,000
	$750,000	$45,000	$40,000	$835,000

Non-executive Directors do not receive bonuses and are not entitled to participate in the Company's share option scheme.

A retirement benefit was paid to Non-executive Directors for past service. The benefits were in accordance with Section 8.3(h) and (i) of the Company's Constitution and Section 200 of the Corporations Law.

The retirement benefit scheme was discontinued as at the date of the 2005 Annual General Meeting and accrued benefits (as shown below) were frozen at that time. Directors' fees were increased based on independent advice to reflect the cessation of this benefit.

ACCRUED BENEFITS	$
R A Longes	211,619
P L Barnes	211,619
	423,238

Senior Executive and Executive Director compensation

The Remuneration & Nomination Committee recognises that the Group operates in a very competitive environment and that its performance depends on the quality of its people. To continue to prosper, the Group must be able to attract, motivate and retain highly skilled executives.

The guiding principles of the Group's remuneration policy are to:

- provide competitive rewards to attract and retain executive talent;
- apply demanding Key Performance Indicators (KPIs) to deliver results across the Group and to a significant portion of the total reward;
- link rewards to executives to the creation of value to shareholders;
- assess and reward executives using financial and non-financial measures of performance;
- ensure remuneration arrangements between executives are equitable and facilitate the deployment of human resources around the Group; and
- limit severance payments on termination to pre-established contractual arrangements which do not commit the Group to making unjustified payments in the event of non-performance.

Advisers

The Chief Executive Officer and the Chief Human Resources Officer have assisted the Committee in its deliberations during the year. In addition, independent advisers were retained to provide assistance and advice on market-related remuneration and short, medium and long-term incentives.

Service contracts

Service contracts exist for senior executives including the Chief Executive Officer. They are unlimited in term but capable of termination on 15 months' notice in the case of the Chief Executive Officer and nine months notice in the case of executives who are direct reports to the Chief Executive Officer. The Group retains the right to terminate a contract immediately, by making payments equal to the notice period, in lieu of notice. In addition, should termination be as a result of redundancy, a further payment of nine months of fixed remuneration (base salary plus superannuation) is payable to the Chief Executive Officer and six months further payment to executives who are direct reports to the Chief Executive Officer.

The Chief Executive Officer and executives, who are direct reports to the Chief Executive Officer, may terminate their employment by giving three months notice.

The service contracts typically outline the components of remuneration paid to executives, but do not prescribe how remuneration levels are viewed each year to take account of cost-of-living changes, any change in the scope of the role performed by the executive and any changes required to meet the principles of the remuneration policy.

Remuneration is divided into two components. The first is the fixed or base component, which is made up of base salary and superannuation benefits. The second is the 'at risk' component, which is subject to KPIs and performance hurdles and is generally made up of short and long-term incentives that take the form of cash payments and/or participation in the equity plans. The amount of 'at risk' remuneration, if any, that is earned by an executive is wholly dependent on that executive's and the Group's performance against those pre-determined KPIs and performance hurdles.

Fixed remuneration

Base salary and benefits

Base salaries are determined by reference to the scope and nature of the individual's role and their performance and experience. Market data is used to benchmark salary levels. Particular consideration is given to competitive remuneration levels and the need to retain talent.

Superannuation benefits

Superannuation benefits are delivered in accordance with the Federal Government's Superannuation Guarantee Levy, which currently sits at 9% of fixed remuneration to a maximum of $159,009 per annum and for amounts above that at a flat $13,129 per annum.

At risk remuneration

At risk remuneration is delivered as short and long term incentives and applies to the Group's senior management and, assuming that maximum bonuses are earned, 53.4% of short term income is at risk. The components of the 'at risk' remuneration are as follows:

- Executive management bonus scheme (short term incentive). This is a scheme catering for different levels of management responsibility and delivers a maximum of 25%, 50% or 75% of fixed remuneration (depending on the level of responsibility) subject to achievement of pre-determined KPIs relating to Business Pillar and/or Group financial and individual performance.
- Options plan (long-term incentive). Share options are issued and administered in accordance with the Metcash Limited Employees' Option Plan as approved by shareholders on 1 September 2005. This plan delivers share options to individuals and is subject to achievement of performance hurdles for Executive Directors and members of the Executive Team based on increase in earnings per share. The Company's policy is that unexercised options cannot be 'hedged'.

- A long term retention payment of $5,000,000 to the Chief Executive Officer and $2,000,000 to each of the Chief Financial Officer, Group Merchandising Director, CEO of IGA Distribution and the Chief Information Officer subject to achievement of specific hurdles over a five year period (a compounding 12.5% increase in earnings per share based on 2005 earnings per share adjusted for material changes to the number of shares issued) and only payable on successful achievement of the hurdles in 2010 and if the executive is still employed by the Company at the time.
- A long term retention payment of $1,000,000 to each of the Chief Executive Officer Campbell's Wholesale, Chief Executive Officer Logistics and Corporate Development, Chief Executive Officer ALM/IBA and the Chief Human Resources Officer subject to achievement of specific hurdles over a five year period (a compounding 10% increase in earnings per share based on 2007 earnings per share adjusted for material changes to the number of shares issued) and only payable on successful achievement of the hurdles in 2012 and if the executive is still employed by the Company at that time.

Earnings per share growth has been selected as the performance measure for long-term incentives as it directly relates to the performance of the Company and is not distorted by external influences.

The performance hurdle for options issued to Executive Directors in 2005, as agreed by members at the Annual General Meeting held on 1 September 2005, was that, in each of the years in which options became available for exercise, earnings per share for the financial year preceding the tranche exercise date must be at least equal to a 12.5% annual increase of earnings per share compounded from the 2005 earnings per share, adjusted for any dilution that might occur as a consequence of any alteration to the number of ordinary shares issued.

Before options are exercised by Executive Directors, agreement is obtained from the Remuneration & Nomination Committee, which verifies that the hurdle has been achieved with confirmation obtained from the Company's external auditor.

An offer to accept a new issue of options has been extended to employees. 21.1 million options are involved. The options will be effective 7 February 2008 at an exercise price of $4.2672, the volume weighted average price of Metcash Limited shares for the five trading days prior to 7 February 2008, the date of the issue's approval by the Board. The options are exercisable in three tranches, 60% of the options issued exercisable on or after 7 February 2011, 20% on or after 7 February 2012 and 20% on or after 7 February 2013. Options not exercised by 7 February 2014 will be cancelled.

Options were not offered to Executive Directors and other members of the Executive Team subject to a long term retention payment. A performance hurdle applies to options issued to members of the Executive Team not subject to a long term retention payment; the hurdle being a compounding 10% increase in earnings per share based on earnings per share for the 2007 financial year to be achieved in the financial year prior to the financial year in which a tranche of options becomes able to be exercised.

Before these options are exercised by members of the Executive Team, agreement is obtained from the Remuneration & Nomination Committee which verifies that the hurdle has been achieved with confirmation from the Company's external auditor.

Options are issued to all of the Company's staff and performance hurdles have not been applied to options issued to other employees.

At risk remuneration and Company performance

The 'at risk' remuneration, with the short-term focus on sales and profit and the long-term segment influenced by earnings per share and share price, has contributed to the growth in the shareholder returns as identified in the Shareholder Returns section of the Directors' Report.

Details of Key Management Personnel

Directors

Carlos S dos Santos	Non-executive Chairman
Peter L Barnes	Non-executive Deputy Chairman
Andrew Reitzer	Chief Executive Officer
Michael R Butler	Non-executive Director
Neil D Hamilton	Non-executive Director (appointed 7 February 2008)
Michael R Jablonski	Group Merchandise Director
Edwin M Jankelowitz	Finance Director
Lou Jardin	CEO IGA Distribution
Richard A Longes	Non-executive Director
V Dudley Rubin	Non-executive Director
A E (Ted) Harris, AC	Non-executive Deputy Chairman (retired as director 30 August 2007)

Executives

Ken Bean	CEO Group Logistics and Corporate Development
Fergus Collins	CEO Australian Liquor Marketers
Peter Dubbelman	CEO Campbells Wholesale
Adrian Gratwicke	General Manager Finance (appointed 11 February 2008)
Bernard Hale	Chief Information Officer
David Johnston	Chief Human Resources Officer
Harry Rumpler	CEO IGA Fresh (appointed 1 November 2007)

Compensation of Key Management Personnel*

*Compensation of Key Management Personnel for the year ended 30 April 2008**

	SHORT-TERM			POST EMPLOYMENT	TERMINATION BENEFITS	SHARE-BASED PAYMENTS	TOTAL	TOTAL PERFORMANCE RELATED (%)
	SALARY AND FEES $	BONUS $	OTHER BENEFITS $	SUPERANNUATION $	TERMINATION BENEFITS $	OPTIONS GRANTED $	$	$
Directors								
C S dos Santos	211,690	–	–	13,055	–	–	224,745	–
P Barnes	145,000	–	–	11,784	–	–	156,784	–
A Reitzer	1,471,924	1,935,923	3,269	106,990	–	371,186	3,889,292	59.32%
M Butler	125,513	–	–	12,121	–	–	137,634	–
N Hamilton	14,872	–	–	888	–	–	15,760	–
M Jablonski	607,517	792,050	23,000	13,055	–	201,059	1,636,681	60.68%
E Jankelowitz	636,765	799,740	–	13,055	–	201,059	1,650,619	60.63%
L Jardin	601,458	711,202	23,000	186,329	–	201,059	1,723,048	52.94%
R Longes	125,000	–	–	11,250	–	–	136,250	–
D Rubin	110,000	–	–	9,900	–	–	119,900	–
A E Harris, AC*1†	145,833	–	–	–	301,882	–	447,715	–
Executives								
K Bean	430,845	654,128	–	101,778	–	75,216	1,261,967	57.79%
F Collins	453,778	350,000	14,000	13,055	–	28,207	859,040	44.03%
P Dubbelman	427,953	552,138	23,000	49,022	–	75,216	1,127,329	55.65%
A Gratwicke*2	314,356	463,250	–	24,291	–	9,402	811,299	58.26%
B Hale	436,165	657,639	–	97,056	–	440,371	1,631,231	67.31%
D Johnston	332,515	516,151	–	86,878	–	75,216	1,010,760	58.51%
H Rumpler	279,998	327,997	–	13,055	–	9,402	630,452	53.52%
	6,871,182	7,760,218	86,269	763,562	301,882	1,687,393	17,470,506	54.08%

*Compensation of Key Management Personnel for the year ended 30 April 2007**

	SALARY AND FEES $	BONUS $	OTHER BENEFITS $	SUPERANNUATION $	TERMINATION BENEFITS $	OPTIONS GRANTED $	TOTAL $	TOTAL PERFORMANCE RELATED (%)
Directors								
C S dos Santos	216,760	–	–	12,687	–	–	229,447	–
P Barnes	110,000	–	–	9,900	–	–	119,900	–
A Reitzer	1,352,764	1,087,769	3,269	105,113	–	371,186	2,920,101	49.96%
M Butler	–	–	–	47,709	–	–	47,709	–
M Jablonski	572,413	437,253	23,000	12,687	–	201,059	1,246,412	51.21%
E Jankelowitz	601,317	441,498	–	12,687	–	201,059	1,256,561	51.14%
L Jardin	566,354	447,388	23,000	18,746	–	201,059	1,256,547	51.61%
R Longes	125,000	–	–	11,250	–	–	136,250	–
D Rubin	110,000	–	–	9,900	–	–	119,900	–
A E Harris, AC	182,140	–	–	–	–	–	182,140	–
B Hogan AM	51,649	–	–	–	–	–	51,649	–
Executives								–
K Bean	394,647	359,045	–	104,687	–	75,216	933,595	46.51%
F Collins*2	263,564	128,333	14,000	12,687	–	28,207	446,791	35.04%
P Dubbelman	405,727	335,754	23,000	43,691	–	75,216	883,388	46.52%
B Hale	411,142	365,153	–	96,687	–	440,371	1,313,353	61.33%
D Johnston	355,440	284,943	–	40,837	–	75,216	756,436	47.61%
J Randall	343,729	347,100	–	97,271	–	75,216	863,316	48.92%
M Wesslink	275,381	144,064	–	60,769	724,193*1	–	1,204,407	–
	6,338,027	4,378,300	86,269	697,308	724,193	1,743,805	13,967,902	43.83%

*1. The payment represents a termination payment (per the executive's service contract) and normal statutory entitlements.

*2. Compensation for the whole year.

* The disclosures marked with an asterisk have been audited. The disclosures have been included in the Remuneration Report in accordance with the exemption under Corporation Amendments Regulations 2006.

† Retired 30 August 2007.

*Options exercised as part of remuneration for the years ended 2007 and 2008**

VALUE OF OPTIONS EXERCISED DURING THE YEAR	2008 $	2007 $
A Reitzer	–	1,133,560
M Jablonski	–	556,631
E Jankelowitz	–	559,657
L Jardin	–	270,560
K Bean	–	266,560
F Collins	4,851	4,771
P Dubbelman	–	271,360
A Gratwicke	–	–
B Hale	1,162,800	–
D Johnston	247,360	244,160
J Randall	37,224	–
H Rumpler	–	–

* The disclosures marked with an asterisk have been audited. The disclosures have been included in the Remuneration Report in accordance with the exemption under Corporation Amendments Regulations 2006.

There were no options issued to Executive Directors during the current or prior financial years.

*Details of bonus provided for in year ended 30 April 2008**

	POTENTIAL BONUS $	BONUS PAYABLE $	BONUS FORFEITED $
Directors			
C S dos Santos	–	–	–
P Barnes	–	–	–
A Reitzer	1,935,923	1,935,923	–
M Butler	–	–	–
N Hamilton	–	–	–
M Jablonski	792,050	792,050	–
E Jankelowitz	799,740	799,740	–
L Jardin	792,050	711,202	80,848
R Longes	–	–	–
D Rubin	–	–	–
A E Harris, AC (retired 30 August 2007)	–	–	–
Executives			
K Bean	654,128	654,128	–
F Collins	375,000	350,000	25,000
P Dubbelman	615,324	552,138	63,186
A Gratwicke*1 (appointed 11 February 2008)	463,250	463,250	–
B Hale	657,639	657,639	–
D Johnston	516,151	516,151	–
H Rumpler (appointed 1 November 2007)	369,597	327,997	41,600

* The disclosures marked with an asterisk have been audited. The disclosures have been included in the Remuneration Report in accordance with the exemption under Corporation Amendments Regulations 2006.

*1. Compensation for the whole year.

All bonuses for the year ended 30 April 2008 were paid either in December 2007, April 2008 or June 2008.

directors' report

year ended 30 April 2008

*Details of bonus provided for in year ended 30 April 2007**

	POTENTIAL BONUS $	BONUS PAYABLE $	BONUS FORFEITED $
Directors			
C S dos Santos	–	–	–
P Barnes	–	–	–
A Reitzer	1,439,229	1,087,769	351,460
M Butler	–	–	–
M Jablonski	598,979	437,253	161,726
E Jankelowitz	604,794	441,498	163,296
L Jardin	598,979	447,388	151,591
R Longes	–	–	–
D Rubin	–	–	–
A E Harris, AC	–	–	–
Executives			
K Bean	491,844	359,045	132,799
F Collins	145,126	128,333	16,793
P Dubbelman	465,332	335,754	129,578
B Hale	500,211	365,153	135,058
D Johnston	390,333	284,942	105,391
J Randall	434,385	347,100	87,285
M Wesslink	213,695	144,064	69,631

* The disclosures marked with an asterisk have been audited. The disclosures have been included in the Remuneration Report in accordance with the exemption under Corporation Amendments Regulations 2006.

All bonuses for the year ended 30 April 2007 were paid either in December 2006, April 2007 or June 2007.

*Compensation by category**

	METCASH GROUP	
	2008 $	2007 $
Short Term	14,717,669	10,802,596
Post Employment	763,562	697,308
Termination Benefits	301,882	724,193
Share-Based Payments	1,687,393	1,743,805
Total	17,470,506	13,967,902

* The disclosures marked with an asterisk have been audited. The disclosures have been included in the Remuneration Report in accordance with the exemption under Corporation Amendments Regulations 2006.

SHARE OPTIONS

UNISSUED SHARES

As at the date of this report, there were 13,360,109 unissued ordinary shares under option (13,523,106 at the reporting date). Refer to note 15 of the financial statements for further details of the options outstanding.

SHARES ISSUED AS A RESULT OF OPTIONS

During the financial year, employees and executives have exercised options to acquire 2,386,938 fully paid ordinary shares in Metcash Limited at a weighted average exercise price of $1.53. Since the end of the financial year, a further 15,600 options have been exercised, at a weighted average exercise price of $1.87.

CEO AND CFO DECLARATION

The Chief Executive Officer and Chief Financial Officer have provided a declaration which states:

a. With regard to the integrity of the financial report of Metcash Limited for the period to 30 April 2008:
   i. The financial statements and associated notes comply in all material respects with the accounting standards as required by Section 296 of the Corporations Act 2001;
   ii. The financial statements and associated notes give a true and fair view, in all material respects, of the financial position as at 30 April 2008 and performance of the Company for the period then ended as required by Section 297 of the Corporations Act 2001;
   iii. In our opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

b. With regard to the financial records and systems of risk management and internal compliance and control of Metcash Limited for the period ended 30 April 2008:
   i. The financial records of the Company have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
   ii. The statements made in (a) above regarding the integrity of the financial statements are founded on a sound system of risk management and internal compliance and control which, in all material respects, implements the policies adopted by the Board of Directors;
   iii. The risk management and internal compliance and control systems of the Company relating to financial reporting, compliance and operations objectives are operating efficiently and effectively, in all material respects.
   iv. Subsequent to 30 April 2008, no changes or other matters have arisen that would have a material effect on the operation of risk management and internal control and control systems of the Company.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 April 2008 has been received and is included on page 93 of the financial report.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. 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. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Tax compliance	$807,000
Assurance-related	$137,000

Signed in accordance with a resolution of the Directors.

Andrew Reitzer
Director
Sydney, 17 July 2008

income statement

for the year ended 30 April 2008

		METCASH GROUP		METCASH LIMITED	
	NOTES	2008 $'000	RESTATED 2007 $'000	2008 $'000	RESTATED 2007 $'000
Revenue	4(a)	10,199,122	9,761,605	383,177	375,294
Cost of sales		(9,137,000)	(8,744,049)	–	–
Gross profit		1,062,122	1,017,556	383,177	375,294
Distribution costs		(335,411)	(312,533)	–	–
Administrative costs		(383,734)	(408,931)	(4,800)	(4,287)
Share of profit of associates		3,230	4,261	–	–
Restructure costs		–	(9,970)	–	–
Finance costs					
Other finance costs	4(f)	(61,934)	(64,685)	(217,855)	(196,875)
Profit before income tax		284,273	225,698	160,522	174,132
Income tax expense	5	(86,835)	(67,123)	–	–
Net profit for period		197,438	158,575	160,522	174,132
Profit attributable to minority interest		(2)	–	–	–
Profit attributable to the members of the parent company		197,436	158,575	160,522	174,132
Earnings per share (cents per share)					
– basic earnings per share	26	25.86	21.06	–	–
– diluted earnings per share	26	25.74	20.90	–	–
Franked dividends per share	6	21.00	17.00	–	–

balance sheet

as at 30 April 2008

		METCASH GROUP		METCASH LIMITED	
	NOTES	2008 $'000	RESTATED 2007 $'000	2008 $'000	RESTATED 2007 $'000
ASSETS					
Current assets					
Cash and cash equivalents	7	180,507	141,873	–	–
Trade and other receivables	8	975,086	933,831	850,434	617,183
Inventories	9	576,702	595,145	–	–
Derivative financial instruments	20	3,771	–	–	–
Income tax receivable		10,234	1,239	10,062	1,504
Other		4,604	5,402	–	–
		1,750,904	1,677,490	860,496	618,687
Assets classified as held for sale	27	–	206	–	–
Total current assets		1,750,904	1,677,696	860,496	618,687
Non-current assets					
Receivables	10	35,781	23,001	–	–
Investments in associates accounted for using the equity method	11	80,474	77,716	–	
Other financial assets	12	186	182	4,616,100	4,616,100
Property, plant and equipment	13	139,974	144,272	–	–
Deferred tax assets	5	70,786	101,756	–	–
Intangible assets and goodwill	14	1,116,158	1,114,263	–	–
Total non-current assets		1,443,359	1,461,190	4,616,100	4,616,100
TOTAL ASSETS		3,194,263	3,138,886	5,476,596	5,234,787
LIABILITIES					
Current liabilities					
Trade and other payables	16	1,153,862	1,169,539	–	–
Interest bearing loans and borrowings	17	5,705	5,467	–	–
Income tax payable		–	–	–	–
Provisions	18	73,064	69,672	–	–
Total current liabilities		1,232,631	1,244,678	–	–
Non-current liabilities					
Interest bearing loans and borrowings	17	610,618	605,731	2,817,082	2,599,227
Deferred tax liabilities	5	50,653	49,036	–	–
Provisions	18	60,633	59,265	–	–
Total non-current liabilities		721,904	714,032	2,817,082	2,599,227
TOTAL LIABILITIES		1,954,535	1,958,710	2,817,082	2,599,227
NET ASSETS		1,239,728	1,180,176	2,659,514	2,635,560
EQUITY					
Contributed equity	19	1,889,433	1,885,790	2,555,377	2,551,734
Other equity	19	(765,923)	(765,923)	–	–
Reserves	19	20,696	17,214	12,363	7,563
Retained earnings	19	95,520	43,095	91,774	76,263
Minority Interest		2	–	–	–
TOTAL EQUITY		1,239,728	1,180,176	2,659,514	2,635,560

statement of changes in equity

for the year ended 30 April 2008

		METCASH GROUP							
	NOTES	CONTRIBUTED EQUITY $'000	OTHER EQUITY $'000	SHARE BASED PAYMENTS $'000	RETAINED EARNINGS $'000	CAPITAL RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	MINORITY INTEREST $'000	TOTAL EQUITY $'000
At 1 May 2007									
Total equity at the beginning of the financial period		1,885,790	(765,923)	7,771	43,095	12,777	(3,334)	–	1,180,176
Currency translation differences		–	–	–	–	–	(1,318)	–	(1,318)
Net income/(expenses) recognised directly in equity		–	–	–	–	–	(1,318)	–	(1,318)
Profit for the period		–	–	–	197,436	–	–	2	197,438
Total recognised income and expenses for the period		–	–	–	197,436	–	(1,318)	2	196,120
Exercise of options		3,643	–	–	–	–	–	–	3,643
Cost of share-based payment		–	–	4,800	–	–	–	–	4,800
Dividend		–	–	–	(145,011)	–	–	–	(145,011)
At 30 April 2008									
Total equity at the end of the financial period		1,889,433	(765,923)	12,571	95,520	12,777	(4,652)	2	1,239,728
At 1 May 2006									
Total equity at the beginning of the financial period		1,823,895	(765,923)	3,484	(37,305)	12,777	(4,061)	–	1,032,867
Prior year adjustment		5,679	–	–	19,693	–	–	–	25,372
Total restated equity at the beginning of the financial period		1,829,574	(765,923)	3,484	(17,612)	12,777	(4,061)	0	1,058,239
Currency translation differences		–	–	–	–	–	727	–	727
Net income/(expenses) recognised directly in equity		–	–	–	–	–	727	–	727
Profit for the period as previously stated		–	–	–	166,795	–	–	–	166,795
Prior year adjustment	4	–	–	–	(8,220)	–	–	–	(8,220)
Profit for the period as restated		–	–	–	158,575	–	–	–	158,575
Total recognised income and expenses for the period		–	–	–	158,575	–	727	0	159,302
Exercise of options		3,998	–	–	–	–	–	–	3,998
Issue of share capital		52,218	–	–	–	–	–	–	52,218
Cost of share-based payment		–	–	4,287	–	–	–	–	4,287
Dividend		–	–	–	(97,868)	–	–	–	(97,868)
At 30 April 2007									
Total equity at the end of the financial period		1,885,790	(765,923)	7,771	43,095	12,777	(3,334)	–	1,180,176

statement of changes in equity

for the year ended 30 April 2008

	METCASH LIMITED			
	CONTRIBUTED EQUITY $'000	SHARE-BASED PAYMENTS $'000	RETAINED EARNINGS $'000	TOTAL EQUITY $'000
At 1 May 2007				
Total equity at the beginning of the financial period	2,551,734	7,563	76,263	2,635,560
Net income/(expenses) recognised directly in equity	–	–	–	–
Profit for the period	–	–	160,522	160,522
Total recognised income/expense for the period	–	–	160,522	160,522
Exercise of options	3,643	–	–	3,643
Issue of share capital	–	–	–	–
Cost of share-based payment	–	4,800	–	4,800
Dividends	–	–	(145,011)	(145,011)
At 30 April 2008				
Total equity at the end of the financial period	2,555,377	12,363	91,774	2,659,514
At 1 May 2006				
Total equity at the beginning of the financial period	2,495,518	3,276	–	2,498,794
Net income/(expenses) recognised directly in equity	–	–	–	–
Profit for the period	–	–	174,132	174,132
Total recognised income/expense for the period	–	–	174,132	174,132
Exercise of options	3,998	–	–	3,998
Issue of share capital	52,218	–	–	52,218
Cost of share-based payment	–	4,287	–	4,287
Dividends	–	–	(97,869)	(97,869)
At 30 April 2007				
Total equity at the end of the financial period	2,551,734	7,563	76,263	2,635,560

cash flow statement

for the year ended 30 April 2008

	NOTES	METCASH GROUP 2008 $'000	METCASH GROUP 2007 $'000	METCASH LIMITED 2008 $'000	METCASH LIMITED 2007 $'000
Cash from operating activities:					
Receipts from customers		10,855,582	10,350,042	222,655	196,875
Payments to suppliers and employees		(10,429,330)	(9,947,942)	–	–
Income taxes paid		(63,767)	(51,927)	–	–
GST paid		(113,459)	(117,450)	–	–
Dividends received		1,516	1,971	160,522	178,419
Borrowing costs		(60,051)	(64,685)	(217,855)	(196,875)
Interest received		7,061	7,468	–	–
Total cash from operating activities	7	197,552	177,477	165,322	178,419
Cash flows from investing activities:					
Proceeds from sale of plant and equipment		21,640	11,622	–	–
Proceeds from sale of retail stores		5,746	–	–	–
Net proceeds from assets classified as held for sale		–	55,549	–	–
Payment on acquisition of businesses		(5,751)	(97)	–	–
Purchase of property, plant and equipment		(31,820)	(25,554)	–	–
Payments for intangibles		(15,079)	(14,570)	–	–
Payment on acquisition of associates		(1,048)	(24,949)	–	–
Loan (to)/from subsidiaries		–	–	(23,955)	(136,767)
Loan to associates		(12,522)	(31,992)	–	–
Loan (to)/from other entities		(8,216)	(29,358)	–	–
Proceeds from repayments of non-current receivables		35,069	1,322	–	–
Net cash used by investing activities		(11,981)	(58,027)	(23,955)	(136,767)
Cash flows from financing activities:					
Proceeds from the issue of ordinary shares		3,643	56,399	3,643	56,399
Proceeds from borrowings – other		575,000	835,000	–	–
Repayments of borrowings – other		(575,000)	(985,000)	–	–
Payment of finance lease principal		(5,461)	(6,854)	–	–
Payment of funding costs		–	(183)	–	(183)
Payment of dividends on ordinary shares		(145,011)	(97,868)	(145,011)	(97,868)
Net cash used by financing activities		(146,829)	(198,506)	(141,368)	(41,652)
Net cash increase (decrease) in cash and cash equivalents		38,742	(79,056)	–	–
Cash and cash equivalents at beginning of year		141,873	220,199	–	–
Effect of exchange rate changes on cash		(108)	730	–	–
Cash and cash equivalents at end of year	7	180,507	141,873	–	–

notes to the financial statements

year ended 30 April 2008

1 CORPORATE INFORMATION

The financial report of Metcash Limited (the Company) for the year ended 30 April 2008 was authorised for issue in accordance with a resolution of the Directors on 15 July 2008.

Metcash Limited and its controlled entities (the Group), is a company limited by shares incorporated 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) BASIS OF ACCOUNTING

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards.

The financial report has been prepared using the historical cost basis, except for available-for-sale investments, which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

(ii) STATEMENT OF COMPLIANCE

The financial report complies with Australian Accounting Standards. The financial report also complies with International Financial Reporting Standards (IFRS).

(a) Changes in Accounting Policy

Since 1 May 2007 the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 May 2007. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

REFERENCE	TITLE	SUMMARY
AASB 2005-10	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]	Amendments arise from the release in August 2005 of AASB 7 *Financial Instruments: Disclosures.*
AASB 2007-1	Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	Amending standard issued as a consequence of AASB Interpretation 11 *Interim Financial Reporting and Impairment.*
AASB 2007-2	Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]	Amending standard issued as a consequence of AASB Interpretation 12 *Service Concession Arrangements*.
AASB 7	*Financial Instruments: Disclosures*	New standard replacing disclosure requirements of AASB 132.
AASB Interpretation 10	*Interim Financial Reporting and Impairment*	Addresses an inconsistency between AASB 134 *Interim Financial Reporting* and the impairment requirements relating to goodwill in AASB 136 *Impairment of Assets* and equity instruments classified as available for sale in AASB 139 *Financial Instruments: Recognition and Measurement*.
AASB Interpretation 11	*Group and Treasury Share Transactions*	Specifies that a share-based payment transaction in which an entity receives services as consideration for its own equity instruments shall be accounted for as equity-settled.
AASB Interpretation 12	*Service Concession Arrangements*	Clarifies how operators recognise the infrastructure as a financial asset and/or an intangible asset – not as property, plant and equipment.

The adoption of these standards has only affected the disclosure in these financial statements. There has been no effect on profit and loss or the financial position of the entity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Standards issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 April 2008. These are outlined in the table below:

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 8 *Operating Segments.*	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the amendments may have an impact on the Group's segment disclosures.	1 May 2009
AASB 2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASBs 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]	Amendments arising as a result of the AASB decision that, in principle, all options that currently exist under IFRSs should be included in the Australian equivalents to IFRSs and additional Australian disclosures should be eliminated, other than those now considered particularly relevant in the Australian reporting environment.	1 July 2007	These amendments are expected to reduce the extent of some disclosures in the Group's financial report.	1 May 2008
AASB 2007-8	Amendments to Australian Accounting Standards arising from AASB 101	Amending standard issued as a consequence of revisions to AASB 101 *Presentation of Financial Statements*	1 January 2009	The amendments are expected to only affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts under the current AASB 101. The Group has not determined at this stage whether to present the new statement of comprehensive income as a single or two statements.	1 May 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]	Amending standard issued as a consequence of revisions to AASB 3 *Business Combinations* and AASB 127 *Consolidated and Separate Financial Statements.*	1 July 2009	The Group intends to acquire business entities in the future and outstanding non-controlling interests. Impact on the Group's financial report is unable to be assessed.	1 May 2010
AASB 3 (revised)	*Business Combinations*	The revised standard introduces a number of changes in accounting for business combinations that will impact the amount of goodwill recognised, the results in the period that an acquisition occurs, and future revenues reported.	1 July 2009	Refer to AASB 2008-3 above.	1 May 2010
AASB 8	*Operating Segments*	New standard replacing AASB 114 *Segment Reporting,* which adopts a management approach to segment reporting.	1 January 2009	Refer to AASB 2007-3 above.	1 May 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP
AASB 101 (revised)	*Presentation of Financial Statements*	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	Refer to AASB 2007-8 above.	1 May 2009
AASB 123 (revised)	*Borrowing Costs*	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset must be capitalised.	1 January 2009	The Group has no borrowing cost associated with qualifying assets and as such the amendments are not expected to have any impact on the Group financial report.	1 May 2009
AASB 127 (revised)	*Consolidated and Separate Financial Statements*	The revised standard allows a change in the ownership interest of a subsidiary (that does not result in loss of control) to be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss.	1 July 2009	Refer to AASB 2008-3 above.	1 May 2010
AASB Interpretation 4 (revised)	*Determining whether an Arrangement contains a Lease*	The revised Interpretation specifically scopes out arrangements that fall within the scope of AASB Interpretation 12.	1 January 2008	The Group has not entered into any service concession arrangements or public-private partnerships and as such the amendments are not expected to have any impact on the Group's financial report.	1 May 2008
AASB Interpretation 13	*Customer Loyalty Programmes*	Deals with the accounting for customer loyalty programmes, which are used by companies to provide incentives to their customers to buy their products or use their services.	1 July 2008	The Group does not have any customer loyalty programmes and as such this interpretation is not expected to have any impact on the Group's financial report.	1 May 2009

(iii) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Metcash Limited and its subsidiaries as at 30 April 2008.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities.

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.

Investments in subsidiaries held by Metcash Limited are accounted for at cost in the separate financial statements of the parent entity.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the costs of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Minority interests not held by the Group are allocated their share of net profit after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from the parent shareholders' equity.

(iv) REVERSE ACQUISITION

In accordance with AASB 3 Business Combinations, in 2005 when Metcash Limited (the legal parent) acquired the Metoz group (being Metoz Holdings Limited and its controlled entities including Metcash Trading Limited (the legal subsidiary)), the acquisition was deemed to be a reverse acquisition. The consolidated financial statements are issued under the name of the legal parent (Metcash Limited) but are a continuation of the financial statements of the deemed acquirer under the reverse acquisition rules (Metcash Trading Limited).

(v) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

(a) Significant accounting judgements

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

Contractual customer relationships

Identifying those relationships with customers that meet the definition of separately identifiable intangibles that have a finite life.

(b) Significant accounting estimates and assumptions

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:

Impairment of goodwill

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

The assumptions used in this estimation of the recoverable amount and the carrying amount of goodwill are discussed in note 14.

Contractual customer relationships

The useful life of contractual customer relationships of 25 years is based on management's expectation of future attrition rates based on historical rates experienced.

(vi) FOREIGN CURRENCY TRANSLATION

Translation of foreign currency transactions

Both the functional and presentation currency of Metcash Limited and its Australian subsidiaries is Australian dollars (A$).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All exchange differences in the consolidated financial report are taken to profit or loss.

Translation of financial reports of overseas operations

The functional currency of the overseas subsidiaries is as follows:

- Tasman Liquor Company Limited is New Zealand dollars.
- Metoz Holdings Limited is South African Rand.
- Pinnacle Holdings Limited is British Pounds Sterling.
- Soetensteeg 2–61 Exploitatiemaatschappij BV is Euros.
- Wickson Corporation NV is Euros.

As at the reporting date the results of the overseas subsidiaries are translated into the presentation currency of Metcash Limited. Assets and liabilities are translated at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to the foreign currency translation reserve.

(vii) CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand, and short-term deposits with an original maturity of three months or less.

(viii) TRADE AND OTHER RECEIVABLES

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(ix) INVESTMENTS AND OTHER FINANCIAL ASSETS

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Securities Exchange quoted market bid prices at the close of business on the balance sheet date.

(x) DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments (interest rate collar) are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured to fair value. 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 profit or loss for the year.

The fair values of interest rate collar contracts are determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges 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.

The Group has no hedges that meet the strict criteria for hedge accounting and therefore any gains or losses arising from the changes in the fair value of derivatives are taken directly to profit or loss for the year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(xi) INVESTMENT IN ASSOCIATES

The Group's investments in its associates are accounted for using the equity method of accounting in the consolidated financial statements. These are the entities in which the Group has significant influence and which are neither subsidiaries nor joint ventures.

The financial statements of the associates are used by the Group to apply the equity method.

The investments in associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The consolidated income statement reflects the Group's share of the results of operations of the associates.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this, in the consolidated statement of changes in equity.

(xii) INVENTORIES

Inventories are valued at the lower of cost or net realisable value. Costs incurred in bringing each product to its present location and condition, are accounted for using the standard cost method. Cost is determined by deducting from the supplier's invoice price any purchase incentives, allowances, discounts and net marketing income.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(xiii) PROPERTY, PLANT AND EQUIPMENT

Cost

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.

Major depreciation periods are:

	2008	2007
Freehold buildings:	50 years	50 years
Plant and equipment:	5-15 years	5-15 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated 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 income statement.

De-recognition

An item of property, plant and equipment is de-recognised 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 de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is de-recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(xiv) IMPAIRMENT OF ASSETS

At each reporting date, the Group assesses whether there is any indication that the value of an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an 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 cash-generating unit to which the asset belongs.

In assessing value in use, the estimated 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.

(xv) LEASES

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

(i) Group as a lessee

Operating leases are those where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item. Operating lease payments are recognised as an expense on a straight-line basis.

(ii) Group as a lessor

Leases in which the Group retains substantially all the risks and benefits of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

Finance leases

Leases which transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the lower of fair value of the leased property or the present value of the minimum lease payments.

Capitalised leases are disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Minimum lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised lease assets are depreciated over the shorter of the assets estimated useful life and the lease term.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the shorter of the unexpired period of the lease or the estimated useful life of the improvements, whichever is the shorter.

(xvi) GOODWILL

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 acquirer's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

When goodwill forms part of a cash-generating unit 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 cash-generating unit retained.

Impairment losses for goodwill are not subsequently reversed.

(xvii) INTANGIBLE ASSETS

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.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the profit or loss on a straight-line basis.

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.

Intangible assets are tested for impairment where an indicator of impairment exists. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Contractual customer relationships are recognised as intangible assets when the criteria specified in AASB 138 *Intangible Assets* have been met. Contractual customer relationships are assessed to have a finite life and are amortised over the asset's useful life.

The carrying values of these assets are reviewed for impairment where an indicator of impairment exists.

Software development costs incurred on an individual project are carried forward when future recoverability can reasonably be assured. Following the initial recognition of software development costs, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Any costs carried forward are amortised over the assets' useful economic lives.

The carrying value of software development costs is reviewed for impairment annually when an asset is not in use or more frequently when an indicator of impairment arises during a reporting period indicating that the carrying value may not be recoverable.

Gains or losses arising from de-recognition 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 income statement when the asset is de-recognised.

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

- Customer contracts – 25 years;
- Software development costs – five years.

(xviii) TRADE AND OTHER PAYABLES

Trade payables and other payables are carried at amortised costs. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(xix) EMPLOYEE LEAVE BENEFITS

(a) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables 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 for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(b) 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 using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match as closely as possible, the estimated future cash outflows.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(xx) INTEREST BEARING LOANS AND BORROWINGS

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 loans and 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 de-recognised.

(xxi) 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.

Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Provisions for store lease and remediation are raised where the economic entity is committed by the requirements of the lease agreement. The future lease costs, net of any income from sub-leasing, are discounted to their net present value in determining the provision.

Dividends payable are recognised when a legal or constructive obligation to pay the dividend arises, typically following approval of the dividend at a meeting of directors.

(xxii) SHARE-BASED PAYMENT TRANSACTIONS

The Group provides benefits to employees (including executive directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The Group provides benefits to executive directors, senior executives and its employees in the form of the Employee Share Option Plan (ESOP).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a binomial model, further details of which are given in note 15.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Metcash Limited (market conditions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(xxiii) REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Rendering of services

Revenue from promotional activities is recognised when the promotional activities occur.

Interest

Revenue is recognised as the interest is earned.

Dividends

Revenue is recognised when the right to receive the payment is established.

Rental income

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

(xxiv) INCOME TAX

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 balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability 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 taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income 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 income tax assets is reviewed at each balance sheet 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.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(xxv) OTHER TAXES

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flow.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(xxvi) EARNINGS PER SHARE

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 is 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.

(xxvii) CONTRIBUTED EQUITY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(xxviii) ASSETS CLASSIFIED AS HELD FOR SALE

A non-current asset classified as held for sale at its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. Gains for any subsequent increase in fair values less costs to sell, are recognised only to the extent of the cumulative impairment loss that has been previously recognised.

(xxix) BORROWING COSTS

Borrowing costs are recognised as an expense when incurred.

3 SEGMENT INFORMATION

SEGMENT PRODUCTS AND LOCATIONS

The Group's primary segment reporting format is business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services provided. The economic entity predominantly operates in the industries indicated. Food distribution activities comprise the distribution and marketing of grocery and tobacco supplies to retail outlets, convenience stores and hospitality outlets. Liquor distribution activities comprise the distribution of liquor products to retail outlets and hotels. Cash and Carry Distribution comprises the distribution of grocery and tobacco supplies via cash and carry warehouses. Geographically, the Group operates predominantly in Australia. The New Zealand operation represents less than 5% of revenue, results, and assets of the consolidated entity.

SEGMENT ACCOUNTING POLICIES

The selling price between segments is at normal selling price and is paid under similar terms and conditions as any other customers of the economic entity.

3 SEGMENT INFORMATION (continued)

	BUSINESS SEGMENTS									
	FOOD DISTRIBUTION		CASH AND CARRY DISTRIBUTION		LIQUOR DISTRIBUTION		ELIMINATIONS		CONSOLIDATED	
	APRIL 2008 $'000	APRIL 2007 $'000	APRIL 2008 $'000	APRIL 2007 $'000	APRIL 2008 $'000	APRIL 2007 $'000	APRIL 2008 $'000	APRIL 2007 $'000	APRIL 2008 $'000	APRIL 2007 $'000
Segment Revenue										
Sales to customers outside the consolidated entity	6,065,964	5,824,248	1,550,818	1,417,351	2,499,326	2,453,173	–	–	10,116,108	9,694,772
Inter-segment revenues	875,106	941,501	–	–	99,602	102,223	(974,708)	(1,043,724)	–	–
Unallocated revenue	–	–	–	–	–	–	–	–	83,014	66,833
Total segment revenue	6,941,070	6,765,749	1,550,818	1,417,351	2,598,928	2,555,396	(974,708)	(1,043,724)	10,199,122	9,761,605
Segment result	275,141	247,318	30,562	28,896	31,231	28,367	–	–	336,934	304,581
Unallocated result									(52,661)	(78,883)
Consolidated entity profit from ordinary activities before income tax expense									284,273	225,698
Segment Assets	953,597	1,048,901	242,706	221,850	514,195	498,411	–	–	1,710,498	1,769,162
Unallocated Assets									1,483,765	1,369,724
Total Assets									3,194,263	3,138,886
Segment Liabilities	604,387	539,651	109,994	115,038	305,229	307,046	–	–	1,019,610	961,735
Unallocated Liabilities									934,925	996,975
Total Liabilities									1,954,535	1,958,710
Acquisition of property, plant and equipment and intangible assets	4,732	5,871	8,039	6,370	4,790	1,288	–	–	17,561	13,529
Depreciation	4,774	4,771	3,460	3,230	4,634	3,233	–	–	12,868	11,234
Lease amortisation	2,302	1,784	1,399	1,131	724	699	–	–	4,425	3,614
Non-cash expenses other than depreciation	3,151	5,570	263	1,897	1,037	1,038	–	–	4,451	8,505

The revenue, expenses, assets and liabilities of the holding company are included in the unallocated portion of the segment note.

All assets and liabilities of the holding company are held in Australia.

4 REVENUE AND EXPENSES

	METCASH GROUP		METCASH LIMITED	
	2008 $'000	2007 $'000	2008 $'000	RESTATED 2007 $'000
(a) Revenue				
Sale of goods	10,116,108	9,694,772	–	–
Rent	65,991	52,344	–	–
Interest from other person/corporation	10,832	7,468	–	–
Dividend income	–	–	160,522	178,419
Other revenue	6,191	7,021	222,655	196,875
	10,199,122	9,761,605	383,177	375,294
(b) Other income (included in other revenue)				
Net profit from disposal of property, plant and equipment	5,282	5,020	–	–
(c) Other expenses				
Depreciation of non-current assets	28,926	29,117	–	–
Amortisation of non-current assets	12,823	15,519	–	–
Amortisation of customer relationships	5,940	5,940	–	–
Doubtful debt provision	9,280	2,265	–	–
Inventories obsolescence provision	13,492	14,025	–	–
(d) Operating lease rental				
Minimum lease payments	87,978	93,580	–	–
(e) Employee benefits expense				
Wages and salaries	362,360	370,712	–	–
Defined contribution plan expense	32,844	37,293	–	–
Workers' compensation costs	8,678	6,919	–	–
Share-based payments	4,800	4,287	4,800	4,287
Other employee benefits costs	7,587	10,608	–	–
(f) Other finance costs				
Interest expense	61,934	64,685	217,855	196,875

(g) Correction of errors and revisions of accounting estimates

A number of adjustments have been made to various balances reported in previous financial reports. The nature of the adjustments to prior period balances are summarised below:

1. The accounting tax balances initially recognised on the acquisition of Foodland Associated Limited (FAL) have been restated to reflect the tax position following completion of this business combination. The impact on the previously reported period is an increase to deferred tax assets of $84,007,000, an increase to deferred tax liabilities of $45,143,000, a decrease to goodwill of $28,432,000, an increase to tax payable of $9,562,000 and an increase to retained earnings of $870,000 respectively as at 1 May 2006. The impact for the 2007 financial year is a reduction of income tax expense and deferred tax liabilities of $1,782,000.
2. A restatement has been recognised to reflect the tax position following the Metcash capital restructure in 2005. The impact is an increase to deferred tax assets of $8,828,000, a decrease in tax payable of $958,000, an increase in equity of $5,679,000 and an increase in retained earnings of $4,107,000 respectively as at 1 May 2006.
3. A tax refund relating to restatements of losses in the New Zealand entity in 2004 and 2005 has been recognised following the finalisation of amendments to the respective tax returns. The impact is an increase to deferred tax assets and retained earnings of $1,462,000 as at 1 May 2006.
4. Unused tax losses in a number of Metcash subsidiaries between the financial years 1999 and 2003 have been recognised resulting in an increase in deferred tax assets and retained earnings of $4,336,000 as at 1 May 2006.
5. Adjustments have been made to the tax payable on the 2005 and 2006 tax returns to reflect the recently finalised and lodged returns. The impact is a decrease to tax payable of $29,670,000, a decrease to deferred tax assets of $26,794,000, a decrease to deferred tax liabilities of $6,042,000 and an increase to retained earnings of $8,918,000 as at 1 May 2006.

4 REVENUE AND EXPENSES (continued)

6. Adjustments have been made to the tax payable on the 2007 tax return to reflect the recently finalised and lodged return. The impact is a decrease in tax payable of $20,450,000, a decrease to deferred tax assets of $21,650,000, an increase to deferred tax liabilities of $1,032,000 as at 1 May 2007 and an increase to income tax expense for the year ended 30 April 2007 of $2,232,000.
7. A debit balance in the amount of $7,770,000 (after tax) has been written off against prior year earnings. The balance arose out of the final consolidation and merging of the FAL and Metcash systems and ledgers. Had the amount been recorded in the 2007 income statement, it would have been included as a non-recurring expense within administrative costs.
8. After taking into account adjustments 6, 7 and the 2007 impact of 1, the profit after income tax for the year ended 30 April 2007 of $166,795,000 and the accumulated profits at 1 May 2007 have been reduced by $8,220,000.

   Earnings per share for the year ended 30 April 2007 were reduced by 1.09 cents (basic) and by 1.08 cents (diluted) to 21.06 cents and 20.90 cents respectively.
9. An adjustment has been made to receivables and fixed assets at 30 April 2007 to correct a reclassification error in the prior year balance sheet. The effect is to increase fixed assets and to decrease trade and other receivables by $24,710,000. There is no effect on profit or retained earnings as a result of this reclassification.

A summary of the impact of the above adjustments on the previously stated financial reports is as follows:

	$'000
Changes to 1 May 2006	
Increase in retained earnings	19,693
Increase in contributed equity	5,679
Increase in deferred tax assets	71,839
Decrease in goodwill	28,432
Decrease in income tax provision	21,066
Increase in deferred tax liabilities	39,101
Changes relating to the year ended 30 April 2007	
Increase to administrative expenses	11,100
Decrease to income tax expense	2,880
Net change to previously reported profit	8,220
Decrease to trade receivables	35,810
Increase to fixed assets	24,710
Decrease in deferred tax assets	21,650
Decrease in income tax provision	23,780
Decrease in deferred tax liabilities	750
Cumulative impact on Balance Sheet at 30 April 2007	
Increase in retained earnings	11,473
Increase in contributed equity	5,679
Decrease to trade receivables	35,810
Increase in deferred tax assets	50,188
Increase in fixed assets	24,710
Decrease in goodwill	28,432
Decrease in income tax provision	44,846
Increase in deferred tax liabilities	38,351

Restatement of Parent Accounts

An adjustment has been made to increase investments in subsidiaries/controlled entities and intercompany payables of Metcash Limited as at 30 April 2006 by $2,373,871,000. This is as a result of an internal reorganisation that took place during the 2006 financial year. This adjustment has had no impact on net assets or retained earnings of the Company at 1 May 2006 nor on the profit for the 2007 financial year. The consolidated financial statements are unaffected by this adjustment.

5 INCOME TAX

	METCASH GROUP		METCASH LIMITED	
	2008 $'000	RESTATED 2007 $'000	2008 $'000	2007 $'000
The major components of income tax expense are:				
Current income tax				
Current income tax charge	54,248	61,676	–	–
Deferred income tax relating to origination and reversal of temporary differences	32,587	5,447	–	–
Income tax expense reported in the income statement	86,835	67,123	–	–
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:				
Accounting profit before income tax	284,273	225,698	160,522	174,132
At the Group's statutory income tax rate of 30% (2007: 30%)	85,282	67,709	48,157	52,239
Expenditure not allowable for income tax purposes	1,553	(586)	1,440	1,286
Income not assessable for income tax purposes	–	–	(49,597)	(53,525)
Income tax expense reported in the consolidated income statement at an effective tax rate of 31% (2007: 30%)	86,835	67,123	–	–

	BALANCE SHEET		INCOME STATEMENT	
	2008 $'000	RESTATED 2007 $'000	2008 $'000	RESTATED 2007 $'000
Deferred income tax				
Deferred income tax at 30 April relates to the following:				
Deferred tax liabilities				
Accelerated depreciation for tax purposes	65	832	(767)	(2,784)
Deferred expenditure	6,647	6,456	191	772
Intangibles	40,116	41,748	(1,632)	(1,782)
Other receivables	3,825	–	3,825	–
	50,653	49,036		
Deferred tax assets				
Provisions	48,019	45,384	(2,635)	(4,690)
Project costs	7,373	13,007	5,634	5,634
Other	15,394	43,365	27,971	8,297
	70,786	101,756	–	–
Deferred tax income			32,587	5,447

At 30 April 2008, there is no recognised or unrecognised deferred income tax liability (2007: $nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and associates as the Group has no liability for additional taxation should these earnings be remitted.

The Group has unrecognised capital losses in Australia of $32 million that are available indefinitely for offset against future capital gains.

5 INCOME TAX (continued)

Tax consolidation

Metcash Limited and its 100% owned Australian resident subsidiaries have formed a tax consolidated group with effect from 28 June 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 stand alone basis. In addition the agreement will provide for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

As a result of the entry of Metcash Limited and its 100% owned Australian resident subsidiaries into a tax consolidated group, the Group is required to reset the tax values of assets in the subsidiaries using the Allocable Cost Amount (ACA) method. At the date of reporting, the impact of resetting the tax values of subsidiaries' assets on current year earnings and deferred tax assets and liabilities has not been finalised.

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 stand alone tax calculation as the basis for allocation. Deferred taxes or 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 company, Metcash Limited.

In preparing the accounts for Metcash Limited for the current year, the following amounts have been recognised as tax consolidation contribution adjustments:

	METCASH LIMITED	
	RESTATED 2008 $'000	RESTATED 2007 $'000
Total (decrease)/increase to inter-company assets of Metcash Limited	(10,062)	(1,504)

6 DIVIDENDS PAID AND PROPOSED

	METCASH GROUP		METCASH LIMITED	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(a) Dividends paid on ordinary shares during the year				
(i) Final franked dividend for 2007: 10.0c (2006: 6.0c)	76,267	45,470	76,267	45,470
(ii) Interim franked dividend for 2008: 9.0c (2007: 7.0c)	68,744	52,398	68,744	52,398
	145,011	97,868	145,011	97,868
Dividends declared (not recognised as a liability as at 30 April 2008)				
Franked dividends for 2008: 12.0c per share (2007: 10.0c)	91,775	76,267	91,775	76,267
(b) Franking credit balance				
The amount of franking credits available for the subsequent financial year are:				
– franking account balance as at the end of the financial year at 30% (2007: 30%)			125,451	143,198
– franking credits that will arise from the payment of income tax payable as at the end of the financial year			11,508	10,608
The amount of franking credits available for future reporting period:				
– amount of franking credit of dividends declared but not recognised as distribution to shareholders during the period			(39,332)	(32,684)
			97,627	121,122

(c) Tax rates

The tax rate at which paid dividends have been franked is 30% (2007: 30%).

Dividends declared have been franked at the rate of 30% (2007: 30%).

7 CASH AND CASH EQUIVALENTS

	METCASH GROUP		METCASH LIMITED	
	2008 $'000	RESTATED 2007 $'000	2008 $'000	RESTATED 2007 $'000
Cash at bank and on hand	180,507	141,873	–	–
	180,507	141,873	–	–
(a) Reconciliation of net profit after tax to net cash flows from operations				
Net profit	197,438	158,575	160,522	174,132
Adjustments for:				
Depreciation	28,926	29,117	–	–
Amortisation	18,763	21,459	–	–
Net (profit)/loss on disposal of property, plant and equipment	(5,282)	(1,820)	–	–
Share of associates' net profit	(3,230)	(4,261)	–	–
Dividends received from associates	1,516	1,971	–	–
Deferred borrowing costs	1,736	2,074	–	–
Share based payments	4,800	4,287	4,800	4,287
Net (profit) on disposal of retail business	(3,570)	–	–	–
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and other receivables	(52,009)	6,397	–	–
(Increase)/decrease in prepayments	804	(847)	–	–
(Increase)/decrease in inventories	8,182	(60,069)	–	–
(Increase)/decrease in deferred tax assets	32,060	(16,917)	–	–
(Decrease)/increase in payables and provisions	(19,816)	35,668	–	–
(Decrease)/increase in tax payable	(8,995)	1,843	–	–
(Decrease)/increase in derivative financial instruments	(3,771)	–	–	–
Net cash from operating activities	197,552	177,477	165,322	178,419
(b) Non-cash financing and investing activities				
Acquisition of assets by means of finance lease	8,628	3,907	–	–

8 TRADE AND OTHER RECEIVABLES (CURRENT)

	METCASH GROUP		METCASH LIMITED	
	2008 $'000	RESTATED 2007 $'000	2008 $'000	2007 $'000
Trade receivables – Securitised (i)	778,196	687,060	–	–
Trade receivables – Non-securitised (ii)	32,383	105,235	–	–
Allowance for impairment loss	(12,876)	(6,770)	–	–
	797,703	785,525	–	–
Customer loans (iii)	49,661	61,120	–	–
Other receivables (iv)	127,722	87,186	–	–
Related party receivables: (v)				
wholly owned subsidiaries	–	–	850,434	617,183
	975,086	933,831	850,434	617,183

(i) The economic entity has securitised certain trade receivables from 5 April 2007 by way of granting an equitable interest over those receivables to a special purpose trust managed by a major Australian bank. The terms of the securitisation require, as added security, that at any time the book value of the securitised receivables must exceed by at least a certain proportional amount, the funds provided by the trust to the economic entity as a consequence of securitisation. At the end of the financial year (refer to note 17 iii) trade receivables of $778,196,000 (2007: $687,060,000) had been securitised as disclosed above, with $200,000,000 (2007: $150,000,000) of funds received. The resultant security margin exceeded the minimum required at that date.

(ii) Trade receivables are non-interest bearing and terms vary by business unit. At 30 April 2008, 94.7% of trade receivables are required to be settled within 30 days and 5.3% of trade receivables have terms extending from 30 days to 84 days. The amount of the allowance/impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

(iii) Customer loans receivable are current and have repayment terms of less than 12 months. $15,477,000 (2007: $16,009,000) of loans are non-interest bearing. $34,184,000 (2007: $45,111,000) of loans have annual interest of 8.54% (2007: 8.48%).

(iv) Other receivables are non-interest bearing and have repayment terms of less than 12 months.

(v) For terms and conditions relating to related party receivables refer to note 22. Amounts receivable from related parties are neither past due nor impaired. The credit quality of these receivables is good. The amount of this receivable is considered to be recoverable in full.

Impaired trade receivables

During the year ended 30 April 2008 receivables to the value of $3,174,000 (2007: $518,000) were considered impaired and written off. As at 30 April 2008 trade receivables with a notional value of $12,876,000 (2007: $6,770,000) were provided for as potential impairment. Movement in the provision for doubtful debts is as follows:

	METCASH GROUP	
	2008 $'000	2007 $'000
At 1 May	(6,770)	(5,023)
Charge for the year	(9,280)	(2,265)
Accounts written off as non recoverable	3,174	518
Closing balance	(12,876)	(6,770)

8 TRADE AND OTHER RECEIVABLES (CURRENT) (continued)

Debtors aging

As at 30 April 2008, the analysis of trade receivables for the Metcash Group that were past due but not impaired is as follows:

	NEITHER PAST DUE NOR IMPAIRED $'000	LESS THAN 30 DAYS OVERDUE $'000	MORE THAN 30 LESS THAN 60 $'000	MORE THAN 60 LESS THAN 90 $'000	MORE THAN 90 LESS THAN 120 $'000	MORE THAN 120 $'000	TOTAL $'000
2008	623,089	132,415	14,956	10,762	5,574	10,907	797,703
	78.1%	16.6%	1.9%	1.3%	0.7%	1.4%	100.0%
2007	561,435	178,139	16,389	7,321	11,442	10,799	785,525
	71.5%	22.7%	2.1%	0.9%	1.4%	1.4%	100.0%

The credit quality of the unimpaired trade receivables is good. Metcash believes that the above trade receivables will be fully recovered.

Customer loans aging

As at 30 April 2008, the analysis of customer loans receivable for the Metcash Group that were past due but not impaired is as follows:

	NEITHER PAST DUE NOR IMPAIRED $'000	LESS THAN 30 DAYS OVERDUE $'000	MORE THAN 30 LESS THAN 60 $'000	MORE THAN 60 LESS THAN 90 $'000	MORE THAN 90 LESS THAN 120 $'000	MORE THAN 120 $'000	TOTAL $'000
2008	61,930	290	255	220	162	15,434	78,291
	79.1%	0.4%	0.3%	0.3%	0.2%	19.7%	100.0%
2007	54,511	623	678	4,582	634	21,302	82,330
	66.2%	0.8%	0.8%	5.6%	0.7%	25.9%	100.0%

The credit quality of the customer loans is good. As these amounts do not contain impaired assets Metcash believes that the above receivables will be fully recovered.

Other receivables aging

As at 30 April 2008, the analysis of other receivables for the Metcash Group that were past due but not impaired is as follows:

	NEITHER PAST DUE NOR IMPAIRED $'000	LESS THAN 30 DAYS OVERDUE $'000	MORE THAN 30 LESS THAN 60 $'000	MORE THAN 60 LESS THAN 90 $'000	MORE THAN 90 LESS THAN 120 $'000	MORE THAN 120 $'000	TOTAL $'000
2008	96,663	21,867	4,898	3,039	223	1,033	127,722
	75.7%	17.1%	3.8%	2.4%	0.2%	0.8%	100.0%
2007	66,745	19,343	449	168	270	211	87,186
	76.6%	22.2%	0.5%	0.2%	0.3%	0.2%	100.0%

The credit quality of the unimpaired other receivables is good. Metcash believes that the above other receivables will be fully recovered.

Customer loan security

As at balance date, Metcash provided loans to a number of customers. The outstanding loan balance can be summarised as follows:

	METCASH GROUP	
	2008 $'000	2007 $'000
Current loans	49,661	61,120
Non current loans	28,630	21,210
	78,291	82,330

For certain loans, customers are required to provide security in the event of default. These may include bank guarantees, fixed and floating charges and security over property assets. The fair value of these securities as at 30 April 2008 was $28,096,000.

Metcash believes that all these loans will be fully recovered.

9 INVENTORIES

	METCASH GROUP		METCASH LIMITED	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Finished goods (at net realisable value)	576,702	595,145	–	–
Total inventories at the lower of cost and net realisable value	576,702	595,145	–	–

Inventory write-downs recognised as an expense totalled $13,492,000 (2007: $14,025,000) for the Group and $nil (2007: $nil) for the Company. The expense is included in the cost of sales line item as a cost of inventory.

10 RECEIVABLES (NON-CURRENT)

	METCASH GROUP		METCASH LIMITED	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Customer loans (i)	28,630	21,210	–	–
Other receivables (ii)	7,151	1,791	–	–
Total	35,781	23,001	–	–

(i) Customer loans receivable are non-current and have repayment terms of greater than 12 months. $5,065,000 (2007: $3,854,000) of loans are non-current interest bearing. $23,565,000 (2007: $17,356,000) of loans have annual interest of 8.54% (2007: 8.48%).

(ii) Other receivables are non-interest bearing and have repayment terms greater than 12 months.

11 INVESTMENTS IN ASSOCIATES

	METCASH GROUP		METCASH LIMITED	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Investments in associates	80,474	77,716	–	–

Interest in associates

			OWNERSHIP INTEREST	
	PRINCIPAL ACTIVITIES	BALANCE DATE	2008 %	2007 %
Produce Traders Trust	Distribution of fruit and vegetables	30 June	40.0	40.0
Abacus Retail Property Trust	Retail property investment	30 June	25.0	25.0
Ritchies Stores Pty Ltd	Grocery retailing	30 June	26.0	26.0
BMS Retail Group Pty Ltd	Grocery retailing	30 June	25.1	25.1
Dramet Pty Ltd	Grocery retailing	30 June	26.0	26.0
Cocos Fresh Food Markets	Grocery retailing	30 June	26.0	26.0
Adcome Pty Ltd	Grocery retailing	30 June	40.0	40.0
Metfood Pty Limited	Negotiate to reduce costs for Metcash and Foodstuffs	30 April	50.0	50.0
Progressive Trading Pty Ltd (Progressive) (from 17/12/2007)	Grocery retailing	30 June	55.4	–

Metcash has a direct ownership of 49.0% in Progressive, and an indirect ownership of 6.4% via its 25.1% interest in Champions IGA. Although the Group's total ownership interest in Progressive is greater than 50%, it is still considered to be an associate of the Group, as Metcash Limited does not have the power to govern the financial and operating policies of Progressive.

11 INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates summarised financial information relating to the Group's investment in associates.

Share of associates' profit:

	METCASH GROUP	
	2008 $'000	2007 $'000
Profit/(loss) before income tax	4,614	6,087
Income tax expense	(1,384)	(1,826)
Profit after income tax	3,230	4,261
Share of associates' balance sheet:		
Current assets	21,554	19,436
Non-current assets	70,121	52,943
Total assets	91,675	72,379
Current liabilities	(31,746)	(41,378)
Non-current liabilities	(36,670)	(12,753)
Total liabilities	(68,416)	(54,131)
Net assets	23,259	18,248

There were no impairment losses relating to the investments in associates and no capital commitments or other commitments relating to the associates.

12 OTHER FINANCIAL ASSETS (NON-CURRENT)

	METCASH GROUP		METCASH LIMITED	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Investment in shares (unlisted)	186	182	–	–
Investments in subsidiaries	–	–	4,616,100	4,616,100
	186	182	4,616,100	4,616,100

13 PROPERTY, PLANT AND EQUIPMENT

	METCASH GROUP			METCASH LIMITED		
		RESTATED				
	LAND AND BUILDINGS $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000	LAND AND BUILDINGS $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000
Year ended 30 April 2008						
At 1 May 2007 net of accumulated depreciation and impairment	58,087	86,185	144,272	–	–	–
Additions	–	40,986	40,986	–	–	–
Disposals	(3,906)	(12,452)	(16,358)	–	–	–
Depreciation charge for the year	(2,737)	(26,189)	(28,926)	–	–	–
At 30 April 2008 net of accumulated depreciation and impairment	51,444	88,530	139,974	–	–	–
At 1 May 2007						
Cost or fair value	64,731	208,085	272,816	–	–	–
Accumulated depreciation and impairment	(6,644)	(121,900)	(128,544)	–	–	–
Net carrying amount	58,087	86,185	144,272	–	–	–
At 30 April 2008						
Cost or fair value	55,854	236,619	292,473	–	–	–
Accumulated depreciation and impairment	(4,410)	(148,089)	(152,499)	–	–	–
Net carrying amount	51,444	88,530	139,974	–	–	–
Year ended 30 April 2007						
At 1 May 2006 net of accumulated depreciation and impairment	47,129	80,366	127,495	–	–	–
Additions	1,672	23,882	25,554	–	–	–
Disposals	(677)	(3,693)	(4,370)	–	–	–
Depreciation charge for the year	(2,635)	(26,482)	(29,117)	–	–	–
	45,489	74,073	119,562	–	–	–
Reclassified from Trade and Other Receivables	12,598	12,112	24,710	–	–	–
At 30 April 2007 net of accumulated depreciation and impairment	58,087	86,185	144,272	–	–	–
At 1 May 2006						
Cost or fair value	51,138	134,753	185,891	–	–	–
Reclassified from Trade and Other Receivables	12,598	12,112	24,710	–	–	–
Cost or fair value	63,736	146,865	210,601	–	–	–
Accumulated depreciation and impairment	(4,009)	(54,387)	(58,396)	–	–	–
Net carrying amount	59,727	92,478	152,205	–	–	–
At 30 April 2007						
Cost or fair value	64,731	208,085	272,816	–	–	–
Accumulated depreciation and impairment	(6,644)	(121,900)	(128,544)	–	–	–
Net carrying amount	58,087	86,185	144,272	–	–	–

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 April 2008 is $18,190,000 (2007: $17,571,000).

14 INTANGIBLE ASSETS AND GOODWILL

	METCASH GROUP				METCASH LIMITED
	SOFTWARE DEVELOPMENT COSTS $'000	CUSTOMER CONTRACTS $'000	GOODWILL $'000	TOTAL $'000	TOTAL $'000
At 1 May 2007					
Cost (gross carrying amount)	129,117	151,080	924,595	1,204,792	–
Accumulated amortisation and impairment	(81,689)	(8,840)	–	(90,529)	–
Net carrying amount	47,428	142,240	924,595	1,114,263	–
Year ended 30 April 2008					
At 1 May 2007 net of accumulated amortisation and impairment	47,428	142,240	924,595	1,114,263	–
Additions	11,347	2,500	4,175	18,022	–
Acquisition of subsidiary	–	–	2,420	2,420	–
Amortisation	(12,607)	(5,940)	–	(18,547)	–
At 30 April 2008 net of accumulated amortisation and impairment	46,168	138,800	931,190	1,116,158	–
At 30 April 2008					
Cost (gross carrying amount)	140,464	153,580	931,190	1,225,234	–
Accumulated amortisation and impairment	(94,296)	(14,780)	–	(109,076)	–
Net carrying amount	46,168	138,800	931,190	1,116,158	–
At 1 May 2006					
Cost (gross carrying amount), as previously reported	104,646	148,000	966,056	1,218,702	–
Prior year adjustment	–	–	(28,432)	(28,432)	–
Reclassification	9,901	3,080	(12,981)	–	–
Cost (gross carrying amount), as restated	114,547	151,080	924,643	1,190,270	–
Accumulated amortisation and impairment	(66,170)	(2,900)	–	(69,070)	–
Net carrying amount	48,377	148,180	924,643	1,121,200	–
Year ended 30 April 2007					
At 1 May 2006 net of accumulated amortisation and impairment	38,476	145,100	966,056	1,149,632	–
Prior year adjustment	–	–	(28,432)	(28,432)	–
Reclassification	9,901	3,080	(12,981)	–	–
At 1 May 2006 net of accumulated amortisation and impairment, as restated	48,377	148,180	924,643	1,121,200	–
Additions	14,570	–	97	14,667	–
Acquisition of subsidiary	–	–	–	–	–
Amortisation	(15,519)	(5,940)	–	(21,459)	–
Fair value adjustment	–	–	(145)	(145)	–
At 30 April 2007 net of accumulated amortisation and impairment, as restated	47,428	142,240	924,595	1,114,263	–
At 30 April 2007					
Cost (gross carrying amount)	129,117	151,080	924,595	1,204,792	–
Accumulated amortisation and impairment	(81,689)	(8,840)	–	(90,529)	–
Net carrying amount	47,428	142,240	924,595	1,114,263	–

14 INTANGIBLE ASSETS AND GOODWILL (continued)

INTANGIBLES – CONTRACTUAL CUSTOMER RELATIONSHIPS

As part of the acquisition of FAL, contractual customer relationships were brought to account in line with AASB 3 *Business Combinations* and AASB 138 *Intangible Assets*.

VALUATION APPROACH

To value the customer relationships, the multi-period excess-earnings approach (MEEM) that attributes value to intangible assets by reference to the excess earnings generated by an intangible has been applied. Specifically the MEEM approach adjusts the earnings stream and cash flows generated by a customer relationship having regard to the longevity of the customer relationship. That is the period over which the relationship is expected to generate economic benefit. In the case of valuing a relationship with a number of similar customers, this will typically be modelled by reference to the attrition in relationships over time.

The following describes the key assumptions applied by management in the valuation of contractual customer relationships:

Cash flow forecasts – Cash flow forecasts are based on historical results extrapolated out to 25 years using forecast growth rates.

Forecast growth rates – Forecast growth rates are based on past performance and management's expectation for future performance.

Forecast attrition rates – Attrition rates are based on historical rates experienced and management's expectations of future attrition.

Discount rates – A discount rate approximating the weighted average cost of capital of an acquirer of the FAL business has been applied.

The Company has arrived at a valuation of customer relationships from the acquisition of the FAL business of $148 million with a finite life and amortised over 25 years, straight line. Amortisation of $5.9 million has been charged to the profit and loss (in the administrative costs line) in the current financial year.

Other customer relationships amounting to $5.6 million have a finite life and are to be amortised over a period of 25 years on a straight line basis.

INTANGIBLES – SOFTWARE DEVELOPMENT COSTS

Development costs have been capitalised at cost and are amortised using the straight line method over the asset's useful economic life which has been assessed as five years. Software development costs are tested for impairment where an indicator of impairment exists. Useful lives are also estimated on an annual basis and adjustments, where applicable, are made on a prospective basis.

GOODWILL

Goodwill acquired through business combinations have been allocated to the three business pillars (IGA>D, CCC and ALM), which are reportable segments. In IGA>D these are further allocated by states. Under AIFRS, goodwill and intangibles with indefinite lives have to be tested annually, provided the testing is done at the same time each year. Management has elected to conduct the impairment testing in December 2007. The cash generating units (CGU) used for impairment testing are as follows:

- IGA>D NSW, IGA>D Victoria, IGA>D Queensland, IGA>D South Australia, IGA>D Western Australia, Campbells Wholesale and Australian Liquor Marketers.

The recoverable amount of the CGUs have been determined based on fair value less costs to sell calculation using cash flow projections based on financial projections approved by senior management covering a five year period.

The pre-tax discount rate applied to cash flow projections is 9.2% and cash flows beyond the five year period are extrapolated using growth rates that are based on the historical population and applicable food inflation and liquor growth rates for each CGU.

The following describes the key assumptions on which management has based its cash flow projection:

- **Budgeted gross margins.** These have been estimated based on utilisation of existing assets and on the average gross margins achieved immediately before the budgeted year, increased for expected efficiency improvements.
- **Risk free rate** based on current Commonwealth Government 10 year bond rate at the date of the impairment test.
- **Future growth** driven by population growth, food inflation and changes in market share.

15 SHARE-BASED PAYMENTS

SHARE-BASED PAYMENT PLANS

During the year no options were issued to Executive Directors.

The following table illustrates the number and exercise prices and movements during the years ended 30 April 2008 and 30 April 2007:

	2008 NUMBER	2008 EXERCISE PRICE	2007 NUMBER	2007 EXERCISE PRICE
Outstanding at the beginning of the year	18,007,840	–	21,518,292	–
Reinstated during the year	32,255	various	19,844	various
Granted during the year	–	–	855,853	3.925
Exercised during the year	–	–	(129,560)	0.161
	(510,000)	2.430	–	–
	–	–	(680,000)	1.385
	(1,837,938)	1.268	(2,345,276)	1.268
	(39,000)	1.870	(32,800)	1.870
Expired during the year	(2,130,051)	various	(1,198,513)	various
Outstanding at the end of the year	13,523,106	–	18,007,840	–

The outstanding balance as at 30 April 2008 is represented by:

- 52,500 options over ordinary shares with an exercise price of $1.87 exercisable until 10 July 2008.
- 340,000 options over ordinary shares with an exercise price of $2.430 exercisable until 2 September 2010.
- 3,800,000 options over ordinary shares with an exercise price of $4.0134 exercisable until 2 September 2011.
- 9,330,606 options over ordinary shares with an exercise price of $3.9251 exercisable until 2 September 2011.

The fair value of the equity-settled share options granted is estimated at the date of the grant using a binomial model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model in the year ended 30 April 2007. There were no input requirements in the year ended 30 April 2008 because there were no options issued.

	2008	2007
Dividend yield (%)	–	3.91
Expected volatility (%)	–	37.80
Risk free rate (%)	–	5.47
Expected life of options (years)	–	6.00
Option exercise price ($)	–	3.92
	–	4.01
Weighted average share price ($)	–	4.00

15 SHARE-BASED PAYMENTS (continued)

EMPLOYEE SHARE OPTION PLAN (ESOP)

The Board may at such times as it determines issue invitations to eligible employees and hurdle participants to participate in the Employee Share Option Plan. Eligibility is usually achieved after three months of employment.

The purpose of the scheme is to:

- create a joint purpose of success between Metcash and its employees;
- involve employees directly in the outcomes achieved by Metcash; and
- add wealth for employees and other shareholders.

The exercise price of options is determined as the closing price on the Stock Exchange Automated Trading System (SEATS), excluding special crossings, overnight sales and exchange traded option exercises of the shares on the grant date, or such other price as determined by the Board.

The vesting of options occurs as follows:

- 60% of the options issued to a participant become exercisable from the 3rd anniversary of the grant date;
- a further 20% become exercisable from the 4th anniversary of the grant date; and
- the remaining 20% become exercisable from the 5th anniversary of the grant date.

Options must be exercised prior to the 6th anniversary of the grant date, at which time they expire.

Where an employee ceases to be employed by any Group company the options issued to that participant will automatically lapse, except where the employee has ceased to be an employee by reason of total and permanent disability, death, retirement and such other circumstances as the Board may determine. In these circumstances, the Board may give its written approval to the participant or their personal representative to exercise the options during such further period as the Board may determine.

In addition, options will lapse on the winding up of the company or where the participant has acted fraudulently or dishonestly.

In the event of:

- any party becoming entitled to acquire shares by way of a compulsory acquisition;
- a resolution being passed by the Company to which any party becomes or will become 'entitled' to 100% of the issued shares; or
- a participant's employment being terminated by any Group company at any time within the period of six months after any party who is not at the grant date 'entitled' to 50% or more of the shares becomes so entitled,

then an option may be exercised immediately.

Exercise prices or option holdings will be pro-rated in the event of a bonus issue, rights issue or reorganisation of the share capital of the Company.

16 TRADE AND OTHER PAYABLES (CURRENT)

	METCASH GROUP		METCASH LIMITED	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Trade payables	999,890	916,979	–	–
Other payables	153,972	252,560	–	–
	1,153,862	1,169,539	–	–

Trade and other payables are non-interest bearing and are normally settled within 30 day terms.

(a) Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

17 INTEREST BEARING LOANS AND BORROWINGS

	METCASH GROUP		METCASH LIMITED	
	2008 $'000	2007 $'000	2008 $'000	RESTATED 2007 $'000
Current				
Secured liabilities				
Finance lease obligation (i)	5,705	5,467	–	–
	5,705	5,467	–	–
Non-current				
Finance lease obligation (i)	17,280	14,129	–	–
Bank loans (ii)	393,338	441,602	–	–
Debt securitisation (iii)	200,000	150,000	–	–
Loans from subsidiaries (iv)	–	–	2,817,082	2,599,227
	610,618	605,731	2,817,082	2,599,227

(i) Finance leases have an average lease term of five years with the option to purchase the asset at the completion of the lease term for the asset's market value. The average discount rate implicit in the lease is 7.69% (2007: 7.78%). Secured lease liabilities are secured by a charge over the leased asset.

(ii) Bank loans are a three year senior unsecured syndicated loan note subscription facility. The syndicated facility has been provided to Metcash by a syndicate of lenders. The bank loans are covered by certain financial undertakings.

(iii) The securitisation finance has no finite term and is not expected to be repaid in the ordinary course of business in the coming financial year. The securitisation facility may be terminated by the trust manager at short notice in the event of an act of default, which includes the insolvency of any of the individual companies securitising trade receivables, failure of the economic entity to remit funds when due, or a substantial deterioration in the overdue proportion of the eligible receivables.

(iv) Loans from subsidiaries are repayable on 12 October 2010 and attract an interest rate of 8.91%.

(a) Fair value

The carrying amount of the Group's current and non-current borrowings approximates their fair value.

(b) Defaults or breaches

During the current and prior years, there were no defaults or breaches on any of the loans.

18 PROVISIONS

	METCASH GROUP		METCASH LIMITED	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current				
Employee entitlements	63,256	59,741	–	–
Rental subsidy (i)	9,356	9,084	–	–
Lease and remediation	148	146	–	–
Other	304	701	–	–
	73,064	69,672	–	–
Non-current				
Employee entitlements	22,442	27,085	–	–
Rental subsidy (i)	38,191	32,180	–	–
	60,633	59,265	–	–
Total	133,697	128,937	–	–

(a) Movements in provisions

	METCASH GROUP			
	RENTAL SUBSIDY $'000	LEASE AND REMEDIATION $'000	OTHER $'000	TOTAL $'000
1 May 2007	41,264	146	701	42,111
Arising during the year	12,126	2	0	12,128
Utilised	(5,843)	0	(397)	(6,240)
30 April 2008	47,547	148	304	47,999

Other provisions contain a number of insignificant balances, the costs of which are expected to be incurred within the next financial year.

(b) Nature and timing of provisions

(i) Rental subsidy provision

From time to time, Metcash will enter into head lease arrangements on certain retail properties. These properties are typically sub leased to retail customers on commercial terms and conditions. Where the head lease rental expense exceeds the sub lease rental income, a provision is raised for the difference in rental streams for the period of the sub lease. These cash flow differentials are then discounted back to their present value using a discount rate for an equivalent security of similar terms.

19 CONTRIBUTED EQUITY AND RESERVES

	METCASH GROUP		METCASH LIMITED	
	2008	RESTATED 2007	2008	2007
(a) Ordinary shares:				
Issued and fully paid	1,889,433	1,885,790	2,555,377	2,551,734
	1,889,433	1,885,790	2,555,377	2,551,734

19 CONTRIBUTED EQUITY AND RESERVES (continued)

	METCASH GROUP			
	2008		2007	
	NUMBER OF SHARES	$'000	NUMBER OF SHARES	$'000
Movements in ordinary shares on issue				
At 1 May	762,405,655	1,885,790	747,741,353	1,823,895
Prior year adjustment	–	–	–	5,679
Restated at 1 May	762,405,655	1,885,790	747,741,353	1,829,574
Issued during the year:				
Dividend Reinvestment Plan	–	–	11,476,666	52,218
– Exercise of employee options – 129,560 ordinary shares at 16.1 cents per share	–	–	129,560	21
– Exercise of employee options – 2,345,276 ordinary shares at 126.8 cents per share	–	–	2,345,276	2,974
– Exercise of employee options – 680,000 ordinary shares at 138.6 cents per share	–	–	680,000	942
– Exercise of employee options – 32,800 ordinary shares at 187.0 cents per share	–	–	32,800	61
– Exercise of employee options – 1,837,938 ordinary shares at 126.8 cents per share	1,837,938	2,331	–	–
– Exercise of employee options – 39,000 ordinary shares at 187.0 cents per share	39,000	73	–	–
– Exercise of employee options – 510,000 ordinary shares at 243.0 cents per share	510,000	1,239	–	–
At 30 April	764,792,593	1,889,433	762,405,655	1,885,790

	METCASH LIMITED			
	2008		2007	
	NUMBER OF SHARES	$'000	NUMBER OF SHARES	$'000
Movements in ordinary shares on issue				
At 1 May	762,405,655	2,551,734	747,741,353	2,495,518
Issued during the year:				
Dividend Reinvestment Plan	–	–	11,476,666	52,218
– Exercise of employee options – 129,560 ordinary shares at 16.1 cents per share	–	–	129,560	21
– Exercise of employee options – 2,345,276 ordinary shares at 126.8 cents per share	–	–	2,345,276	2,974
– Exercise of employee options – 680,000 ordinary shares at 138.6 cents per share	–	–	680,000	942
– Exercise of employee options – 32,800 ordinary shares at 187.0 cents per share	–	–	32,800	61
– Exercise of employee options – 1,837,938 ordinary shares at 126.8 cents per share	1,837,938	2,331	–	–
– Exercise of employee options – 39,000 ordinary shares at 187.0 cents per share	39,000	73	–	–
– Exercise of employee options – 510,000 ordinary shares at 243.0 cents per share	510,000	1,239	–	–
At 30 April	764,792,593	2,555,377	762,405,655	2,551,734

a. Fully paid ordinary shares carry one vote per share and carry the right to dividends.

b. Details regarding the dividend reinvestment plan are disclosed in note 20.

19 CONTRIBUTED EQUITY AND RESERVES (continued)

RESERVES

	METCASH GROUP				METCASH LIMITED	
	SHARE BASED PAYMENTS $'000	CAPITAL PROFITS $'000	FOREIGN CURRENCY TRANSLATION $'000	TOTAL $'000	SHARE BASED PAYMENTS $'000	TOTAL $'000
At 1 May 2006	3,484	12,777	(4,061)	12,200	3,276	3,276
Currency translation differences	–	–	727	727	–	–
Share-based payments	4,287	–	–	4,287	4,287	4,287
At 30 April 2007	7,771	12,777	(3,334)	17,214	7,563	7,563
Currency translation differences	–	–	(1,318)	(1,318)	–	–
Share-based payments	4,800	–	–	4,800	4,800	4,800
At 30 April 2008	12,571	12,777	(4,652)	20,696	12,363	12,363

NATURE AND PURPOSE OF RESERVES

Share-based payments reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to note 15 for further details of these plans.

Capital profits reserve

The capital profits reserve is used to accumulate realised capital profits. The reserve can be used to pay dividends or issue bonus shares.

Foreign currency translation reserve

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

RETAINED EARNINGS

	METCASH GROUP		METCASH LIMITED	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
At 1 May	43,095	(37,305)	76,263	–
Prior period adjustments	–	19,693	–	–
Retained earnings at 1 May as restated	43,095	(17,612)	76,263	–
Profit/(loss) for the period	197,436	158,575	160,522	174,131
Dividends	(145,011)	(97,868)	(145,011)	(97,868)
At 30 April	95,520	43,095	91,774	76,263

OTHER EQUITY

At 30 April	(765,923)	(765,923)	–	–

NATURE AND PURPOSE

The other equity account is used to record the reverse acquisition adjustment on application of AASB 3 *Business Combinations*.

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (GROUP AND COMPANY)

The Group's principal financial instruments comprise bank loans and overdrafts, finance and operating leases and cash and short term deposits.

The main purpose of these instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and payables, which arise directly from its operations.

The Group also enters into a small number of derivative transactions principally to manage interest rate risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are cash flow interest rate risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are detailed below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial instrument, financial liability and equity instrument are disclosed in note 2 Summary of Significant Accounting Policies.

RISK EXPOSURES AND LIQUIDITY RISK EXPOSURES

Interest rate risk

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

The Group enters into interest rate collars designated to limit the Group's exposure to volatility in interest payments.

Metcash Trading Limited entered into an interest rate collar transaction with a major international bank, with a trade date of 6 December 2007, effective 17 December 2007, with a notional amount of $500,000,000 and a termination date of 15 September 2010. Payment dates are quarterly.

As at balance date, the interest rate collar has a fair value of $3,771,000 receivable from the counterparty.

Derivative financial instruments

	METCASH GROUP		METCASH LIMITED	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Interest rate collar	3,771	–	–	–

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The consolidated entity exposure to interest rate risk and the effective rates of financial assets and liabilities, both recognised and unrecognised at balance date, are as follows:

Financial Instruments

	1 YEAR OR LESS		OVER 1 TO 5 YEARS		MORE THAN 5 YEARS		TOTAL CARRYING AMOUNT PER THE BALANCE SHEET		WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 %	2007 %
(i) Financial assets										
Fixed rate										
Trade and other receivables	34,184	45,111	23,565	17,356	–	–	57,749	62,467	8.54	8.48
Floating rate										
Cash	180,507	141,873	–	–	–	–	180,507	141,873	6.64	5.25
Total financial assets	214,691	186,984	23,565	17,356	–	–	238,256	204,340	–	–
(ii) Financial liabilities										
Fixed rate										
Finance lease liability*	5,705	5,467	15,142	10,065	2,138	4,064	22,985	19,596	7.69	7.78
Weighted average interest rate	7.98%	8.21%	7.72%	7.73%	6.70%	6.49%				
Floating rate										
Bank and other loans**	–	–	593,338	591,602	–	–	593,338	591,602	8.31	7.35
Non-interest bearing										
Trade and other payables	1,153,862	1,169,539	–	–	–	–	1,153,862	1,169,539	–	–
Total financial liabilities	1,159,567	1,175,006	608,480	601,667	2,138	4,064	1,770,185	1,780,737	–	–

* Finance leases have an average lease term of five years with the option to purchase the asset at the completion of the lease term for the asset's market value. The average discount rate implicit in the lease is 7.69% (2007: 7.78%). Secured lease liabilities are secured by a charge over the leased asset.

** Bank loans are a three year senior unsecured syndicated loan note subscription facility. The syndicated facility has been provided to Metcash by a syndicate of lenders.

At the reporting date, the carrying value of all financial assets and liabilities approximates their net fair values.

The other financial instruments of the Group and parent that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

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 stress circumstances. To limit this risk, management manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. The Group has two independent sources of debt funding of which at 30 April 2008, 50.3% have been utilised.

Remaining contractual maturities

Remaining contractual liabilities consist of non-interest bearing liabilities amounting to $1,153,862 for the Group and nil for the Parent and are due one year or less.

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maturity analysis of financial liabilities based on contractual maturity

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital such as inventories and trade receivables. These assets are considered in the Group's overall liquidity risk. The following table reflects expectations of management of expected settlement of financial liabilities.

	METCASH GROUP				METCASH LIMITED			
YEAR ENDED 30 APRIL 2008	1 YEAR OR LESS $'000	1-5 YEARS $'000	MORE THAN 5 YEARS $'000	TOTAL $'000	1 YEAR OR LESS $'000	1-5 YEARS $'000	MORE THAN 5 YEARS $'000	TOTAL $'000
Financial liabilities								
Trade and other payables	1,153,862	–	–	1,153,862	–	–	–	–
Finance lease liability	7,172	16,635	3,522	27,329	–	–	–	–
Bank and other loans	49,752	668,477	–	718,229	–	–	–	–
Loans from subsidiaries	–	–	–	–	–	–	3,476,037	3,476,037
	1,210,786	685,112	3,522	1,899,420	–	–	3,476,037	3,476,037

Interest due on loans from subsidiaries will not be settled, but rolled into the principal each year. Management expects these loans to not be settled before 12 October 2010, at which point the amount due will be $3,476,037,000.

The Group monitors forecasts of liquidity reserves on the basis of expected cash flow.

At balance date, the Group had unused credit facilities available for its immediate use as follows:

	TOTAL FACILITY $'000	DEBT USAGE $'000	CASH $'000	FACILITY AVAILABLE $'000
Senior facility	700,000	400,000	–	300,000
Bills	400,000	200,000	–	200,000
Overdraft/Guarantees	150,000	28,310	–	121,690
	1,250,000	628,310	–	621,690
Cash and cash equivalents	–	–	180,507	180,507
	1,250,000	628,310	180,507	802,197

Sensitivity Analysis

The table below shows the effect on profit after tax at balance date if interest rates had moved by 0.5% higher or 0.25% lower. These movements have been selected as they are considered reasonable, given the current economic climate and the current levels of short and long term Australian interest rates. It is assumed within this calculation that all other variables have been held constant and that the borrowings are in Australian dollars. It also includes the impact on any interest rate derivatives that the Company may have in place.

	METCASH GROUP PROFIT AFTER TAX HIGHER/(LOWER)		METCASH LIMITED PROFIT AFTER TAX HIGHER/(LOWER)	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
If interest rates were to increase by 0.50% (50 basis points), PAT would increase/(decrease) by:	(550)	(2,519)	–	–
If interest rates were to decrease by 0.25% (25 basis points), PAT would increase/(decrease) by:	649	1,251	–	–

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

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

The management of the receivables balance is key in the minimisation of the potential bad debt exposure to the Company. Receivables balances are monitored on an ongoing basis and a formal review of all balances occurs every six months and where necessary appropriate provisions are established.

As identified in note 8, the current level of doubtful debt provision represents less than 1.7% of the receivables balance, indicating that the balances are actively and effectively managed.

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

Foreign currency risk

The Group's exposure to foreign exchange fluctuations is minimal. The operations denominated in New Zealand dollars represent less than 5% of total sales and total profit after tax.

In addition, the Group undertakes some foreign currency transactions in the purchases of goods and services. These are minimal and no specific derivative transactions are undertaken to hedge against any foreign currency exposure.

Price risk

The Metcash Group purchases energy in the form of electricity, petrol and oil, LPG and water from various sources. These costs represent less than 5% of combined Distribution and Administrative expenses. The Group enters into periodic contracts for supply of these products via third party tender. No derivative price instruments are used to manage price risk associated with these commodities as the Group's exposure to commodity and equity security price risk is minimal.

Capital management

The Board's intention is to return earnings to shareholders whilst retaining adequate funds within the business to reinvest in future growth opportunities. A minimum payout ratio of 60% of reported Earnings Per Share has been set by the Board. A Dividend Reinvestment Plan is in existence and is currently suspended as the Board considers the Company has sufficient capital and is generating sufficient cash flow to pay dividends as and when they fall due. The plan is able to be reinstituted at any time.

The Group provides benefits to employees (including executive directors) of the Group in the form of share based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The Group provides benefits to executive directors, senior executives and its employees in the form of the Employee Share Option Plan (ESOP). Details are disclosed in note 15.

Management and the Board remain focused on seeking growth opportunities, both organic and via acquisition.

The Board and Management set out to achieve and maintain balance sheet ratios that would satisfy an investment grade rating. Certain balance sheet ratios are imposed by the Syndicated Debt Facility. The nature and calculation of these ratios are not disclosed due to commercial sensitivity.

Management monitors capital through the gearing ratio (net debt/total capital). The gearing ratios at 30 April 2008 and 2007 were 35% and 40% respectively. This is within an acceptable target range. Net debt is interest bearing debt less cash on hand.

21 COMMITMENTS

(a) OPERATING LEASE COMMITMENTS

The Group has entered into commercial leases on certain forklifts, land and buildings. These leases have an average lease term of five years and an implicit interest rate of 8.95%. Contingent rentals are payable to reflect movements in the Consumer Price Index on certain leases and to reflect the turnover of certain stores occupying the land and buildings. Future minimum rentals payable under non-cancellable operating leases as at 30 April are as follows:

	METCASH GROUP		METCASH LIMITED	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Within one year	122,845	122,909	–	–
After one year but not more than five years	403,957	383,734	–	–
More than five years	348,145	375,875	–	–
Aggregate lease expenditure contracted for at reporting date	874,947	882,518	–	–

(b) OPERATING LEASE RECEIVABLES

Certain properties under operating lease have been sublet to third parties. These leases have an average lease term of five years and an implicit interest rate of 8.95%. The future lease payments expected to be received at the reporting date are:

	METCASH GROUP		METCASH LIMITED	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Within one year	55,982	39,118	–	–
After one year but not more than five years	174,092	111,685	–	–
More than five years	222,793	98,590	–	–
	452,867	249,393	–	–

(c) FINANCE LEASE COMMITMENTS

The Group has finance leases for various items of vehicles and equipment. The weighted average interest rate impact in the leases is 7.69% (2007: 7.78%). The parent company has no finance lease commitments. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments for the Group are as follows:

	FUTURE MINIMUM LEASE PAYMENTS		PRESENT VALUE OF MINIMUM LEASE PAYMENTS	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Within one year	7,172	6,392	5,596	5,017
After one year but not more than five years	16,635	14,317	15,142	13,146
More than five years	3,522	3,566	2,138	2,085
	27,329	24,275	22,876	20,248
Less amounts representing finance charges	(4,453)	(4,027)	–	–
Present value of minimum lease payments	22,876	20,248	22,876	20,248

22 RELATED PARTY DISCLOSURE

(a) SUBSIDIARIES

The consolidated financial statements include the financial statements of Metcash Limited and the subsidiaries listed in the following table.

NAME	COUNTRY OF INCORPORATION	PERCENTAGE OF EQUITY INTEREST HELD BY THE CONSOLIDATED ENTITY 2008 %	RESTATED 2007 %
Action Holdco Pty Limited	Australia	100	100
Action Holdings Pty Ltd (i)	Australia	100	100
Action Projects Pty Ltd	Australia	100	100
Action Supermarkets Pty Ltd (i)	Australia	100	100
Amalgamated Confectionery Wholesalers Pty Ltd (i)	Australia	100	100
Arrow Pty Limited	Australia	100	100
Australian Asia Pacific Wholesalers P/L	Australia	100	100
Australian Liquor Marketers (QLD) Pty Ltd (i)	Australia	100	100
Australian Liquor Marketers (WA) Pty Ltd (i)	Australia	100	100
Australian Liquor Marketers Pty Ltd (i)	Australia	100	100
Blue Lake Exporters Pty Ltd	Australia	100	100
Bofeme Pty Ltd	Australia	100	100
Campbells Cash and Carry Pty Ltd (i)	Australia	100	100
Casuarina Village Shopping Centre Pty Ltd	Australia	100	100
City Ice and Cold Storage Company Pty Ltd	Australia	100	100
Clancy's Food Stores Pty Ltd	Australia	100	100
Composite Buyers Finance Pty Ltd	Australia	100	100
Composite Buyers Pty Ltd	Australia	100	100
Composite Pty Ltd	Australia	100	100
Cotswrap Pty Ltd	Australia	100	100
Davids Food Services Pty Ltd	Australia	100	100
Davids Group Staff Superannuation Fund Pty Ltd	Australia	100	100
Denham Bros Pty Limited	Australia	100	100
Drumstar V2 Pty Ltd	Australia	100	100
FAL Properties Pty Ltd	Australia	100	100
FAL Share Plan Nominees Pty Ltd	Australia	100	100
FAL Superannuation Fund Pty Ltd	Australia	100	100
Five Star Wholesalers Pty Ltd	Australia	100	100
Foodchain Holdings Pty Ltd	Australia	100	100
Foodland Properties Pty Ltd	Australia	100	100
Foodland Property Holdings Pty Ltd	Australia	100	100
Foodland Property Unit Trust	Australia	100	100
Gawler Supermarkets Pty Ltd	Australia	100	100
GP New Co Pty Ltd	Australia	100	100
Green Triangle Meatworks Pty Limited	Australia	100	100
Harvest Liquor Pty Limited	Australia	100	100
IGA Community Chest Limited (ii)	Australia	100	100
IGA Distribution (SA) Pty Ltd (i)	Australia	100	100
IGA Distribution (Vic) Pty Ltd (i)	Australia	100	100
IGA Distribution (WA) Pty Ltd (i)	Australia	100	100
IGA Distribution Pty Ltd (i)	Australia	100	100
IGA Fresh (Northern Queensland) Pty Limited	Australia	100	0
IGA Pacific Pty Limited	Australia	100	100
IGA Retail Network Ltd (ii)	Australia	100	100
IGA Retail Services Pty Ltd	Australia	100	100
Independent Brands Australia Pty Limited (ii)	Australia	100	100

22 RELATED PARTY DISCLOSURE (continued)

NAME	COUNTRY OF INCORPORATION	PERCENTAGE OF EQUITY INTEREST HELD BY THE CONSOLIDATED ENTITY 2008 %	RESTATED 2007 %
Jewel Food Stores Pty Ltd	Australia	100	100
Jewel Superannuation Fund Pty Ltd	Australia	100	100
Jorgensens Confectionery Pty Ltd	Australia	100	100
Keithara Pty Ltd	Australia	100	100
Knoxfield Transport Service Pty Ltd	Australia	100	100
M C International Australia Pty Ltd	Australia	100	100
Melton New Co Pty Ltd	Australia	100	100
Metcash Export Services Pty Ltd	Australia	100	100
Metcash Holding Pty Ltd	Australia	100	100
Metcash Management Pty Ltd	Australia	100	100
Metcash Services Proprietary Ltd	Australia	100	100
Metcash Storage Pty Ltd	Australia	100	100
Metcash Trading Limited (i)	Australia	100	100
Metoz Holding Limited (a)	South Africa	100	100
Metro Cash & Carry Pty Ltd	Australia	100	100
Mirren (Australia) Pty Ltd	Australia	100	100
Moorebank Transport Pty Ltd	Australia	100	100
Moucharo Pty Ltd	Australia	100	100
Newton Cellars Pty Limited	Australia	100	100
NZ Holdco Limited (ii)	Australia	100	100
Payless Superbarn (NSW) Pty Ltd	Australia	100	100
Payless Superbarn (VIC) Pty Ltd	Australia	100	100
Pinnacle Holdings Limited (a)	Jersey	100	100
Plympton Properties Pty Ltd	Australia	100	100
Property Reference Pty Ltd	Australia	100	100
QIW Pty Limited	Australia	100	100
Queensland Independent Wholesalers Pty Limited	Australia	100	100
Quickstop Pty Ltd (i)	Australia	100	100
Rainbow Supermarkets Pty Ltd	Australia	100	100
Rainbow Unit Trust	Australia	100	100
Regeno Pty Ltd	Australia	100	100
Regzem (No.3) Pty Ltd	Australia	100	100
Regzem (No.4) Pty Ltd	Australia	100	100
Rennet Pty Limited	Australia	100	100
Retail Merchandise Services Pty Ltd	Australia	100	100
Retail Stores Development Finance Pty Limited	Australia	100	100
RKH Services Pty Ltd	Australia	74	0
Rockblock Pty Ltd	Australia	100	100
RSDF Nominees Pty Ltd	Australia	100	100
Soetensteeg 2 61 Exploitatiemaatschappij BV	Netherlands	100	100
SR Brands Pty Ltd	Australia	100	100
Stonemans (Management) Pty Limited	Australia	100	100
Stonemans Self Service Pty Limited	Australia	100	100
Tasher No.8 Pty Ltd	Australia	100	100
Tasman Liquor Company Ltd	New Zealand	100	100
Vawn No.3 Pty Ltd	Australia	100	100
Wickson Corporation Limited	Netherlands Antilles	100	100
Wimbledon Unit Trust	Australia	100	100

22 RELATED PARTY DISCLOSURE (continued)

(b) ULTIMATE PARENT

Metcash Limited is the ultimate parent entity.

(c) ENTITIES SUBJECT TO CLASS ORDER RELIEF

Pursuant to an order from ASIC under section 340(1) of the Corporations Act dated 26 April 2008 which is based on Class Order 98/1418 (Order), relief has been granted to certain controlled entities of Metcash Limited, being those marked (i), from the Corporations Act requirements for preparation, audit and lodgement of their financial reports. As a condition of the Order, Metcash Limited and the controlled entities, being those marked as (i) and (ii) (the Closed Group) entered into a Deed of Cross Guarantee on 27 April 2006 or assumption deed on 17 January 2007. The effect of the deed is that Metcash Limited has guaranteed to pay any deficiency in the event of winding up of these controlled entities. The controlled entities have also given similar guarantees in the event that Metcash Limited is wound up.

The consolidated income statement and balance sheet of the entities that are members of the 'Closed Group' are as follows:

	CLOSED GROUP	
	2008 $'000	RESTATED 2007 $'000
(i) Income statement		
Profit before income tax	284,273	225,698
Income tax expense	(86,835)	(67,123)
Profit after tax	197,438	158,575
Net profit for the financial year	197,438	158,575
Profit attributable to minority interest	(2)	–
Profit attributable to the members of the parent company	197,436	158,575
Retained profits at the beginning of the financial year	43,095	(17,612)
Dividends provided for or paid	(145,011)	(97,868)
Retained profits at the end of the financial year	95,520	43,095
(ii) Balance sheet		
ASSETS		
Current assets		
Cash and cash equivalents	180,507	141,873
Trade and other receivables	975,086	933,831
Inventories	576,702	595,145
Derivative financial instruments	3,771	–
Income tax receivable	10,234	1,239
Other	4,604	5,402
	1,750,904	1,677,490
Assets classified as held for sale	–	206
Total current assets	1,750,904	1,677,696
Non-current assets		
Receivables	35,781	23,001
Investments accounted for using the equity method	80,474	77,716
Other financial assets	186	182
Property, plant and equipment	139,974	144,272
Deferred income tax assets	70,786	101,756
Intangible assets	1,116,158	1,114,263
Total non-current assets	1,443,359	1,461,190
TOTAL ASSETS	3,194,263	3,138,886

year ended 30 April 2008

22 RELATED PARTY DISCLOSURE (continued)

	CLOSED GROUP 2008 $'000	CLOSED GROUP RESTATED 2007 $'000
LIABILITIES		
Current Liabilities		
Trade and other payables	1,153,862	1,169,539
Interest-bearing loans and borrowings	5,705	5,467
Current tax liabilities	–	–
Provisions	73,064	69,672
Total current liabilities	1,232,631	1,244,678
Non-current liabilities		
Interest bearing loans and borrowings	610,618	605,731
Deferred income tax liabilities	50,653	49,036
Provisions	60,633	59,265
Total non-current liabilities	721,904	714,032
TOTAL LIABILITIES	1,954,535	1,958,710
NET ASSETS	1,239,728	1,180,176
EQUITY		
Contributed equity	1,889,433	1,885,790
Other equity	(765,923)	(765,923)
Reserves	20,696	17,214
Retained profits	95,520	43,095
Minority Interest	2	–
TOTAL EQUITY	1,239,728	1,180,176

(d) TRANSACTIONS WITH RELATED PARTIES

RELATED PARTY		SALES TO RELATED PARTIES $'000	PURCHASES FROM RELATED PARTIES $'000	OTHER TRANSACTIONS WITH RELATED PARTIES $'000
Consolidated				
Associates				
Sales to associates	2008	910,062	–	–
	2007	740,962	–	–
Dividends received from associates	2008	–	–	1,516
	2007	–	–	1,971

22 RELATED PARTY DISCLOSURE (continued)

Other transactions with Key Management Personnel

Mr Barnes is Chairman of Samuel Smith and Sons Pty Ltd and a Director of Ansell; both organisations are suppliers to the entity.

However, the total level of purchases from both companies is less than 0.3% of Metcash's annual purchases and is not considered material.

Mr Hamilton is a Director of Insurance Australia Group Limited and Programmed Maintenance Services Limited, suppliers of insurance and maintenance services to the Company. However, the value of services provided is less than 0.1% of the Company's total costs and expenses.

Parent

Associates

There were no transactions between the parent and its associates during the year (2007: nil).

RELATED PARTY		SALES TO RELATED PARTIES $'000	PURCHASES FROM RELATED PARTIES $'000	OTHER TRANSACTIONS WITH RELATED PARTIES $'000
Subsidiaries				
Dividend received	2008	–	–	160,522
	2007	–	–	178,419
Current tax payable/(receivable) assumed from wholly owned consolidated entities	2008	–	–	(10,063)
	2007	–	–	(1,504)
Management fees received	2008	–	–	222,655
	2007	–	–	196,875
Interest paid	2008	–	–	217,855
	2007	–	–	196,875

Terms and conditions of transactions with related parties

All transactions with related parties are made on normal commercial terms and conditions.

Terms and conditions of the tax funding arrangements are set out in note 5.

(e) AMOUNTS DUE FROM OR PAYABLE TO RELATED PARTIES

RELATED PARTY	2008 $'000	2007 $'000
Consolidated		
Associates		
Trade accounts receivable	88,322	87,958
Loans receivable	24,210	43,588
Parent		
Subsidiaries		
Loans receivable	850,434	617,183
Loans payable	2,817,082	2,599,227

Terms and conditions of amounts due from and payable to related parties

Loans and trade accounts receivable are due and payable on normal commercial terms and conditions.

For the year ended 30 April 2008, the Group has not made any allowance for impairment loss relating to trade accounts receivable or loans due from associates.

23 DIRECTORS' AND EXECUTIVES' DISCLOSURES

(a) DETAILS OF KEY MANAGEMENT PERSONNEL

Directors	
Carlos S dos Santos	Non-executive Chairman
Peter L Barnes	Non-executive Deputy Chairman
Andrew Reitzer	Chief Executive Officer
Michael R Butler	Non-executive Director
Neil D Hamilton	Non-executive Director (appointed 7 February 2008)
Michael R Jablonski	Group Merchandise Director
Edwin M Jankelowitz	Finance Director
Lou Jardin	CEO IGA Distribution
Richard A Longes	Non-executive Director
V Dudley Rubin	Non-executive Director
A E (Ted) Harris, AC	Non-executive Deputy Chairman (retired as director 30 August 2007)

Executives	
Ken Bean	CEO Group Logistics and Corporate Development
Fergus Collins	CEO Australian Liquor Marketers
Peter Dubbelman	CEO Campbells Wholesale
Adrian Gratwicke	General Manager Finance (appointed 11 February 2008)
Bernard Hale	Chief Information Officer
David Johnston	Chief Human Resources Officer
Harry Rumpler	CEO IGA Fresh (appointed 1 November 2007)

The Group has applied the exemption under Corporations Amendments Regulations 2006 which exempts listed companies from providing remuneration disclosures in relation to their key management personnel in their annual financial reports by Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures are provided on pages 32 to 38 of the Directors' Report designated as audited.

23 DIRECTORS' AND EXECUTIVES' DISCLOSURES (continued)

(b) OPTION HOLDING OF KEY MANAGEMENT PERSONNEL

30 APRIL 2008	BALANCE AT BEGINNING OF PERIOD 1 MAY 2007	GRANTED AS REMUNERATION	OPTIONS EXERCISED	OTHER ADJUSTMENTS	BALANCE AT END OF PERIOD 30 APRIL 2008	VESTED AT APRIL 2008 TOTAL	EXERCISABLE
Directors							
C S dos Santos	–	–	–	–	–	–	–
A E Harris, AC	–	–	–	–	–	–	–
P Barnes	–	–	–	–	–	–	–
M Butler	–	–	–	–	–	–	–
R Longes	–	–	–	–	–	–	–
D Rubin	–	–	–	–	–	–	–
A Reitzer	1,200,000	–	–	–	1,200,000	–	–
M Jablonski	650,000	–	–	–	650,000	–	–
E Jankelowitz	650,000	–	–	–	650,000	–	–
L Jardin	650,000	–	–	–	650,000	–	–
Executives							
K Bean	400,000	–	–	–	400,000	–	–
F Collins	51,600	–	(1,600)	–	50,000	–	–
P Dubbelman	400,000	–	–	–	400,000	–	–
A Gratwicke	50,000	–	–	–	50,000	–	–
B Hale	1,500,000	–	(510,000)	–	990,000	–	–
D Johnston	480,000	–	(80,000)	–	400,000	–	–
H Rumpler	50,000	–	–	–	50,000	–	–
Total	6,081,600	–	(591,600)	–	5,490,000	–	–

30 APRIL 2007	BALANCE AT BEGINNING OF PERIOD 1 MAY 2006	GRANTED AS REMUNERATION	OPTIONS EXERCISED	OTHER ADJUSTMENTS	BALANCE AT END OF PERIOD 30 APRIL 2007	VESTED AT APRIL 2007 TOTAL	EXERCISABLE
Directors							
C S dos Santos	–	–	–	–	–	–	–
A E Harris, AC	–	–	–	–	–	–	–
R Longes	–	–	–	–	–	–	–
P Barnes	–	–	–	–	–	–	–
D Rubin	–	–	–	–	–	–	–
B Hogan, AM	–	–	–	–	–	–	–
M Butler	–	–	–	–	–	–	–
A Reitzer	1,540,000	–	(340,000)	–	1,200,000	–	–
M Jablonski	820,000	–	(170,000)	–	650,000	–	–
B Hale	1,500,000	–	–	–	1,500,000	510,000	510,000
E Jankelowitz	820,000	–	(170,000)	–	650,000	–	–
M Wesslink	1,050,000	–	(400,000)	(650,000)	–	–	–
L Jardin	730,000	–	(80,000)	–	650,000	–	–
Executives							
K Bean	480,000	–	(80,000)	–	400,000	–	–
J Randall	412,000	–	–	–	412,000	12,000	12,000
P Dubbelman	480,000	–	(80,000)	–	400,000	–	–
D Johnston	560,000	–	(80,000)	–	480,000	80,000	80,000
F Collins	53,200	–	(1,600)	–	51,600	1,600	1,600
Total	8,445,200	–	(1,401,600)	(650,000)	6,393,600	603,600	603,600

23 DIRECTORS' AND EXECUTIVES' DISCLOSURES (continued)

(c) SHAREHOLDING OF KEY MANAGEMENT PERSONNEL

30 APRIL 2008	BALANCE AT BEGINNING OF PERIOD 1 MAY 2007	GRANTED AS REMUNERATION	ON MARKET TRADE	OPTIONS EXERCISED	OTHER ADJUSTMENTS (DRP ISSUE)	BALANCE AT END OF PERIOD 30 APRIL 2008
Directors						
C S dos Santos	100		54,000			54,100
P Barnes	177,083	–	–	–	–	177,083
A Reitzer	1,750,000	–	–	–	–	1,750,000
M Butler	–	–	50,000	–	–	50,000
N Hamilton	–	–	–	–	–	–
M Jablonski	–	–	–	–	–	–
E Jankelowitz	520,000	–	–	–	–	520,000
L Jardin	329,986	–	–	–	–	329,986
R Longes	128,154	–	–	–	–	128,154
D Rubin	7,800	–	7,200	–	–	15,000
A E Harris, AC*	404,695	–	–	–	–	404,695
Executives						
K Bean	–	–	–	–	–	–
F Collins	–	–	–	1,600	–	1,600
P Dubbelman	550,350	–	(200,000)	–	–	350,350
A Gratwicke	–	–	35,242	–	–	35,242
B Hale	–	–	–	510,000	–	510,000
D Johnston	–	–	–	80,000	–	80,000
H Rumpler	–	–	–	–	–	–
Total	3,868,168	–	(53,558)	591,600	–	4,406,210

* Number of shares held as at date of retirement.

30 APRIL 2007	BALANCE AT BEGINNING OF PERIOD 1 MAY 2006	GRANTED AS REMUNERATION	ON MARKET TRADE	OPTIONS EXERCISED	OTHER ADJUSTMENTS (DRP ISSUE)	BALANCE AT END OF PERIOD 30 APRIL 2007
Directors						
C S dos Santos	100	–	–	–	–	100
A E Harris, AC	404,695	–	–	–	–	404,695
R Longes	125,000	–	–	–	3,154	128,154
P Barnes	177,083	–	–	–	–	177,083
D Rubin	4,100	–	3,700	–	–	7,800
B Hogan, AM	–	–	75,000	–	1,150	76,150
M Butler	–	–	–	–	–	–
A Reitzer	1,410,000	–		340,000	–	1,750,000
M Jablonski	–	–	–	–	–	–
B Hale	–	–	–	–	–	–
E Jankelowitz	520,000	–	(170,000)	170,000	–	520,000
M Wesslink	205,849	–	(240,000)	400,000	–	365,849
L Jardin	440,000	–	(200,000)	80,000	9,986	329,986
Executives						
K Bean	–	–	–	–	–	–
J Randall	340,749	–	–	–	10,745	351,494
P Dubbelman	550,350	–	–	–	–	550,350
D Johnston	–	–	–	–	–	–
F Collins	–	–	–	–	–	–
Total	4,177,926	–	(531,300)	990,000	25,035	4,661,661

23 DIRECTORS' AND EXECUTIVES' DISCLOSURES (continued)

(d) COMPENSATION BY CATEGORY

	METCASH GROUP	
	2008 $	2007 $
Short Term	14,717,669	10,802,596
Post Employment	763,562	697,308
Termination Benefits	301,882	724,193
Share-based Payments	1,687,393	1,743,805
Total	17,470,506	13,967,902

The Group has applied the option under Corporations Amendments Regulations 2006 to transfer key management personnel remuneration disclosures, required by AASB 124 *Related Party Disclosures* paragraphs Aus 25.4 to Aus 25.7.2, to the Remuneration Report section of the Directors' Report.

These transferred disclosures have been audited.

(e) LOANS TO KEY MANAGEMENT PERSONNEL

There are no loans to Key Management Personnel.

(f) OTHER TRANSACTIONS AND BALANCES WITH KEY MANAGEMENT PERSONNEL

There are no other transactions and balances with Key Management Personnel.

24 AUDITORS' REMUNERATION

	METCASH GROUP		METCASH LIMITED	
	2008 $	2007 $	2008 $	2007 $
Amounts received or due and receivable by Ernst & Young (Australia) for:				
– an audit or review of the financial report of the entity and any other entity in the consolidated entity	1,419,472	1,311,000	–	–
– other services in relation to the entity and any other entity in the consolidated entity				
– tax compliance	807,000	866,000	–	–
– assurance related	137,000	88,000	–	–
– other services	–	–	–	–
	2,363,472	2,265,000	–	–

25 BUSINESS COMBINATIONS

ACQUISITION OF RKH SERVICES PTY LTD, TRADING AS DARK EARTH PREMIUM PRODUCE (DARK EARTH)

On 29 February 2008, Metcash acquired 74% of RKH Services Pty Ltd (Dark Earth) demerged Australian business. Dark Earth's trading results from 29 February 2008, when economic benefits passed to Metcash, are included in Metcash results for the year. The total cost of the combination was $2,419,000 and comprised cash and transaction costs directly attributable to the combination.

ACQUISITION OF OTHER BUSINESSES

Effective 1 May 2007, Metcash acquired the assets and liabilities of The Giants Buying Group for $2,618,000.

On 7 January 2008, Metcash acquired the assets and liabilities of Edge Distribution 2004 Limited for $1,583,000.

26 EARNINGS PER SHARE

	2008 $'000	RESTATED 2007 $'000
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
Net profit attributable to ordinary equity holders of Metcash Limited	197,436	158,575
Adjustments:		
Earnings used in calculating basic and diluted earnings per share	197,436	158,575

	NUMBER	NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	763,484,392	753,116,068
Effect of dilutive:		
Share options	3,418,952	5,696,294
Weighted average number of ordinary shares used in calculating dilutive earnings per share	766,903,344	758,812,362

27 ASSETS CLASSIFIED AS HELD FOR SALE

	METCASH GROUP		METCASH LIMITED	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Assets classified as held for sale	–	206	–	–
Liabilities directly associated with assets held for sale	–	–	–	–

Available-for-sale investments consist of land held for sale.

28 SUBSEQUENT EVENTS

On 7 February 2008, the Board approved the issuance of invitations to participate in an option issue under the Employee Share Option Plan (ESOP). Invitations were sent to eligible employees in April 2008 with final acceptance required by 16 May 2008.

In July 2008, the Company issued 21,079,628 options to employees under the ESOP. These options were determined to have a value of 87.7 cents each. No share-based payment expense in relation to this option issue has been recorded in the financial year.

29 CONTINGENT LIABILITIES

	METCASH GROUP		METCASH LIMITED	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
The Company and certain controlled entities have granted Bank guarantees to third parties in respect of property lease obligations to the value of	20,239	18,374	–	–
The Company and certain controlled entities have granted Bank guarantees in respect of Workcover in WA	3,200	3,200	–	–

FRANKLINS

Following the termination of the Franklins supply contract in January 2005, Franklins commenced proceedings against Metcash in the NSW Supreme Court for unquantified damages, alleging failure to pass on all rebates to which Franklins was entitled. The case proceeded in late 2006 with a hearing to determine the terms of the contract as a separate issue to the quantum of any damages, which Franklins may have suffered. The court decided to rectify the contract in accordance with Metcash's submissions but the actual form of the rectification ordered did not accord precisely with the rectification sought by Metcash.

Subsequently, Metcash filed a motion seeking clarification of the rectification order, as well as judgement and costs.

On 13 September 2007 and 17 October 2007, the Judge dismissed all Applications before him and noted that both parties intended to seek leave to appeal to the NSW Court of Appeal. In the meantime, Franklins had filed an Application for Leave to Appeal to the Court of Appeal, and Metcash filed an Application for Leave to Cross-Appeal.

The Court of Appeal heard the Leave Applications (i.e. not the appeals themselves) on 14 March 2008 and granted leave to appeal to Franklins and granted Metcash leave to cross-appeal.

The next directions hearing occurred on 5 June 2008. The appeal/cross-appeal will probably be heard in late 2008 or early 2009.

Metcash maintains that it does not consider that Franklins has any valid claim against it and will continue to vigorously oppose Franklins' claims.

CHARGE CARD

On 9 May 2007, Metcash Trading Limited entered into an agreement with American Express (Amex), due to expire on 31 July 2010, in relation to Customer Charge Cards. Under the agreement, should a customer default on payment, where Amex has previously made a payment to Metcash Trading Limited, then Metcash Trading Limited must pay Amex an amount equal to the charge outstanding.

The maximum amount payable shall be limited to the actual face value of the outstanding charge due to Amex. This does not include any interest or other fees payable by the customer to Amex. Metcash Trading Limited shall have no other obligation to Amex in respect of the outstanding charge and shall not be liable for any costs, loss or liability of any nature whatsoever incurred by Amex as a result of the failure by the customer to make payment.

directors' declaration

year ended 30 April 2008

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 the company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
      i. Giving a true and fair view of the Company's and consolidated entity's financial position as at 30 April 2008 and of their performance for the year ended on that date; and
      ii. Complying with Accounting Standards and Corporations Regulations 2001; and
   b. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
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 ending 30 April 2008.
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 note 22 will be able to meet any obligation or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

Andrew Reitzer
Director

Sydney, 17 July 2008

auditor's independence declaration

year ended 30 April 2008

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001
Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

Auditor's Independence Declaration to the Directors of Metcash Limited

In relation to our audit of the financial report of Metcash Limited for the financial year ended 30 April 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Neil Wykes
Partner
17 July 2008

independent audit report to members of Metcash Limited

year ended 30 April 2008

Ernst & Young

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001
Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

Independent auditor's report to the members of Metcash Limited

We have audited the accompanying financial report of Metcash Limited, which comprises the balance sheet as at 30 April 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" on pages 32 to 38 of the directors' report, as permitted by Corporations Regulation 2M.6.04.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board. The directors are also responsible for the remuneration disclosures contained in the remuneration report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report and the remuneration report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Metcash Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the financial position of Metcash Limited and the consolidated entity at 30 April 2008 and of their performance for the year ended on that date; and

   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

3. the remuneration disclosures that are contained on pages 32 to 38 of the directors' report, comply with Accounting Standard AASB 124 *Related Party Disclosures.*

Ernst & Young

Neil Wykes
Partner
Sydney
17 July 2008

ASX additional information

year ended 30 April 2008

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows.

The information is current as at 15 July 2008.

(a) DISTRIBUTION OF EQUITY SECURITIES

The numbers of shareholders, by size of holding, in each class of share are:

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS
1-1,000	5,930
1,001-5,000	16,941
5,001-10,000	5,205
10,001-100,000	3,429
100,001-999,999,999	172
Total	31,677

(b) TWENTY LARGEST SHAREHOLDERS

The names of the 20 largest holders of quoted shares are:

	NUMBER OF SHARES	PERCENTAGE OF ORDINARY SHARES
HSBC Custody Nominees (Australia) Limited	158,200,629	20.685
National Nominees Limited	105,386,750	13.779
J P Morgan Nominees Australia Limited	87,509,507	11.442
Citicorp Nominees Pty Limited	31,198,673	4.079
RBC Dexia Investor Services Australia Nominees Pty Limited <Pipooled A/C>	26,529,766	3.469
Cogent Nominees Pty Limited	24,159,884	3.159
RBC Dexia Investor Services Australia Nominees Pty Limited <BKCUST A/C>	15,568,372	2.036
ANZ Nominees Limited <Cash Income A/C>	13,455,258	1.759
Citicorp Nominees Pty Limited <CFS WSLE 452 AUST SHARE A/C>	10,941,256	1.431
RBC Dexia Investor Services Australia Nominees Pty Limited <GSJBW A/C>	8,646,715	1.131
Australian Reward Investment Alliance	7,177,956	0.939
AMP Life Limited	6,957,955	0.910
RBC Dexia Investor Services Australia Nominees Pty Limited	6,827,143	0.893
Citicorp Nominees Pty Limited <CFSIL CWLTH AUST SHS 1 A/C>	5,200,000	0.680
Citicorp Nominees Pty Limited <CFSIL CFSWS GEAR 452 AU A/C>	4,717,600	0.617
Citicorp Nominees Pty Limited <CFSIL CWLTH AUST SHS 4 A/C>	4,654,451	0.609
Brispot Nominees Pty Ltd <HOUSE HEAD NOMINEE NO 1 A/C>	4,569,188	0.597
Australian Foundation Investment Company Limited	4,500,000	0.588
RBC Dexia Investor Services Australia Nominees Pty Limited <PIIC A/C>	3,766,435	0.492
Queensland Investment Corporation	3,567,905	0.466
	533,535,443	69.759

(c) SUBSTANTIAL SHAREHOLDERS

The following is extracted from the Company's register of substantial shareholders:

	NUMBER OF SHARES
Westpac Banking Corporation Group	85,870,034
Perennial Investment Partners Limited (PIPL)	85,366,361
Commonwealth Bank of Australia	78,891,999
452 Capital Pty Limited	56,214,712
Maple-Brown Abbott Limited	46,566,975

(d) VOTING RIGHTS

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

Metcash Limited group national offices

METCASH LIMITED CORPORATE OFFICE

Ph: 61 2 9751 8200

Fax: 61 2 9741 3027

NATIONAL OFFICE

Ph: 61 2 9751 8200

Fax: 61 2 9741 3027

Street Address
50 Waterloo Road
Macquarie Park NSW 2113

Postal Address
PO Box 6226
Silverwater Business Centre NSW 1811

IGA DISTRIBUTION HEAD OFFICE

Ph: 61 2 9751 8200

Fax: 61 2 9741 3055

Street Address
50 Waterloo Road
Macquarie Park NSW 2113

Postal Address
PO Box 6226
Silverwater Business Centre NSW 1811

AUSTRALIAN LIQUOR MARKETERS HEAD OFFICE

Ph: 61 2 9741 3450

Fax: 61 2 9741 3009

Street Address
4 Newington Road
Silverwater NSW 2128

Postal Address
PO Box 6226
Silverwater Business Centre NSW 1811

CAMPBELLS WHOLESALE HEAD OFFICE

Ph: 61 2 9741 3000

Fax: 61 2 9751 8298

Street Address
4 Newington Road
Silverwater NSW 2128

Postal Address
PO Box 6226
Silverwater Business Centre NSW 1811

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