

A resilient business model – in good times and bad



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annual general meeting

Thursday, 3 September 2009
Ballroom 1
Four Seasons Hotel
199 George Street
Sydney NSW 2000
Commencing 2.30pm



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 is a leading marketing and distribution company, operating in the grocery and liquor wholesale industries.

Our customers are independent retailers and the company's objective is to champion and support them. We do this by providing the scale necessary to create competitive buying power together with marketing, distribution and financial expertise and support.

METCASH'S BUSINESS PILLARS ARE:

IGA>D IGA Distribution (and IGA Fresh)

ALM Australian Liquor Marketers

CW Campbells Wholesale

Metcash is an ASX Top 100 listed public company.



chairman's & ceo's report

We are pleased to announce that the 2009 financial year was very successful and that Metcash recorded its tenth consecutive record profit.

Profit for the year was generated from wholesale sales which grew 9.3% to \$10.97 billion. This was a strong performance in a year of uncertainty created by the global economic crisis. Demonstrating excellent profit/sales leverage, profit before tax and non-recurring item (NRI) grew by 13.8% to reach \$219.7 million. Earnings per share pre-goodwill amortisation and NRI increased 13.3% to 29.53 cents per share. This was above the earnings guidance given earlier in the year of 28.3 to 29.3 cents per share.

We are also pleased to announce that the full year dividend of 24 cents per share has been declared. This is an increase of 14.3% on the 2008 full year dividend and is slightly higher than the increase in profit before tax and NRI. This dividend is fully franked at 30%.

The non-recurring item referred to above is the \$17.2 million after tax cost of terminating an interest rate collar in the first half of the year. This action was taken to allow the Company to take advantage of falling interest rates.

The Metcash balance sheet remains strong and the Company has successfully extended its \$700 million syndicated loan facility to May 2012.

Each of the Metcash businesses performed well during the year demonstrating the resilience of the Metcash business model, in good times and bad.

Last year we advised that a new focus was being placed on fresh food distribution, based on the two fresh produce warehouses obtained from the Foodland Associated Limited (FAL) acquisition, and that a national fresh produce distribution network was to be put in place.

This was successfully done during the year and a national fresh produce distribution network has been established for an acquisition cost of \$65.8 million. Annualised sales of fresh products at the end of the financial year reached a 'run rate' of \$950 million per annum.

When announcing the intention to create the fresh distribution network we stated that the objective was to provide competitively priced quality fresh food to our independent retailers. This is being achieved through establishing common national supplier specifications to ensure the quality and consistency of products,

consumers shopping more at supermarkets and eating out less. It is also the result of the targeted 'local' market positioning and niche marketing by IGA retailers.

Pleasingly, a 1.29 times operating leverage was obtained with IGA Distribution's earnings before interest and tax (EBIT) growing by 14.7% during the year.

Australian Liquor Marketers (ALM) wholesale sales increased by 5.6% during the year. This was a strong result considering the confusion and substitution that occurred in the liquor industry as a consequence of the



developing retail standards to ensure that the product and category offer is optimised and to grow the number of retailers being serviced.

With the exception of the fresh produce businesses that were acquired, the 9.3% increase in wholesale sales has been generated from internal growth.

IGA Distribution's wholesale sales increased 11.3% for the year. Of this, 2.3% came from new stores and acquisitions, resulting in a comparable store (that is, like-for-like) sales growth of 9%. Part of this growth has been due to the economic crisis that has led to

Australian Government's decision to impose higher excise duties on ready-mixed drinks. This sales growth was secured by the strategy of guiding independent liquor retailers and hoteliers to consolidate their banners, thus providing a more effective resistance to the growth of the two national chains. As evidence of this, sales to Independent Brands Australia (IBA) members grew during the year by 16%.

An operating leverage of 1.46 times was achieved with EBIT increasing by 8.2% to \$33.8 million. This was due to the continued focus on reducing the cost of doing business. Additionally, a



Opposite page image: IGA>D warehouse in Crestmead, Queensland.
Above image: Carlos S dos Santos (Chairman) and Andrew Reitzer (CEO).

'Each of the Metcash businesses performed well during the year demonstrating the resilience of the Metcash business model, in good times and bad.'

speedy reaction to the volume impact of the ready-to-drink excise increase enabled the 'cost to store' effect to be contained.

Campbell Wholesale (CW) sales grew by 7.1% to \$1.66 billion. While the traditional Campbells Cash & Carry business continued to languish, sales of the important primary products category lifted by 10.6% due to the growth in foodservice, soft drinks and confectionery sales. In line with this, sales to the modern petrol and convenience sector grew by 12.2% with strong confectionery sales enabling CW's convenience market share to increase to 35%.

A more subdued operating leverage of 1.1 times was obtained with CW's EBIT growing by 7.8% during the year. This reflected an increased cost of doing business in the second half due to costs associated with store closures, store refurbishments and freight subsidies in rural areas.

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 are provided by the Company, through face-to-face lectures, eLearning and distance learning, while the Metcash Pro-fit programs assist employees to derive the appropriate 'work/life' balance.

The programs to reduce packaging waste and the utilisation of plastic bags continue and recycling of paper, cardboard and plastic is in place at all of the Company's facilities.

chairman's & ceo's report

A Metcash Environmental Sustainability Committee has been established, is chaired by the CEO and has key management as members. Energy and water consumption measurement is in place, reduction targets established and the retrofitting of the top ten energy and water consuming sites with energy and water saving devices and technology has commenced.

Workplace safety is a high priority. The Company continues to work hard to ensure that a strong safety culture is ingrained in all employees and a high level of safety is maintained. Last year we reported a small number of workplace incidents had affected the Occupational Health & Safety (OH&S) severity and duration rates. As a consequence, key operational risks were again reviewed and a number of projects have been commenced to control identified risk factors. These include 'MESSI', a collision avoidance system.

The benefits of the work over recent years to improve OH&S are showing and the continuous improvement programs in place or underway should continue to generate further benefits.

WAY FORWARD

Last year we advised that Metcash would be pursuing growth both internally and through acquisitions and that, in relation to the latter, a bid was being prepared to acquire Symbion Pharmaceuticals' wholesaling business. The strong internal generation of growth has been realised but we withdrew from the bidding for Symbion Pharmaceuticals.

We still continue to look for major acquisition opportunities with each potential acquisition being tested for compatibility with Metcash's business model and core competencies.

Each of the Metcash businesses has strategies for increasing sales volumes

and profits through internal growth and these are expected to be achieved during the 2010 financial year.

The provision of a higher level of service to our customers, growing and developing our people and a focus on reducing the cost of doing business through continued productivity improvements remain key planks in the company's approach to business. Metcash cannot be successful if its customers are not.

The economic and financial environment remains uncertain but the resilience of the Metcash business model has held the company and its businesses in good stead.

As a precaution, management has put in place a salary increase deferral for all employees earning more than \$50,000 per annum. If the Company's profit before tax targets for the 2010 year are met, then the salary increases that otherwise would have been paid at the beginning of the year will be paid. Bonuses for the year will only be paid if all salary increases have been paid and bonus targets met.

The Directors have also resolved that Non-executive Directors fees and allowances will remain at their present level until 30 June 2010.

Subject to unemployment and economic conditions not deteriorating above current Australian Government forecasts, earnings per share guidance for the 2010 financial year is a 7-10% growth of normalised earnings per share.

OUR SHAREHOLDERS

We would like to thank you, our shareholders, for your support over past years. Your continued support and investment in the resilient Metcash business model is appreciated. Since 2001 Metcash has provided strong returns to shareholders as the Total Shareholder Return (TSR) graph below demonstrates.

The Directors and management of Metcash will continue to work hard to maintain this record of strong growth and dividend payments.

TSR under current management vs. market



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

Carlos S dos Santos
Chairman

Andrew Reitzer
CEO



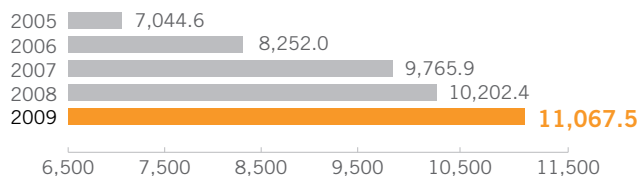
Image: The new 'mini loader' installed in the Laverton, Victoria warehouse.

'strategies for **increasing sales volumes and profits** through internal growth are expected to be achieved during the **2010 financial year**'

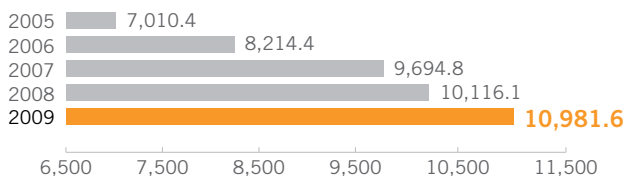


financial review

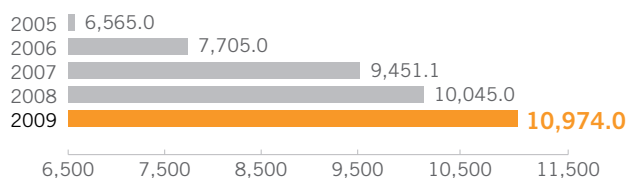
TOTAL REVENUE (\$m)



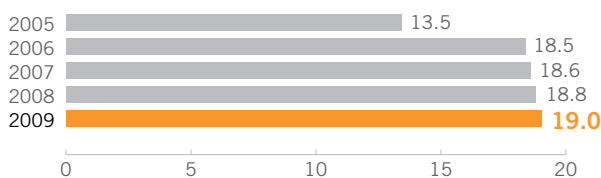
TOTAL SALES REVENUE (\$m)



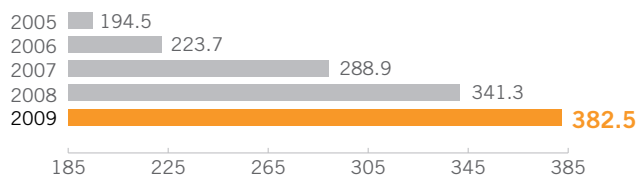
WHOLESALE SALES (\$m)



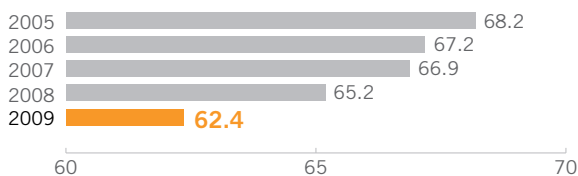
MARKET SHARE (%)



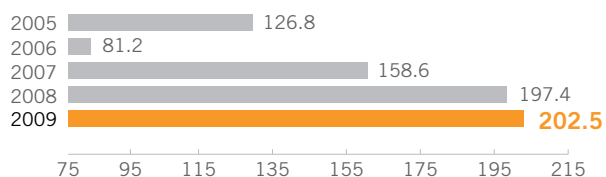
EBITA (\$m)



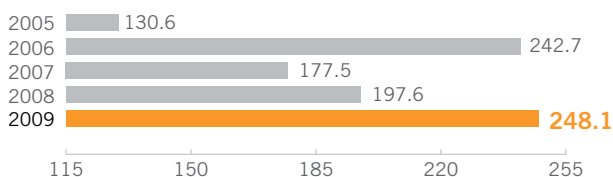
COST OF DOING BUSINESS (%)



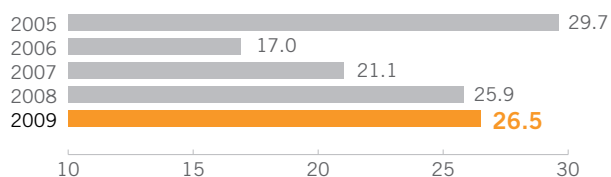
PROFIT AFTER TAX (\$m)



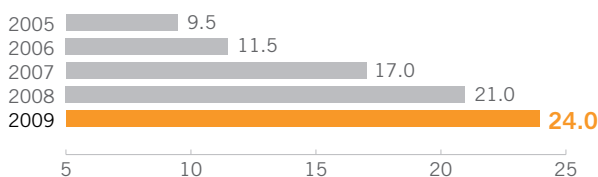
OPERATING CASH FLOW (\$m)



EARNINGS PER SHARE (BASIC) (CENTS)



DIVIDENDS PER SHARE (CENTS)



2009 profit after tax before non-recurring item was \$219.7 million. A non-recurring cost of \$17.2 million after tax was incurred from terminating an interest rate collar in the first half of the year.

2009 earnings per share calculated on profit after tax before non-recurring item (\$219.7 million) was 28.73 cents.

Notes:

- 2007 figures restated in FY2008.
- 2005 impacted by FAL acquisition.

FINANCIAL PERFORMANCE

The onset of the economic and financial crisis became evident just prior to the Group's half year results in September 2009, with central banks globally, and particularly in Australia, reducing interest rates by unprecedented levels. The Group had previously taken out an interest rate collar contract to hedge against, at the time, rising interest rates. At the previous financial year in 2008, this instrument had a favourable valuation to Metcash of some \$3.8 million. As a result of the rapid decline in interest rates in this period, management took the decision to close this contract in November 2008 at a cost of \$24.6 million.

Since exiting the contract, the Group has enjoyed substantially lower interest rates on its debt, resulting in a saving of \$5.2 million in the second half interest expense. The interest rate collar closure is the only substantial one-off cost in the annual result for the Group.

The Group's turnover growth has remained strong, with wholesale sales increasing by 9.3% on the previous period. The Metcash business model has remained resilient during the economic downturn. In addition, the Group has continued to drive costs down, with Cost of Doing Business as a percentage of Gross Profit reducing by a further 280 points this year. This has been due to the finalisation of the withdrawal from Retail Operations for the Group and a focus on cost control and supply chain improvement.

As a result of these factors, the Group was able to better its market guidance, reporting an Earnings Per Share (excluding one-off costs and intangible amortisation) of 29.53 cents per share and declaring a final dividend of 14 cents per share. This brings the total dividend payment to 24 cents per share for the year, a 14.3% increase over 2008.

FINANCIAL POSITION

The Group's previously announced strategy of expanding its capabilities in the areas of Fresh Foods has resulted in a substantial investment in the national fresh produce distribution network. At 30 April 2009, only the South Australian arm of this network remains to be finalised, which is expected to occur in the first quarter of the 2010 financial year. In addition, the Group has extended the Foodservice capabilities of the Campbells Wholesale division with acquisitions in Queensland. The total investment in these expansions for the year was \$65.8 million. Owing to the nature of these businesses, a large proportion of this investment resides in the Intangibles balance in the balance sheet.

The Group's working capital position has been affected by a number of factors. The changes to the mix of business created by the expansion of the Fresh offering have seen an overall reduction in both Debtor Days and Trade Creditor payment terms. In addition, owing to inbound service level issues with suppliers and the restocking of the Blacktown DC dry grocery distribution centre, which was closed for repair after the building was damaged and the stock destroyed after hail damage in December 2007, the group's inventory levels have increased. This has been necessary to ensure Metcash's customers continue to enjoy best-practice service levels on a daily basis.

The Company has drawn down an additional \$25 million of its debt facilities during the period to finance these transactions and, subsequent to year end, finalised negotiations to extend its \$700 million syndicated loan facility to 31 May 2012.

The Group continues to maintain a strong balance sheet with a solid cash position, adequate funding capacity and is well placed for future growth and expansion.

Highlight

WHOLESALE SALES (%) 2009

The Group's turnover growth has remained strong, with wholesale sales increasing by

9.3%

CASH FLOW

The Company has continued its strong operating cash generation during the year, with operating cash flows increasing by \$50.5 million to \$248.1 million. This is in spite of the working capital movements noted above and includes a one-off change to the Group's tax paying position as a result of prior period adjustments predominantly related to the FAL acquisition.

The Group has invested a net \$106.2 million in the Produce and Foodservice networks noted above and in substantial infrastructure projects in Laverton, Darwin, Canning Vale and IT Systems.

The Group has maintained a high dividend payout ratio (in excess of 80%) and dividend payments for the year totalled \$168.3 million.

IGA Distribution



IGA Distribution (IGA>D) has again delivered a strong performance, growing wholesale sales by 11.3% and EBITA by 14.7% to \$315.5 million. This has been done during times of financial and economic uncertainty and in a market dominated by the two chains.

The sales growth demonstrates the benefits from IGA's targeted 'local' market positioning and niche marketing. Additionally, in tougher economic times, consumers are shopping more at supermarkets and eating out less. By holidaying more 'at home' in Australia, they are further supporting the widely dispersed IGA store network.

The focus on reducing the Cost of Doing Business (CODB) continued and benefits were obtained from the introduction of improved technology and rationalising warehouse procedures. This has helped create the 1.29 times 'leverage' of EBITA growth to sales growth for the year.

Market share of 19%, as measured by AC Nielsen (Nielsen), was maintained and growth of the market by IGA>D was 8.3% compared to overall market growth of 7.4%.

During the year 43 new IGA stores were opened and 27 extended. This resulted in the addition of 66,969 square metres to the IGA retail area. In the 2008 annual report it was stated between 66,000 and 86,000 square metres were expected to be added in the 2009 year. The upper limit of this expectation has been exceeded if the area of non-IGA stores that have joined the IGA network is included. Additionally, 81 stores were refurbished in 2009.

Adding to the benefits of the higher retail area, sales growth was also generated through entrepreneurial IGA store owners driving a differentiated retail offer, a larger range of fresh and private label brands to meet changing consumer needs, strong branded price promotions to keep independent retailers competitive with the two chains and implementing the independent model of executing 'locally' while behaving like a chain globally.

Sales of the Company's generic Black & Gold range grew by 12% for the year, reflecting the brand's ability to meet value consumer needs. The Black & Gold range now consists of 1,011 product items. During the year the new premium label range IGA 'Signature', was launched. 342 product items are in the launch phase, and the range is expected to consist of 600 products by December 2009. The execution of these Corporate Brand (Black & Gold and Signature) strategies provides independent retailers with products that can compete with the chains in this important area.

The IGA brand and network have been strengthened during the year by retail excellence, training, retail analytics and marketing programs.

A key initiative is to increase the Overall Shopping Experience (OSE) of customers in IGA stores. This is measured by identifying criteria within the Retail Standards Appraisal (RSA) that is performed on IGA stores. Stores that fall below an OSE score of 94% are analysed and action plans put in place to address and rectify areas of weakness. In a number of instances, this

has led to retailers increasing their investment in the stores or commencing a refurbishment program.

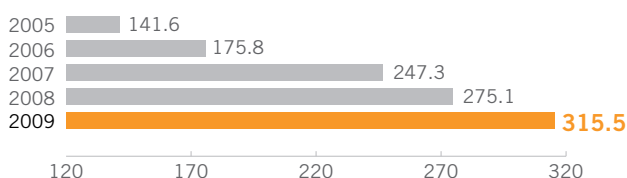
Training is an important aspect of brand and network development. The IGA Training Institute has worked with 570 stores and trained over 6,800 staff through online training. 1,200 staff are currently enrolled in IGA registered courses and this number grows each year. Typical training includes Certificate II, III and IV in Retail Operations and Fresh Food, Meat and Seafood department skills.

At the same time, the skills of IGA>D staff are enhanced through ongoing training and development such as Disc Profiling, Coaching, Leadership and OH&S.

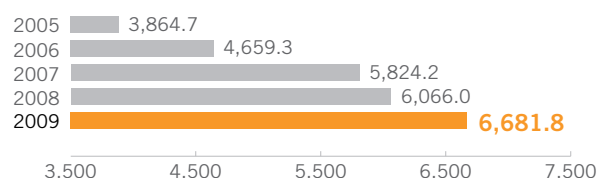
New opportunities to assist independent retailers make better use of their customer data to increase basket size and provide customers with more of what they want are being identified through retail analytics. A 'proof of concept' was tested across a range of stores using retail sales data which confirmed that significant benefits can be achieved across the IGA network. This expanded project will be implemented across all IGA stores.

As the IGA brand equity grows, ways are sought to differentiate the IGA offer from that of the two chains, through a focus on consumer lifestyle and wellbeing. The IGA multimedia 'Food 4 Life' program is providing consumers with convenient, wholesome, and value-added meal solutions using ingredients from IGA stores. This will continue to be a key driver in delivering a high quality fresh food offer in IGA supermarkets.

EBITA (\$m)



TOTAL SALES (\$m)





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

- EBITA grew by \$31 million achieving a ratio of 4.73% to sales.
- The number of IGA stores grew with 43 new stores as well as 27 extensions and 81 refurbishments to existing stores.
- Expansion and improvement of the state distribution centres including the establishment of a national fully automated distribution centre in Laverton.

FUTURE DIRECTION

- Implement the 'Project Lion' strategies.
- Continue to improve consumers' overall IGA shopping experience through the 'Retail Resolution' process and store refurbishment.
- Implement fresh food strategies to grow wholesale and retail sales and produce a consistent and high quality range of products.
- Reduce the cost of doing business.
- Grow retail area through new stores and extensions.

TERMS OF ENGAGEMENT – PROJECT LION

Project Lion (Leadership, Innovation, Ownership and Negotiation) was established early in 2008 to analyse the IGA business model and ensure that the structure and relationships between IGA>D and IGA retailers were optimal.

Business processes have been reviewed at both the Wholesaler and Retailer levels. The need to be more flexible and adaptable to change in a dynamic trading environment was identified at an early stage.

The Culture and Governance Committee, one of seven committees formed from the Project Lion process, undertook an analysis of the IGA National Board structure and processes. The Board structure enables IGA>D and the IGA retailers to manage the IGA network and make joint decisions. The resultant report has revealed strengths and some opportunities for improvement that will be worked on. The process is designed to enhance the protocols and procedures for a highly effective and resilient IGA Board structure to provide the basis for future growth and stability.

WAREHOUSING AND LOGISTICS

A number of projects have resulted in improvements in productivity during the year, including:

- expanded perishable warehouse facilities completed in QLD and WA to cater for increased demand;
- improved processes that have been tested and are being implemented including radio frequency receiving and blue tooth scanning of security items.

A new fully automated 'mini loader' distribution centre is being installed at the Laverton, Victoria, distribution complex. This will enable major

IGA Distribution



expansion of our small goods range. It will provide expansion into cross-docking and the ranging of products from smaller local suppliers. It also provides opportunities for new fresh, organic and confectionery ranges to ensure product ranges meet consumers' needs. Retailers are expected to start receiving the benefits of the new facility in the second half of FY2010.

HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY (HSEC)

- IGA>D have implemented strategies in line with Metcash's HSEC policy to further reduce packaging waste and increase the recycling of paper, cardboard and plastic to reduce landfill.
- A new corporate branded range now includes 37 organic products certified by the Biological Farmers of Australia (BFA).
- Corporate Brand suppliers have agreed not to use genetically modified materials in their products. This has earned a Green rating in the *Greenpeace True Food Guide*.
- IGA donated \$1.5 million in IGA vouchers to the Bushfire Appeal, distributed via the Salvation Army.
- Strict site specific Food Safety Plans are in place to ensure food safety.
- IGA's national 'Fast Food Blitz' was launched in May and requires participants to abstain from eating unhealthy take away/fast food for 21 days – the length of time research suggests it takes to make or break a habit. The program is designed to encourage healthy eating and reduce obesity.
- Launched in 1998, IGA Community Chest raises funds to give back to the local community from the sale of selected products. Over the last five years, independent store owners, IGA Community Chest and associated programs have raised over \$37 million for local communities and charities.

- IGA Community Chest Unsung Heroes Awards 2008 recognised and rewarded hundreds of deserving individuals who give up their time for the good of others – usually unpaid, and often without thanks – while reinforcing IGA's community focus at a local level. Unsung Heroes 2009 starts on 1st June 2009.
- Food 4 Life is IGA's healthy living philosophy. It incorporates information about healthy shopping, cooking, eating and living; it's an holistic approach to a healthier lifestyle that Australian consumers are encouraged to follow.

GENERAL

With our commitment to excellence at both wholesale and retail levels, IGA>D and its stakeholders have a resilient model to ensure continued growth both now and into the future.

LOU JARDIN
CEO IGA DISTRIBUTION

IGA FRESH

IGA Fresh achieved many key milestones in its first full year. This includes the establishment of a distribution network that enabled the generation of annualised sales of \$950 million at year end from Fresh Produce, Meat, Delicatessen and Bakery.

IGA Fresh distribution national capabilities are underpinned by 11 dedicated fresh produce distribution centres and two meat processing facilities. When combined with the established IGA>D distribution centres, these provide a platform that ensures independent supermarkets have a complete supply chain in place to compete in today's market place.

Recruitment has been a major focus to ensure skilled personnel are in place to support independent retailers. A state-wide structure is now in place to assist customers with their fresh food buying, merchandising and retailing.

NATIONAL FRESH PRODUCE NETWORK

The main objective for the 2009 financial year was the establishment of a national Fresh Produce network. The acquisition of targeted produce wholesalers was completed relatively quickly and a national network of 11 warehouses established. The network will be completed on finalising the conversion of a minority equity interest in a South Australian wholesaler to a wholly owned subsidiary. With Fresh Produce annualised sales of \$390 million, the business is well placed to increase sales volumes. IGA Fresh Produce now services over 600 retailers nationally providing operational support while delivering a competitive offer to ensure independent retailers continue to compete and grow.

A national fresh produce buying strategy has been initiated to create a greater consistency of high quality products to enable independent retailers to provide an exceptional consumer offer. This is further supported by the IGA 200% Fresh Guarantee.

A private label fresh produce range under the 'Field Fresh' brand was launched in July 2008. The range has grown to 70 products with a further 30 under development.

The fresh produce distribution network also provides the opportunity to supply foodservice customers. This is an area where IGA Fresh, in conjunction with Foodlink, will generate sales under the brand 'Foodlink Fresh'.

MEAT

Sales of meat have grown 24% during the year, generated by providing high quality, competitive products coupled with advice and expertise to independent retailer customers.

In addition to the Malaga (WA) processing centre acquired from FAL, Fresh Market Meats has been acquired. These two sites, in conjunction with the IGA>D distribution centre, provide a complete meat offer to WA retailers.

A similar strategy for the east coast is being developed to provide 'retail



Bright Supa IGA, Victoria.

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 food, retail and consumer solutions for all independent channels.

SIGNIFICANT ACHIEVEMENTS

- Establishment of a national Fresh product distribution network.
- Acquisition of the 'retail ready' meat facility in WA.
- \$950 million in annualised sales.
- IGA Fresh team is now in place.

FUTURE DIRECTION

- Assist retailers in the execution of a 'Fresh' offer.
- Source growth opportunities in the fresh produce food service area.
- Establish retail ready meat program on the east coast.
- Supply chain effectiveness in all areas of fresh food.

ready' meat offers. A private label meat range has been created with 70 products currently available and a further 15 being developed.

DELICATESSEN

Delicatessen sales have demonstrated excellent growth with a 30% increase. The major focus has been to increase supply chain efficiencies by nationally warehousing smallgoods products, replacing the previous direct delivery process. This has reduced the demand for alternative forms of distribution and provides the retailers with an efficient and effective 'one stop shop' distribution process. Private label product development has been very strong with available products

expected to grow from 56 to 95 by December 2009.

POULTRY

During the year an exclusive arrangement was agreed with Lenard's to supply their range of fresh poultry products. The combination of IGA and Lenard's branding provides opportunities for IGA retailers to offer a well recognised consumer poultry offer exclusive to IGA supermarkets.

BAKERY

Bakery has again shown excellent sales growth with a 93% increase over the prior year. The 'Bakers Oven' brand continues to be rolled out with 257 different bakery products now available.

The other key bakery strategy, 'Quick Bake', has proven successful with 210 ovens being delivered to IGA retailers within the first 12 months. 'Quick Bake' enables a range of fresh bread to be baked in store in approximately 20 minutes.

2009 was an exceptional and exciting year. An effective fresh food distribution network has been established that is adding significant value to participating IGA retailers. The platform is now in place to drive top quality fresh food sales in independent supermarkets.

Harry Rumpler
CEO IGA FRESH

Australian Liquor Marketers



Sales during the financial year showed a strong growth of 5.6% on last year while EBITA grew by 8.2%. This produced excellent leverage of 1.46 times.

ALM continues to grow sales in a competitive market as a direct result of the resilience and improved retail offer of independent retailers.

COST OF DOING BUSINESS (CODB)

The year has seen the benefits of the restructure undertaken at the start of 2008 financial year and continues to advantage the ALM business. The CODB fell against prior year and, while no major changes to the network were undertaken during the year, management focus is maintained on driving cost efficiency within our supplier's network. Management emphasis on stock control has continued to see our stock turns increase and has resulted in sizeable improvements in service levels to our customers.

PREMIX VOLUMES

The government tax change on premix drinks severely impacted premix sales during the financial year. Volume of cases dropped by 35% from last year and the sales value was down 11% on the same year. However, sales of full strength spirits more than compensated the loss in premix sales. The volumes of premix sales have shown signs of recovery at year end. The effect of this will flow into the 2009-2010 financial year.

INVESTMENT IN INDEPENDENT BRANDS AUSTRALIA (IBA)

The IBA model continues to generate strong growth both in store numbers and comparable (like-for-like) sales growth within the current network. The successful launch of the IGA Plus Liquor banner in Western Australia during the year is another step in growing the footprint of this successful

model. IBA, under the Cellarbrations, Bottle-O and IGA Plus Liquor banners, is now a key retail partner for all the major liquor suppliers. It provides an excellent platform for suppliers to drive key growth strategies through the integrated wholesale and retail network.

BRANDED IBA (IGA PLUS LIQUOR, CELLARBRATIONS, BOTTLE-O) STORES

April 2006	863
April 2007	1075
April 2008	1527
April 2009	1578

LIQUOR ALLIANCE

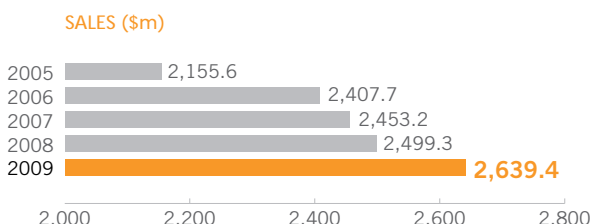
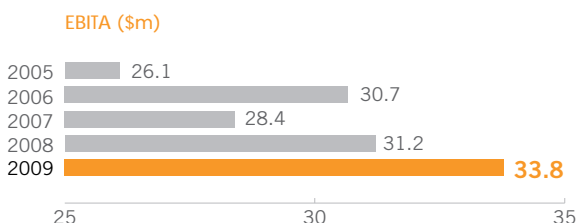
Our strategic partners, the Liquor Alliance, trading under the Thirsty Camel banner, continued to show strong growth during the year. Consolidation of the state-based brands, under one national brand, has delivered its members strong buying and cost efficiencies during the year.

INCREASED BEER VOLUMES

ALM and IBA are committed to providing our customers the most efficient and cost effective supply chain model possible. The ability to have their entire product requirements

MAJOR ACTIVITIES

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





Najda's Cellarbrations, North Geelong, Victoria.

SIGNIFICANT ACHIEVEMENTS

- Sales growth up by 5.65% and EBITA up by 8.2%.
- The benefits of the 2008 restructure continue to advantage the network with the CODB falling by 4%.
- Branded IBA stores grow from 1,527 to 1,578 stores in 2009.
- 'Thirsty Camel' banner consolidation continues to deliver its members strong buying and cost efficiencies.

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 the 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.

available through one supply chain is a key strategy for a large percentage of our customer base. ALM and IBA are working with all our major suppliers to provide this solution so that our customers can perform in a highly competitive environment on a level playing field and provide the end consumer with a competitively priced extensive range coupled with knowledgeable friendly service.

HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY (HSEC)

- ALM has implemented strategies in line with Metcash's HSEC policy. There has been a focus to reduce

packaging waste and continue recycling of paper, cardboard and plastic to reduce landfill.

- Improving data collection processes from suppliers to facilitate more accurate reporting via the National Packaging Covenant.
- ID 25 Program is a responsible service of alcohol education campaign about the importance of checking the ID of those deemed close to the legal age, targeting the 18 to 25 age group.
- 'Don't buy it for them' is an in store marketing campaign to educate parents and other legal age customers not to purchase alcohol

for or on behalf of under age people.

ALM and IBA continue to support independent retailers by building strong brands, enhancing the retail offer and providing strong promotional support. Our share of market continues to grow and IBA is now a key retail group for all the major liquor suppliers. ALM is well positioned to continue to support independent retailers and the continued consolidation of the retail liquor market.

FERGUS COLLINS
CEO AUSTRALIAN LIQUOR MARKETERS

Campbells Wholesale



Campbells Wholesale had another solid year with sales increasing by 7.1% to \$1.66 billion and EBITA growing by 7.8% to \$32.9 million. Strong growth was generated by each of the four divisions: Campbells Cash & Carry (CCC), Campbells Wholesale Division (CWD), C-Store Distribution (CSD) and Foodlink. Each division is tailored to meet the needs of their customers in the route, convenience and hospitality market segments.

Campbells Wholesale, through its national network of 45 warehouses, is a multi-format distributor of grocery, confectionery, tobacco, liquor, soft drinks and foodservice products. Significant gains have been made through leveraging the ability to offer a uniform supply solution to all nationally based customers.

The business has evolved from purely cash and carry to a full distribution service. 70% of Campbells Wholesale volume is based on a full delivery format, with electronic ordering, processing and invoicing. Campbells has also invested substantially in automated picking technology to provide the accuracy and efficiency in single item picking required by its convenience customers.

CONVENIENCE/ ROUTE MARKET

Campbells Wholesale has seen a rise in market share to 35% of the organised convenience channel. The 2008–2009 year has seen major growth with both 7-Eleven and BP through its CSD division. The CSD model is unique in that it offers a total supply solution to oil companies and national convenience store chains seeking supply chain efficiencies, electronic processing and less forecourt disruption through a 'one-stop' delivery process.

This model is replicated across regional and remote areas of Australia through CWD, and the establishment

of Coast and Country distribution outlets within the stores further supports the customers' confectionery needs. Campbells Wholesale continues to invest in its network, especially catering for the distribution needs in remote areas of Australia – a state-of-the-art 12,000m² warehouse was opened successfully in Darwin in October 2008.

CCC continues to offer a wide range of products to its independent route customers in all capital cities of Australia. Independent retailers favour the Cash & Carry format, providing the retailer with a wide selection of products and visibility to new products and market information not normally available to this channel through conventional distribution wholesaling.

Campbells Wholesale's retail banner, Lucky 7, again grew solidly to 250 sites, generating retail sales of over \$170 million. The Lucky 7 banner provides the independent retailer with a formatted retail offer, range control and pricing which allows retailers to compete effectively.

HOSPITALITY

The hospitality market remains an attractive target for Campbells Wholesale. Campbells' fourth division, Foodlink, based in Perth, is a specialist foodservice distributor to free trade, franchised networks and corporate caterers. Recently Foodlink established its second operation through the acquisition of Solomon Food Group in Murarrie, Brisbane. This is the first step to the creation of a national network of Foodlink warehouses.

The foodservice category is also well represented in Campbells Cash & Carry and its 'Catering Connection' concept, which supplies independent restaurants, bistros, clubs, pubs and takeaways outlets.

The feature of a wide range of foodservice products and the

inclusion of liquor to licensed premises provides a unique offer to the foodservice market in Australia.

HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY (HSEC)

- Campbells Wholesale has implemented strategies in line with Metcash's HSEC policy. There has been a focus to reduce packaging waste and continue recycling of paper, cardboard and plastic to reduce landfill.
- 30,000 plastic totes (containers) are utilised to replace cartons that were previously used to package loose items to the convenience market.

MAJOR ACTIVITIES

- Primarily focused on the convenience, route and hospitality channels of trade. Services customers who require a total supply solution across a broad range of fast moving consumer goods (FMCG) products.
- Campbells Wholesale has national service and distribution covered via:
- 22 Cash & Carry warehouses (CCC) and 17 regional warehouse distribution centres (CWD), servicing over 100,000 customers across all
- Campbells Cash & Carry no longer provides plastic shopping bags, instead reusing manufacturers packaging from goods received.
- Campbells Wholesale raised over \$100,000 in cash and stock for victims of the Victorian fire disaster.

Campbells Wholesale expects its growth to continue across all divisions in the new financial year.

PETER DUBBELMAN
CEO CAMPBELLS WHOLESAL



C-Store Distribution delivery to 7-Eleven, Maroubra, Western Australia.



FoodLink delivery to Pizza Hut restaurant Perth, Western Australia.



Cash & Carry, Bunbury, Western Australia.

states and territories, stocking a broad range of groceries, confectionery, cigarettes, foodservice and liquor;

- four C-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.

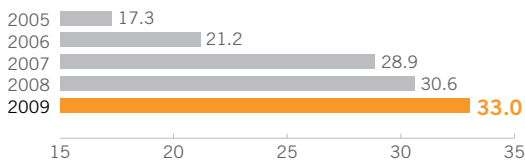
SIGNIFICANT ACHIEVEMENTS

- Sales increased by 7.1% to \$1.66 billion.
- EBITA grew 7.8% to \$33 million.
- A 12,000m² state-of-the-art warehouse was opened in Darwin to cater for the distribution needs of remote areas of northern Australia.
- Lucky 7 banner grew from 180 to 250 sites.
- Acquisition of the Solomon Food Group in Brisbane creates first step towards a national network of FoodLink warehouses.

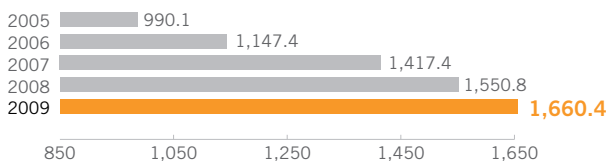
FUTURE DIRECTION

- 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.
- Continue to expand in convenience and hospitality and small business markets.

EBITA (\$m)



SALES (\$m)



board of directors



1. 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 39 years' industry experience and has been involved with the Metcash business as a Director since May 1998.

2. 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.

3. ANDREW REITZER ^{B COMM MBL}

CEO Metcash Group of Companies

Date of appointment to Metcash Limited: 18 April 2005.

Mr Andrew Reitzer has 31 years' experience in the retail/ wholesale industry. Previous positions at Metro Cash and Carry include Group Operations Director, heading operations in Russia and Israel, Marketing Director, IT Director and managing various operating divisions.

4. 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, APN Property Group Limited and Position Partners Pty Ltd. 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.

5. 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 26 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.

6. MIKE JABLONSKI

Group Merchandise Director

Date of appointment to Metcash Limited: 18 April 2005.

Mr Jablonski has 37 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, 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.



7. EDWIN JANKELLOWITZ

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 35 years in corporate offices of listed companies. He was a member of the Income Tax Special Court in South Africa for 20 years (1977–1997).

8. 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.

9. 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.

10. 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 26 years' industry experience and has been involved with the Metcash business as a Director since May 1998.

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.

executive team



1. **ANDREW REITZER** ^{B COMM MBL}
CEO Metcash Group of Companies

Mr Andrew Reitzer has 31 years' experience in the retail/wholesale industry. Previous positions at Metro Cash and Carry include Group Operations Director, heading operations in Russia and Israel, Marketing Director, IT Director and managing various operating divisions.

2. **KEN BEAN** ^{MBA, GRAD DIP BUS, DIP ACC.}
Chief Executive, Group Logistics and Corporate Development

Mr Ken Bean has over 38 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.

3. **FERGUS COLLINS**
<sup>B COMM (HONS) (DUBLIN), B SC MGMT (IRELAND),
MBA (UQ)</sup>

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.

4. **PETER DUBBELMAN** ^{MBA (MELB)}
CEO Campbells Wholesale

Appointed CEO of Campbells Wholesale in June 1998. Peter has over 25 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.

Good growth in the hospitality sector has been achieved more recently through the successful development of specialist foodservice distribution outlets.

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.

5. **ADRIAN GRATWICKE**
^{BA (HONS), ACA, MBA}

General Manager Finance

An experienced finance professional, Mr Gratwicke brings over 21 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 Distribution and General Manager Mergers & Acquisitions, Risk and Investor Relations.

6. **BERNARD J 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 34 years of IT industry experience, 25 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



6.

1 December 2002. Prior to being appointed to his current role he served as a Non-executive Director of Metcash Trading Limited.

7. MIKE JABLONSKI
Group Merchandise Director

Mr Jablonski has 37 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, 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.

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9.

10.

10. DAVID JOHNSTON
 M BUS (EMPLOYMENT RELATIONS), FAHRI, JP

Chief Human Resources Officer

Mr Johnston joined Metcash in December 2001. He brings over 31 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 pioneering Australian industrial relations agreements.

Mr Johnston's current focus at Metcash is to further strengthen leadership capability, implement effective succession and talent development strategies and continue to develop ways to make Metcash a great employer.

11. 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 Distribution Queensland in 2005. He was appointed CEO of IGA Fresh in November 2007.

Mr Rumpler has been in retail for 32 years working in all areas of the business including operations, merchandise and buying.

11.

five-year review

	AIFRS			AGAAP	
	2009	2008	RESTATED 2007	2006	2005
INCOME STATEMENT					
Net Sales (\$'m)	10,981.7	10,116.1	9,694.8	8,214.4	7,010.4
Earnings before interest and taxation (\$'m)	351.8	335.4	282.9	174.0	186.6
Interest, net (\$'m)	61.0	51.1	57.2	40.5	1.5
Operating Profit before Tax (\$'m)	290.8	284.3	225.7	133.5	185.1
Profit After Tax (\$'m)	202.5	197.4	158.6	81.2	126.8
BALANCE SHEET					
Metcash Shareholder Equity (\$'m)	1,279.4	1,239.7	1,180.2	1,032.9	4.5
Net Tangible Assets per share (cents)	12.98	16.16	8.65	(2.40)	(73.00)
Gearing (debt/debt+equity) (%)	33.5	33.2	34.1	42.3	98.8
SHARE STATISTICS					
Fully Paid Ordinary Shares	764,888,363	764,792,593	762,405,655	747,741,353	427,395,233
Weighted Average Ordinary Shares	764,843,880	763,484,392	753,116,068	593,675,382	427,395,233
Earnings per ordinary share (cents)	26.47	25.86	21.06	16.99	29.68
Dividends declared per share (cents)	24.00	21.00	17.00	11.50	9.50
OTHER STATISTICS					
Number of employees (full-time equivalents)	5,358	5,056	5,855	7,033	4,316

Premium label range IGA
'Signature' products.



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 and revised in August 2007.

The table below summarises the Company's compliance with the Corporate Governance Council's recommendations.

RECOMMENDATION	COMPLY YES/ NO	REFERENCE/ EXPLANATION
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT		
1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes	Page 23
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Yes	Page 23
1.3 Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes	
PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE		
2.1 A majority of the Board should be Independent Directors.	Yes	Page 23
2.2 The Chair should be an Independent Director.	Yes	Page 25
2.3 The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	Yes	Page 25
2.4 The Board should establish a Nomination Committee.	Yes	Page 25
2.5 Companies should disclose the process for evaluating the performance of the Board, its Committees and individual Directors.	Yes	Page 26
2.6 Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes	
PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING		
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> • the practices necessary to maintain confidence in the Company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	Yes	Page 26
3.2 Companies should establish a policy concerning trading in Company securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes	Page 26
3.3 Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes	

corporate governance statement

RECOMMENDATION	COMPLY YES/ NO	REFERENCE/ EXPLANATION
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING		
4.1 The Board should establish an Audit Committee.	Yes	Page 27
4.2 The Audit Committee should be structured so that it: <ul style="list-style-type: none"> • consists only of Non-executive Directors; • consists of a majority of Independent Directors; • is chaired by an Independent Chair, who is not Chair of the Board; • has at least three members. 	Yes	Page 27
4.3 The Audit Committee should have a formal charter.	Yes	Page 27
4.4 Companies should provide the information indicated in the guide to reporting on Principle 4.	Yes	
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE		
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Page 29
5.2 Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes	
PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS		
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Page 29
6.2 Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes	
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK		
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Page 30
7.2 The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes	Page 31
7.3 The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 32
7.4 Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes	
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY		
8.1 The Board should establish a Remuneration Committee.	Yes	Page 32
8.2 Companies should clearly distinguish the structure of Non-executive Directors' remuneration from that of Executive Directors and senior executives.	Yes	Refer to Remuneration Report
8.3 Companies should provide the information indicated in the guide to reporting on Principle 8.	Yes	

The Company's policies and practices and their relationship to the Council's recommendations are set out in more detail as follows.

PRINCIPLE 1– LAY SOLID FOUNDATION FOR MANAGEMENT AND OVERSIGHT

RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

The Board of Directors is responsible for setting the strategic direction of the Company and for overseeing and monitoring its businesses and affairs.

The Board reviews and approves the Company's strategic and business plans and guiding policies. Day-to-day management of the Company's affairs and implementation of its strategy and policy initiatives are delegated to the Chief Executive Officer and senior executives, who operate in accordance with Board-approved policies and delegated limits of authority.

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

EVALUATING THE PERFORMANCE OF SENIOR EXECUTIVES

On an annual basis, the Remuneration & Nomination Committee reviews the performance of the Chief Executive Officer against qualitative and quantitative criteria, which include profit performance, other financial measures and achievement of the Company's strategic objectives. This occurred during the 2009 financial year in accordance with this process.

The Company maintains a performance evaluation process that measures other senior executives against previously agreed Key Performance Indicators and Key Behavioural Indicators. This process is performed formally once a year with quarterly reviews and took place for each senior executive during the 2009 financial year.

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

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

A MAJORITY OF THE BOARD SHOULD BE INDEPENDENT DIRECTORS

APPOINTMENT TO THE BOARD

The Board's policy for the selection, appointment and re-appointment of Directors is to ensure that the Board possesses an appropriate range of skills, experience and expertise to enable the Board to most effectively carry out its responsibilities. As part of this appointment process, the Directors consider Board renewal and succession plans and whether the Board is of a size and composition that is conducive to making appropriate decisions.

Prior to Directors standing for re-election, the Remuneration & Nomination Committee reviews the skills and contribution of the Directors concerned and decides whether the committee supports their re-election. The committee then recommends their decision to the Board.

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.

corporate governance statement

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, and the period of office held by each Director, please refer to page 16, headed 'Board of Directors', 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 the 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.

The Board has adopted a definition of independence that is derived from the definition set out in the Principles. 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.

When assessing the independence of a Director, the Board will 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.

The Board regularly assesses whether each Non-executive Director is independent, based on this definition, and in light of information disclosed by those Directors that may be relevant to this assessment.

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 by, 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 group holding company and now a wholly owned Metcash subsidiary. That employment ceased on 18 April 2005 when the Metoz scheme became effective.
- A period of more than three years has thus 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 four-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 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 have a contractual relationship with the group, nor have they been a professional adviser or consultant to the group or an employee 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 0.4% of the Company's total purchases.
- Mr Hamilton was 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.
- None of the six Non-executive Directors has a 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: Mr Andrew Reitzer, Mr Michael Jablonski, Mr Edwin Jankelowitz and Mr Lou Jardin. Mr Andrew Reitzer is the Company's Chief Executive Officer and each of the other three Directors is responsible for key activities of the Company.

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

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.

COMPANY SECRETARY

All Directors have access to the Company Secretary who is accountable to the Board, through the Chairman, on all governance matters.

THE CHAIR SHOULD BE AN INDEPENDENT DIRECTOR

The Chair, Mr Carlos dos Santos, is considered by the Board to be an Independent Director. Please see above.

THE ROLES OF CHAIR AND CHIEF EXECUTIVE OFFICER SHOULD NOT BE EXERCISED BY THE SAME INDIVIDUAL

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

THE BOARD SHOULD ESTABLISH A NOMINATION COMMITTEE

The Board has a Remuneration & Nomination Committee.

REMUNERATION & NOMINATION COMMITTEE

The membership of the Remuneration & Nomination Committee consists of the Non-executive Independent Directors who are listed below, together with details of their qualifications and attendance at meetings during the past financial year.

MEMBER	QUALIFICATIONS	MEETINGS HELD DURING 2009 FINANCIAL YEAR	MEETINGS ATTENDED DURING 2009 FINANCIAL YEAR
P L Barnes (C)	B Comm (Hons), MBA	6	6
C S dos Santos	CA (SA)	6	6
N D Hamilton	LLB	6	6

(C) Chairman.

Responsibilities of the committee include to:

- advise the Board on remuneration of the CEO and senior management;

corporate governance statement

- 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; and
- 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'.

PROCESS FOR EVALUATING THE PERFORMANCE OF THE BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS

The Board has previously reviewed performance each second year using the services of a recognised Board Performance Consultant. During the past year, it was decided that annual reviews of the Board, its committees and directors would be performed using a self-evaluation questionnaire, with an independent review to be conducted each third year using an external Board Performance Consultant.

The questionnaire used covered the areas of Board structure and role, Board composition and succession, meeting processes, strategy and planning, performance monitoring and communication.

The process was managed by the Company Secretary on a confidential basis. Results of the questionnaire were provided to all Directors with any comments from Directors passed to the Chairman. The results were reviewed by the Chairman individually with each Director, then by the Remuneration & Nomination Committee and finally by the Board.

It was agreed by Directors that the evaluation process had been effective and that the individual discussions with the Chairman had been frank and open. The overall conclusion was that the Board and its committees are effective, decisions are made in a timely manner and Directors are adding value to the Company.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

ESTABLISH A CODE OF 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 and 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.

Additionally, the Company has a 'Serious Complaints' policy that endeavours to protect those who report, in good faith, violations of the Code of Conduct. This policy can be found on the Company's website www.metcash.com under the heading 'Corporate Governance'.

TRADING IN COMPANY SECURITIES

The Company has a code for Directors, senior executives and all Metcash employees who are advised of closed trading periods in March and September each year in respect of security transactions and it 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 Directors, senior executives and all Metcash employees who are advised of closed trading periods. Under the policy, no Director, senior executive or Metcash employee advised of the closed trading period 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 also restrict dealings in securities of Metcash during other periods. Trading in all of these periods is monitored to ensure Directors, senior executives and all Metcash employees who are advised of closed trading periods have not traded in Metcash securities.

Further, Directors and members of the Metcash Executive Team (direct reports to the CEO) who wish to deal in Metcash securities must first notify the Chairman in writing of the proposed dealing, which must not be engaged in until approval has been given by the Chairman.

The use of derivatives over unvested Metcash securities can have the effect of distorting the proper functioning of performance hurdles and reducing the intended alignment between management and shareholder.

Metcash employees must not use, or allow to be used, any derivatives in relation to unvested Metcash securities.

In respect of investments in Metcash shares that are financed by margin call loans, Directors and members of the Metcash Executive Team are required to advise the Chairman of such investments and the Company Secretary is to maintain a register of such instances. The Chairman is to be advised of any lender's intention to sell Metcash shares held by Directors and senior executives to satisfy margin loans.

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

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

THE BOARD SHOULD ESTABLISH AN AUDIT COMMITTEE

The Board has an Audit, Risk & Compliance Committee.

The membership of the Audit Risk & Compliance Committee consists of the Non-executive Independent Directors who are listed below, together with details of their qualifications and attendance at meetings during the past financial year.

MEMBER	QUALIFICATIONS	MEETINGS HELD DURING 2009 FINANCIAL YEAR	MEETINGS ATTENDED DURING 2009 FINANCIAL YEAR
R A Longes (C)	BA, LLB, MBA	4	4
M R Butler	B Sc, MBA	4	4
V D Rubin	CA(SA), HDip BDP, MBA	4	4

(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.

corporate governance statement

COMMITTEE CHARTER

The Committee's Charter, which is summarised below, sets out the specific responsibilities delegated to it by the Board and details the manner in which the Committee will operate. The Charter can be found on the Company's website www.metcash.com under the heading 'Corporate Governance'.

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;
- assessing compliance with laws and regulations by monitoring developments and changes in the various rules, laws and regulations relating to the Company's business operations and the responsibilities of Directors and reviewing the extent to which the Board and the Company are meeting their obligations 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 Company has implemented a Risk Management Framework, which is supported by specialised risk management teams (refer Principle 7 – Recognise and Manage Risk). 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.

A 'Charter of Audit Independence' is in place that details the circumstances in which the Company's external auditor may perform non-audit related services and the procedures to be followed to obtain approval for those services where they are permitted. The Charter also contains the Company's policies on the hiring of former partners and senior managers of the external auditor and the rotation of lead and review external audit engagement partners. The Charter can be found on the Company's website www.metcash.com under the heading 'Corporate Governance'.

In principle, the appointment of an external auditor would be based on a tender process conducted by the Audit Risk & Compliance Committee. The Committee would select suitable candidates for the role, issue and evaluate tenders, interview the candidates and then make a recommendation to the Board.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

COMPLIANCE WITH ASX LISTING RULE DISCLOSURE REQUIREMENTS

The Metcash Market Disclosure Policy is designed to ensure that:

- there is full and timely disclosure of Metcash's activities to shareholders and the market, in accordance with Metcash's legal and regulatory obligations; and
- all stakeholders (including shareholders, the market and other interested parties) have an equal opportunity to receive and obtain externally available information issued by Metcash.

The policy reflects Metcash's obligation to comply with the disclosure requirements of the Listing Rules of the Australian Securities Exchange (ASX), as well as relevant corporations and securities legislation.

The policy is reviewed regularly to ensure that the policy reflects any legislative or regulatory requirements or 'best practice' developments.

DISCLOSURE RESPONSIBILITIES AND PROCEDURES

Metcash has designated the Chairman, Chief Executive Officer and Company Secretary as 'Disclosure Officers'. The Chairman's approval, or that of his delegate, is required for disclosures. The Company Secretary has responsibility for liaising with the ASX in relation to all announcement and disclosure issues.

Disclosure Officers have responsibility for reviewing proposed disclosures and making decisions in relation to what information can or should be disclosed to the market.

All Metcash staff are required to inform a Disclosure Officer of any potential 'price sensitive' information concerning Metcash as soon as they become aware of it. Staff may speak to their Business Pillar Head or a Disclosure Officer if they are in doubt as to whether information is potentially 'price sensitive'.

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

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Metcash Limited believes that shareholder and market confidence in all its dealings is paramount and is committed to ensuring it complies with continuous disclosure obligations so that its investors have timely and equal access to important company information.

Information provided to the ASX is made available on the Company's website so that all shareholders and other key stakeholders have timely access to it.

In addition to meeting its continuous disclosure obligations, Metcash ensures shareholders and the broader investment community have timely access to important company information through a series of regular disclosure events during the financial year. The calendar for these events is posted on the company's website.

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

The Company is encouraging electronic communication with shareholders to facilitate the speedy and inexpensive dissemination of information. This is being done through a program to obtain shareholder email addresses to alert them to new information on the Metcash website and to distribute information to them directly. The Company's website contains more than three years of ASX and media announcements and annual reports. This information is shown under the heading 'Investors'. Electronic proxy voting has been introduced.

corporate governance statement

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.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

POLICES FOR THE OVERSIGHT AND MANAGEMENT OF MATERIAL BUSINESS RISKS

The Metcash Board is responsible for designing and reviewing Metcash's Risk Management Policy and for determining the Company's appetite for risk, taking into account the Company's strategic objectives and other factors including stakeholder expectations. The level of tolerance for risk varies according to the risk area.

The Metcash Group Risk Department, the Internal Audit Department and the Metcash Audit Risk & Compliance Committee, a Committee of the Metcash Board, implement a continuous process of communication with Metcash's internal stakeholders at each stage of the risk management process.

They also conduct annual examinations of Metcash's external and internal environments, so as to establish the basic parameters within which risks must be managed.

Metcash's policies on risk oversight and management of material business risks are summarised in a document entitled 'Risk Management Policy – Summary', which can be found on the Metcash website www.metcash.com under the heading 'Corporate Governance'.

Metcash's risk management philosophy and practices are documented more fully in the Metcash Risk Management Framework and Guidelines (Risk Management Framework).

The company has adopted the Australian/New Zealand Standard for Risk Management – AS/NZ 4360:2004 as the basis for its Risk Management Framework. Metcash has implemented its Risk Management Framework through, amongst other things, the identification of material business risk categories and the development of risk profiles for all the major segments and functions of the business.

Material business risks that have been identified and included in the Risk Management Framework are grouped under the following categories:

- Asset Management;
- Business Continuity;
- Health, Safety, Environment and Community (HSEC);
- Compliance and Legal (Non-HSEC);
- Employee;
- Financial Reporting;
- Criminal Activity;
- Information Technology;
- Reputational;
- Solvency;
- Operations/Warehouse;
- Merchandising, Customer and Supplier (i.e. Supply chain); and
- Strategic/Sustainability.

The risk management process includes the following elements:

- Risk assessment:
 - risk identification;
 - risk analysis;
 - risk treatment;
- Monitoring and review; and
- Recording the risk management process.

ROLES AND RESPONSIBILITIES

In addition to the specific responsibilities and reporting roles of the Metcash Group Risk Department and Internal Audit Department, the Metcash Executive Team is regularly required to report to the Metcash Board as to the emergence of any significant risk issues and the management of previously reported material risk issues.

The Audit Risk & Compliance Committee is responsible for monitoring management's risk processes other than corporate strategy, the oversight of which is a Board responsibility. On behalf of the Metcash Board, the Audit Risk & Compliance Committee monitors those risk events that could prevent the achievement of Metcash's corporate strategies.

All Metcash employees are responsible for the management of risk within their areas. Management is responsible for assessing and monitoring risk and designing cost-effective mitigation to facilitate the achievement of goals and objectives. Non-management employees are always responsible for ensuring that risk controls within their scope of responsibility operate effectively as well as advising management of increasing or new risk exposures and significant operational incidents as they become aware of them.

This 'front line' of risk management is supported by specialised risk management teams covering specific areas of risk within Metcash and by independent reviews conducted by the Metcash Internal Audit Department to verify the adequacy and effectiveness of risk management.

THE BOARD SHOULD REQUIRE MANAGEMENT TO DESIGN AND IMPLEMENT THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM TO MANAGE THE COMPANY'S MATERIAL BUSINESS RISKS AND REPORT TO IT ON WHETHER THOSE RISKS ARE BEING MANAGED EFFECTIVELY.

Metcash implements a risk oversight and risk management process that is based on Risk Management Standard AUS/NZ 4360. This system is used to profile all potential risks by identifying, prioritising and managing such risks across the enterprise.

Management has reported to the Board as to the effectiveness of the Company's management of its material business risks using this internal system.

The Risk Management Policy and Risk Management Framework utilised at Metcash cover a wide range of activities and are used to identify, analyse, evaluate, manage and monitor risks across all areas of the business. Risk profiles are fully in place for existing sites, and are implemented at newly acquired sites. These are prepared in consultation with senior management, agreed with site business management and are periodically reviewed and updated by risk team members. Ongoing risk management activities include:

- confirmation of key controls;
- reporting of incidents: recording and monitoring of key risk indicators ('real time' monitoring of residual risk levels);
- follow-up on risk treatment/action plans
- escalation of issues; and
- regular reporting processes to all levels of management.

The ongoing process of communication, consultation, monitoring and review enables management to demonstrate continuous improvement while encouraging greater ownership by individuals across the business.

The risk management and internal control system provides regular 'real time' feedback to management on their effectiveness in managing business risks. This is supported by the Risk Management platform database (software) which holds the risk controls library, all risk categories and events, risk profiles for each pillar/business, business/functional objectives, critical success factors, processes, compliance data and incidents and corrective actions.

The Risk Management Policy and Risk Management Framework documents form an integral part of Company's risk management. The Board continues to review these and provide support in defining clear accountabilities, responsibilities and embedding Enterprise Risk Management (ERM) in planning, strategy and company culture. The Board and the Audit Risk & Compliance Committee remain responsible for the oversight of the risk management process.

Management has reported to the Board as to the effectiveness of the Company's management of its material risks.

corporate governance statement

CEO AND FINANCE DIRECTOR DECLARATION

The Chief Executive Officer and the Finance Director have provided a declaration in writing to the Board in accordance with section 295A of the Corporations Act that, among other things, 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 (refer to the Directors' Report).

The Board has received written assurance from the Chief Executive Officer and the Finance Director that the declaration provided by them in accordance with section 295A of the Corporations Act (refer to the Directors' Report) is founded on a sound system of risk management and internal compliance and control and that the system is operating effectively in all material respects in relation to financial reporting risks.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIVELY

THE BOARD SHOULD ESTABLISH A REMUNERATION COMMITTEE

The Board has established a Remuneration & Nomination Committee. For details of the Committee's membership, their attendance at Committee meetings and a summary of the Committee's Charter, please refer to Principle 2 – 'The Board should establish a Nomination Committee'.

REMUNERATION POLICY

The Company's 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 senior executives are also contained in the Directors' Report.

The Company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes is set out in the Metcash Code for Directors and Executives in Respect of Share Transactions, which can be found on the Company's website www.metcash.com.

NON-EXECUTIVE DIRECTORS' COMPENSATION AND RETIREMENT BENEFITS

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

TERMINATION ENTITLEMENTS OF CEO AND SENIOR EXECUTIVES

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

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directors' report

year ended 30 April 2009

Your Directors submit their report for the year ended 30 April 2009.

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
Michael R Jablonski
Edwin M Jankelowitz
Joao Louis S Jardim (Lou Jardim)
Richard A Longes
V Dudley Rubin

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

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

COMPANY SECRETARY

John A Randall

For qualifications and experience of the Company Secretary please refer to 'Board of Directors' 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	–	650,000
Richard A Longes	128,154	–
V Dudley Rubin	15,000	–

EARNINGS PER SHARE

	CENTS
Basic earnings per share	26.47
Diluted earnings per share	26.45

DIVIDENDS

	CENTS	\$'m
Final dividends for 2009 recommended		
– on ordinary shares	14.0	107.1
Dividends paid in the year		
Interim for the year		
– on ordinary shares in December 2008	10.0	76.5
Final for 2008 recommended in the 2008 financial report		
– on ordinary shares	12.0	91.8
Total dividends paid in the year		168.3
2009 Dividends declared per share	24.0	

CORPORATE INFORMATION

CORPORATE STRUCTURE

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 5,358 employees as at 30 April 2009 (2008: 5,698 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:

	2009	
	REVENUES \$'m	PROFIT BEFORE TAX \$'m
BUSINESS SEGMENTS		
Food Distribution	6,681.8	315.5
Cash & Carry Distribution	1,660.4	33.0
Liquor Distribution	2,639.5	33.8
	10,981.7	382.3
Consolidated entity adjustments/(unallocated amounts)	85.8	(91.5)
Consolidated entity sales and profit from ordinary activities before income tax expense	11,067.5	290.8

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 2009

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 22 May 2009 the Company entered into a new Financing Agreement with new and ongoing Financiers. The Agreement in large part was an extension of the existing facility and provides the Group with security of funding for the three years to May 2012. The new Agreement provides Metcash with an unsecured senior loan facility totalling \$700 million and split into two tranches. The first tranche is \$500 million and will be fully drawn throughout the term of the Agreement. The second tranche of \$200 million is at call according to the Company's borrowing requirements and similarly can be repaid when not required.

The new facility has three covenants that the Group must comply with, being a fixed charges cover ratio (Earnings Before Interest, Tax, Depreciation, Amortisation and Rent (EBITDAR) divided by Total Net Interest plus Gross Rent Expense), senior leverage ratio (Total Group Debt divided by Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)) and minimum shareholders funds (a fixed figure representing the Group share capital and reserves). These covenants and other key terms of the Agreement remain largely unchanged from the previous Agreement. Interest payable on the facility is based on BBSY plus a margin and rollover is monthly. The applicable margin is dependent upon an escalation matrix linked to the senior leverage ratio achieved.

Management and the Board of Metcash are pleased to have successfully secured funding for the Group in such difficult credit market conditions. The facility provides the Company with an appropriate level of funding to support its growth and working capital needs. Whilst the debt line is more expensive than that previously enjoyed by the Company, certainty of funding took precedence. In the Company's results announcement on 1 June 2009, Management advised that the benefit of being able to access lower prevailing cash rates (as a result of terminating the interest rate collar) would be largely offset by the increased margin applicable under the new Financing Agreement. Management concluded therefore that their expectations for net interest expense for the financial year 2010 would be similar to 2009 at \$61 million.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Information with respect to likely developments is set out within the 'Chairman's and CEO's report' elsewhere in this annual 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:

	COMMITTEE MEETINGS		
	DIRECTORS' MEETINGS	REMUNERATION & NOMINATION	AUDIT RISK & COMPLIANCE
Number of meetings held:	9	6	4
Number of meetings attended:			
Carlos S dos Santos	9	6	-
Peter L Barnes	8	6	-
Andrew Reitzer	9	-	-
Michael R Butler	8	-	4
Neil D Hamilton	9	6	-
Michael R Jablonski	7	-	-
Edwin M Jankelowitz	8	-	-
Joao Louis S Jardim	7	-	-
Richard A Longes	8	-	4
V Dudley Rubin	9	-	4

All Directors were eligible to attend all meetings held.

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

(c) Designates the chairman of the committee.

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		RESTATED		AGAAP
	2009	2008	2007	2006	2005
Earnings per share before CULS, CUPS in 2006 and 2007 and non-recurring items (cents)	28.7	25.2	21.8	24.9	31.8
Basic earnings per share (cents)	26.5	25.9	21.1	17.0	29.7
Dividends declared per share (cents)	24.0	21.0	17.0	11.5	9.5
Increase/(decrease) in dividends declared per share (%)	14.3	23.5	47.8	21.1	(13.6)
Dividend payout ratio (%)	90.7	81.2	80.7	67.7	32.0
Return on equity (%)	16.1	16.3	14.2	19.0	28.8
Share price (30 April) (\$)	4.12	4.22	5.24	4.60	3.20
Dividend yield (%)	5.8	5.0	3.2	2.5	3.0

ROUNDING

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

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TAX CONSOLIDATION

Metcash Limited has formed a tax consolidation group including its 100% owned Australian 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.

HEALTH, SAFETY, ENVIRONMENTAL 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 ENGAGEMENT

The Metcash Pro-fit Program continues to be an integral part of the company's focus on employee health and well-being and also to support employee engagement and performance. The program includes the very popular and well attended 'Camp Metcash', which provides employees' children the opportunity to participate in a range of activities over the school holidays. This program is designed to support parents with managing the care of their children over the holiday periods.

Other Pro-fit initiatives carried out this year were the annual employee flu vaccinations and health checks. Employee counselling services continue to be provided on an 'as needed' basis. Flexible work arrangements, including the ability to purchase additional leave, compress the working week and utilise well-being days, remain features of the company's efforts to engage and align employees.

Since 2007, the Company has provided eight weeks' paid maternity leave.

Metcash continues to offer a range of reward and recognition programs aligned to key business outcomes and employee performance. These include service awards and CEO awards as well as performance-based incentive payments.

EMPLOYEE DEVELOPMENT

A recent re-organisation of the Learning & Development Department will provide further support to the Company's talent strategy and ensure we are building both our people and our organisational capability. In shifting to a more blended learning and business focused approach the aims are to produce managers who are problem solvers, flexible and quick in adapting to changing circumstances (both externally and internally) and whose behaviours reflect the company's core values.

The new Metcash Learning & Development team continues to focus on building leadership capability across the organisation. At the frontline leadership level the company offers the Diploma of Management as well as the introduction of a new program, the LIFT Warehouse Leadership Program. The High-Performing Manager Program was also conducted with a select group of managers.

To ensure a focus on the critical behaviours that will drive business performance, the company has launched a new Leadership Competency Framework. This will be the foundation of all the company's people processes including recruitment, succession planning, leadership development and performance management.

The company also continues to support employees in completing accredited vocational and tertiary education through the Metcash Employee Vocational Education Sponsorship Program (MEVES).

SAFETY

OCCUPATIONAL HEALTH AND SAFETY (OH&S)

In recent years, the Metcash Group has undertaken a major transformation program to set in place the appropriate accountabilities, standards and tools, to embed a 'no blame' safety culture across our business. We have gone back to basics to ensure our employees are the focus of our safety programs. We aim to ensure every task, every day, is done safely, as opposed to being driven by 'paper and reporting compliance'.

Some of the key focus areas include:

- introduction of safety criteria into contractor/subcontractor tenders;
- development of a national Metcash induction program, including online ergonomic assessments for new employees in the office and manual handling assessments for new warehouse operators;
- comprehensive OH&S and workers compensation due diligence assessments for business acquisitions;
- improved injury case management through proactively working with all stakeholders including the workforce, health and legal providers and contractors to make this vision a reality;
- involvement in key government risk projects, including manual handling, traffic management in warehousing and 'young employee' targeted programs to develop best practice industry initiatives.

The 2008–2009 OH&S/Injury Management Team strategic projects:

- Following two key significant incidents in 2007–2008, Metcash reviewed key operational risks and identified the following projects to control risk factors:
 - I-CARE – national strategic injury management model;
 - MESSI – collision avoidance system;
 - LIFT – risk management tool for determining and managing manual handling risks for high-volume order picking warehouse facilities;
 - Office Safety – development of an online ergonomic education and assessment tool for new employees; and
 - Fit For Work – program encompassing pre-employment medicals, random drug and alcohol testing, cause testing and self testing implemented at every level of the organisation.

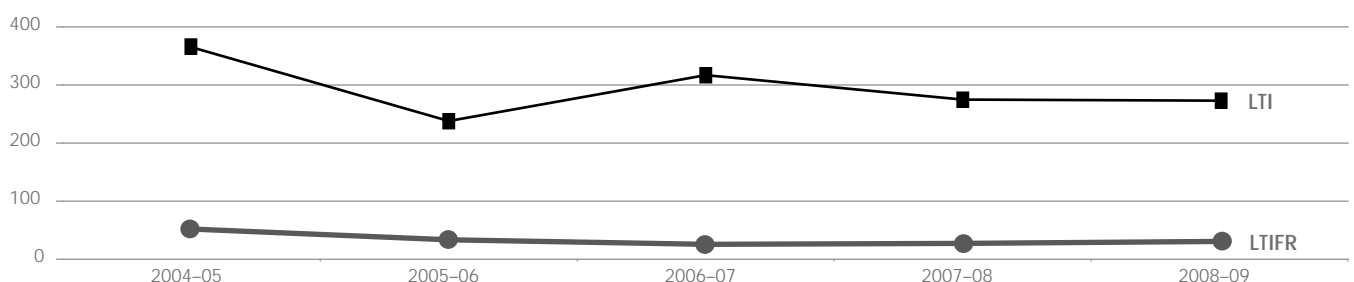
The year ahead will see the company-wide adoption of an online safety management and reporting system that will help identify major safety risk areas across all business activities. This data will generate a snapshot of leading and lagging safety metrics that will allow us to monitor safety performance, proactively manage risks and share the lessons learned.

METCASH FIVE-YEAR OHS LAG INDICATORS

	2004–05	2005–06	2006–07	2007–08	2008–09
LTIFR	52	33.6	25.7	27.3	30.7
LTI	365	238	317	275	273

Overall, 2009 was a pleasing year with reductions of key OH&S indicators, including lost time injuries, hours lost, claim numbers and claim costs. Nil significant reportable occurrences took place during the year.

METCASH FIVE-YEAR LTIFR/LTI TREND



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MISSION ZERO

Many of the workplace safety issues that stand between us and the reality of operating free from workplace incidents are systemic and universal in nature and require holistic solutions to improve the systems, process and controls to adopt world-class safety performance.

Metcash is addressing these issues through the Mission Zero five-year strategic plan, which is establishing more user-friendly and easily understood standards and tools to enhance the safety culture of our business.

The underpinning principles of Mission Zero due to be implemented in 2009 are:

- it is unacceptable that our people and those working with us should be injured while undertaking our business activities;
- every employee and contractor has the right to come to work and go home unharmed by any work task or activity.

In order to achieve this vision, we need to operate on the basis that Metcash is intolerant of any injury or incident.

This will require:

- every individual at every level of the organisation taking a personal stand and commit to safety, with the mindset that 'the standard we walk past is the standard we set';
- every employee being responsible for their own workplace safety behaviour.

This vision is achievable if our employees and stakeholders are totally committed to it and are prepared to challenge and question the 'way' we have always done things within the business.

Our Mission Zero vision touches every aspect of the Metcash business, from the buildings we design and construct to the tasks that we undertake day to day. We will be working more closely with our business partners, employees and contractors to create safe places to work and visit.

OUR PLACES OF WORK

SUSTAINABILITY

A Sustainability Strategy and Policy has been developed and endorsed by the Board. It covers the four key performance areas in each of which the Company is undertaking action – Our Business, Our Products, Our Suppliers and Our Customers.

OUR BUSINESS

- Compliance with all relevant legislation
- Carbon emission monitoring and management
- Climate change adaptation and risk management
- A resource efficiency retrofit program including initiatives such as the conversion of 69% of company vehicles to LPG fuel at April 2009
- Waste reduction programs
- Integrating sustainability into existing policies, plans and procedures, including the development of an Environmental Management System.

OUR PRODUCTS

- Improving the resource efficiency and recyclability of packaging
- Reporting annually to the National Packaging Covenant.

OUR SUPPLIERS

- Working with manufacturers to improve their resource efficiency in manufacturing our products
- Developing a supplier engagement program.

OUR CUSTOMERS

- A comprehensive Sustainability@Retail support program
- Information sharing and promotion of sustainable in-store initiatives undertaken by our independent retailers.

A Metcash Environmental Sustainability Committee has been established to implement effective sustainability policies and initiatives throughout the Company. The Committee is chaired by Andrew Reitzer, the CEO, and its members include key executives who are responsible for implementing the objectives and tasks established by the committee.

In the interest of corporate social responsibility, Metcash works with, supports or partners industry and governmental groups such as POPAI (Point of Purchase Advertising International), the Victorian Government's 'Grow Me the Money Program', New South Wales Government's 'Sustainability Advantage', the Green Building Council of Australia and the Department of Environmental Heritage and the Arts' Plastic Bag Working Group.

BUSINESS CONTINUITY MANAGEMENT (BCM)

A robust business continuity program is a characteristic of good corporate governance. Metcash continues to develop and review existing plans and procedures to improve our preparedness in the event of an incident, disaster or community issue (e.g. pandemic).

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 while assisting with the training and implementation of retail food safety programs with its independent retail customers.

The National Approved Supplier Program ensures Metcash contracted products are produced by suppliers with appropriate Supplier Quality Assurance certification schemes using safe and ethical methods. The Company-owned food and consumer products operate under product specification management and trade measurement monitoring systems including regular physical, chemical, and microbiological batch testing to ensure compliance and consumer safety.

FOOD SAFETY STANDARDS

Hazard Analysis and Critical Control Points (HACCP) based food safety programs are in place at all Metcash warehouses and are implemented into new businesses as required.

These warehouse programs are reviewed and certified to HACCP (Codex Alimentarius) by third parties. The internal and external third party audits conducted during the past year confirmed that all Metcash sites are operating at legislated food safety standards and have no outstanding major non-conformances.

CRITICAL INFRASTRUCTURE PLANNING

Metcash continues to assist the Food Industry Infrastructure Assurance Action Group to better prepare the community and the industry's critical infrastructure sites for possible pandemic, bioterrorism and regional disasters such as major floods, cyclones and bushfire risks.

The pandemic contingency plans developed over the last three years by the Retail Action Working Group with the Food and Grocery Industry were recently activated and are being monitored weekly to ensure adequate responses meet current community and staff health needs.

REMUNERATION REPORT (AUDITED)

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;

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- 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	SUPERANNUATION	TOTAL
Chairman	\$105,000	\$157,500	\$10,500	\$13,745	\$286,745
Deputy Chairman/Chairman Remuneration & Nomination Committee	\$105,000	\$73,500	-	\$13,745	\$192,245
Chairman, Audit Risk & Compliance Committee	\$105,000	\$26,250	-	\$11,813	\$143,063
Directors (3)	\$315,000	-	\$31,500	\$31,185	\$377,685
	\$630,000	\$257,250	\$42,000	\$70,488	\$999,738

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(g) and (h) 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

It is the policy of Metcash to remunerate employees in appropriate ways that recognise the market's value of individual skills, the need to attract and retain essential key skills for the growth and development of the Company and to provide sufficient incentive to ensure alignment with shareholder expectations.

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 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 that 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

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.

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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 Australian Government's Superannuation Guarantee Levy, which currently sits at 9% of fixed remuneration to a maximum of \$152,720 per annum (\$166,465 including superannuation) and for amounts above that at a flat \$13,745 per annum.

AT RISK REMUNERATION

At risk remuneration is delivered as short- and long-term incentives. As applied to the Company's senior management, if the maximum bonuses are earned, 45.1% of short-term income is at risk.

SHORT-TERM INCENTIVES – BONUS SCHEMES

Each Business Pillar and the Corporate Team have separate bonus schemes, designed to align each executive's incentives to the financial objectives of the pillar concerned which aggregate to overall group objectives. Two KPIs are utilised – sales and profit – to form a matrix to measure performance usually with the previous year's sales and profit results as the origin, or zero point. The targets vary from business to business depending on the circumstances and objectives of each pillar. However, they are all constructed so as to provide a stretch to exceed sales and profit budgets. Bonuses are normally paid at six-monthly intervals with the first payment based on the first half results and the second payment based on the achievement for the full year less the first half payment.

For the 2009 year, the payment for achieving the minimum target was set at 33.3% of the maximum; a payment of 86.7% of the maximum payment for the achievement of budget and 100% was paid for meeting the stretch objectives.

The stretch target is normally set so as to meet and exceed market guidance on anticipated earnings.

All short-term incentive schemes operate on the condition that they are self-liquidating. That is, that the cost of the bonus has been deducted from profit earned for the year prior to determining the level of performance achieved.

1. BONUS ELIGIBILITY CRITERIA

The bonus scheme is designed to provide an incentive to those whose decisions and actions make a significant contribution to the achievement of the Company's financial objectives.

2. PARTICIPANTS ELIGIBLE FOR BONUS AT 75% OF FIXED REMUNERATION (EXECUTIVE MANAGEMENT BONUS SCHEME)

(NUMBER OF PARTICIPANTS: 56)

These positions have a high level/critical strategic accountability that directly impacts on company performance.

To be considered eligible, the position:

- operates as a member of the Metcash Executive Management Team or Pillar Executive Management Team;
- has objectives that are defined in terms of group/pillar objectives;
- has significant input into the group/pillar strategic plan and direction;
- has direct impact on profitability.

3. PARTICIPANTS ELIGIBLE FOR BONUS AT 50% FIXED REMUNERATION (MANAGEMENT BONUS SCHEME)

(NUMBER OF PARTICIPANTS: 151)

These positions either provide specialist knowledge relied upon by the Company or are a national or state member of a Pillar Executive Management Team **directly** responsible for the achievement of sales and profit targets and contribute strategically to group and or business pillar objectives.

To be eligible, the position:

- has extensive specialist technical or professional knowledge in an area of expertise;
- has high level budgetary and/or strategic responsibility;
- is responsible for several related activities, i.e. a whole function.

4. PARTICIPANTS ELIGIBLE FOR BONUS AT 25% OF FIXED REMUNERATION (METCASH BONUS SCHEME)

(NUMBER OF PARTICIPANTS: 318)

These positions are generally compliance and/or process driven. To be considered eligible, the position:

- has a positive contribution to profitability;
- is a specialist in a field;
- has a direct impact on sales and profit; or
- may have an element of retention or attraction.

5. OTHER INCENTIVE SCHEMES

Other incentive schemes are also in operation and designed specifically for warehouse supervisors, re-buyers, stock controllers, merchandisers and other specialist key roles and are based on achievement of internal KPIs e.g. cost per case etc.

LONG-TERM RETENTION PLAN (THE PLAN)

The objective of the Plan is to ensure the retention by the Company of key senior executives, while providing further incentives to increase total shareholders' return.

In order to provide a more complete description of the Plan, details of the starting point from which the incentive is earned are provided below.

A long-term retention payment of \$5 million to the Chief Executive Officer and \$2 million to each of the Finance Director, Group Merchandising Director, CEO of IGA Distribution and the Chief Information Officer (entered into in August 2006) 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.

If the compound annual growth from the base year be equal to or greater than the target, then the maximum amount (\$5 million or \$2 million) will be payable.

Should the compound annual growth rate be less than 40% of the target at the end of the five-year period, no payment will be made.

Should the compound annual growth rate achieved by the Company be greater than or equal to 40% of the target, then the amount paid will be increased to the maximum amount on a pro-rata basis.

A long-term retention payment of \$1 million to each of the Chief Executive Officer Campbell's Wholesale, Chief Executive Officer, Logistics and Corporate Development, Chief Executive Officer ALM and the Chief Human Resources Officer (entered into in April 2007) 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.

If the compound annual growth from the base year be equal to or greater than the target, then the maximum amount (\$1 million) will be payable.

Should the compound annual growth rate be less than 40% of the target at the end of the five-year period, no payment will be made.

Should the compound annual growth rate achieved by the Company be greater than or equal to 40% of the target, then the amount paid will be increased to the maximum amount on a pro-rata basis.

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A long-term retention payment of \$1 million to each of the Chief Executive Officer, IGA Fresh and the General Manager Finance (entered into in May 2009) subject to achievement of specific hurdles over a five-year period (a compounding 8% increase in earnings per share based on 2009 earnings per share adjusted for material changes to the number of shares issued) and only payable on successful achievement of the hurdles in 2014 and if the executive is still employed by the Company at that time and a member of the Metcash Executive Team.

If the compound annual growth from the base year be equal to or greater than the target, then the maximum amount (\$1 million) will be paid.

Should the compound annual growth rate be less than 40% of the target at the end of the five-year period, no payment will be made.

Should the compound annual growth rate achieved by the Company be greater than or equal to 40% of the target, then the amount paid will be increased to the maximum amount of a pro-rata basis.

These two positions were not previously included in Plan, but the executives concerned were issued with share options in 2008 (refer below). They have now been included in the Plan because of the need to ensure their equitable treatment in relation to other members of the Executive Team and to ensure effective retention arrangements are in place.

In recognition that these two executives have the opportunity to earn benefits from the options issued to them in 2008, but which benefits are not available to the other members of the Executive Team, in the event they have exercised any of their options during the period up to 30 April 2014, the amount which would otherwise have been payable to them under the retention plan will be reduced by an amount equal to the pre-tax profits in respect of exercising the options. In this case, pre-tax profit is calculated using the number of options exercised and the difference between the market price of the options on the day of exercise and the price at which the options were issued. It should be noted that options not exercised by 7 February 2014 will be cancelled. The maximum amount payable to these two executives under the retention plan will be \$1 million less any applicable pre-tax profit earned from exercising the 2008 options.

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.

OPTIONS

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.

Options were issued in February 2008 to the CEO, IGA Fresh and the General Manager Finance but were not offered to Executive Directors and other members of the Executive Team included in the Plan. A performance hurdle applies to these options, the hurdle being a compounding 10% increase in earnings per share based on earnings per share for the 2007 financial year is to be achieved in the financial year prior to the financial year in which a tranche of options becomes able to be exercised.

Before 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.

SALARY REVIEWS AND BONUSES FY2009–2010

As a precaution, management have put in place a salary increase deferral for all employees earning more than \$50,000 per annum. If the Company's profit before tax targets for the 2010 year are met, then the salary increases that otherwise would have been paid at the beginning of the year will be paid. Bonuses for the year will only be paid if all salary increases have been paid and bonus targets met.

The Directors have also resolved that Non-executive Directors fees and allowances will remain at their present level until 30 June 2010.

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		EXECUTIVES	
Carlos S dos Santos	Non-executive Chairman	Ken Bean	CEO Group Logistics and Corporate Development
Peter L Barnes	Non-executive Deputy Chairman	Fergus Collins	CEO Australian Liquor Marketers
Andrew Reitzer	Chief Executive Officer	Peter Dubbelman	CEO Campbells Wholesale
Michael R Butler	Non-executive Director	Adrian Gratwicke	General Manager Finance
Neil D Hamilton	Non-executive Director	Bernard Hale	Chief Information Officer
Michael R Jablonski	Group Merchandise Director	David Johnston	Chief Human Resources Officer
Edwin M Jankelowitz	Finance Director	Harry Rumpler	CEO IGA Fresh
Lou Jardin	CEO IGA Distribution		
Richard A Longes	Non-executive Director		
V Dudley Rubin	Non-executive Director		

directors' report year ended 30 April 2009

COMPENSATION OF KEY MANAGEMENT PERSONNEL

COMPENSATION FOR KEY MANAGEMENT PERSONNEL AND THE FIVE HIGHEST PAID EXECUTIVES OF THE COMPANY AND THE GROUP FOR THE YEAR ENDED 30 APRIL 2009

	SHORT-TERM			POST-EMPLOYMENT	LONG-TERM	TERMINATION BENEFITS	SHARE-BASED PAYMENTS	TOTAL	RELATED (%) TOTAL PERFORMANCE
	SALARY AND FEES \$	BONUS \$	OTHER BENEFITS \$	SUPER-ANNUATION \$	BONUS AND LEAVE	TERMINATION BENEFITS \$	EXPENSE \$	\$	%
DIRECTORS									
C S dos Santos	257,250	–	–	20,421	–	–	–	277,671	–
P Barnes	176,375	–	–	15,480	–	–	–	191,855	–
A Reitzer	1,614,459	1,215,021	3,578	95,833	1,050,315	–	242,289	4,221,495	58.21%
M Butler	114,125	–	–	10,271	–	–	–	124,396	–
N Hamilton	115,612	–	–	10,856	–	–	–	126,468	–
M Jablonski	651,980	487,350	23,000	13,642	419,122	–	131,240	1,726,334	59.00%
E Jankelowitz	681,666	492,081	–	13,642	419,350	–	131,240	1,737,979	58.88%
L Jardin	645,921	407,350	23,000	99,701	421,176	–	131,240	1,728,388	54.30%
R Longes	129,687	–	–	11,672	–	–	–	141,359	–
D Rubin	114,125	–	–	10,271	–	–	–	124,396	–
EXECUTIVES									
K Bean	470,946	403,922	–	99,742	214,690	–	49,097	1,238,397	52.73%
F Collins	501,524	321,000	14,000	13,642	212,801	–	6,137	1,069,104	49.31%
P Dubbelman	461,922	378,610	23,000	49,978	214,907	–	49,097	1,177,514	53.31%
A Gratwicke	403,029	302,400	–	26,138	10,030	–	60,286	801,883	46.48%
B Hale	472,058	403,186	–	97,642	413,122	–	180,983	1,566,991	62.81%
D Johnston	343,805	317,588	–	104,945	210,856	–	49,097	1,026,291	55.22%
H Rumpler	333,024	246,400	–	13,642	11,443	–	60,286	664,795	47.85%
	7,487,508	4,974,908	86,578	707,518	3,597,812	–	1,090,992	17,945,316	52.75%

COMPENSATION FOR KEY MANAGEMENT PERSONNEL AND THE FIVE HIGHEST PAID EXECUTIVES OF THE COMPANY AND THE GROUP FOR THE YEAR ENDED 30 APRIL 2008

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	1,048,728	–	371,186	4,938,020	66.97%
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	417,229	–	201,059	2,053,910	67.83%
E Jankelowitz	636,765	799,740	–	13,055	417,396	–	201,059	2,068,015	67.74%
L Jardin	601,458	711,202	23,000	186,329	419,112	–	201,059	2,142,160	61.26%
R Longes	125,000	–	–	11,250	–	–	–	136,250	–
D Rubin	110,000	–	–	9,900	–	–	–	119,900	–
A E Harris, AC+	145,833	–	–	–	–	301,882	–	447,715	–
EXECUTIVES									
K Bean	430,845	654,128	–	101,778	215,535	–	75,216	1,477,502	62.90%
F Collins	453,778	350,000	14,000	13,055	219,205	–	28,207	1,078,245	53.62%
P Dubbelman	427,953	552,138	23,000	49,022	213,207	–	75,216	1,340,536	61.72%
A Gratwicke	314,356	463,250	–	24,291	23,594	–	9,402	834,893	56.61%
B Hale	436,165	657,639	–	97,056	450,416	–	440,371	2,081,647	71.96%
D Johnston	332,515	516,151	–	86,878	209,702	–	75,216	1,220,462	64.84%
H Rumpler	279,998	327,997	–	13,055	14,939	–	9,402	645,391	52.28%
	6,871,182	7,760,218	86,269	763,562	3,649,063	301,882	1,687,393	21,119,569	60.83%

+ Retired 30 August 2007.

OPTIONS EXERCISED AS PART OF REMUNERATION FOR THE YEAR ENDED 2008 AND 2009

VALUE OF OPTIONS EXERCISED DURING THE YEAR	2009 \$	2008 \$
A Reitzer	-	-
M Jablonski	-	-
E Jankelowitz	-	-
L Jardin	-	-
K Bean	-	-
F Collins	-	4,851
P Dubbelman	-	-
A Gratwicke	-	-
B Hale	-	1,162,800
D Johnston	-	247,360
J Randall	-	37,224
H Rumpler	-	-

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 2009

	POTENTIAL BONUS \$	BONUS PAYABLE \$	BONUS FORFEITED \$
DIRECTORS			
C S dos Santos	-	-	-
P Barnes	-	-	-
A Reitzer	1,301,809	1,215,021	86,788
M Butler	-	-	-
N Hamilton	-	-	-
M Jablonski	522,161	487,350	34,811
E Jankelowitz	527,230	492,081	35,149
L Jardin	522,160	407,350	114,810
R Longes	-	-	-
D Rubin	-	-	-
EXECUTIVES			
K Bean	432,773	403,922	28,851
F Collins	401,250	321,000	80,250
P Dubbelman	405,653	378,610	27,043
A Gratwicke	324,000	302,400	21,600
B Hale	431,985	403,186	28,799
D Johnston	340,272	317,588	22,684
H Rumpler	264,000	246,400	17,600

All bonuses for the year ended 30 April 2009 were paid either in December 2008, April 2009 or June 2009.

directors' report year ended 30 April 2009

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 (appointed 11 February 2008)	463,250	463,250	-
B Hale	657,639	657,639	-
D Johnston	516,151	516,151	-
H Rumpfer (appointed 1 November 2007)	369,597	327,997	41,600

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

SHARE OPTIONS

UNISSUED SHARES

As at the date of this report, there were 32,033,621 unissued ordinary shares under option (32,202,323 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 95,770 fully paid ordinary shares in Metcash Limited at a weighted average exercise price of \$3.43. Since the end of the financial year, a further 23,340 options have been exercised, at a weighted average exercise price of \$3.92.

CEO AND FINANCE DIRECTOR DECLARATION

The Chief Executive Officer and Finance Director have provided a declaration that states:

- a. With regard to the integrity of the financial report of Metcash Limited for the period to 30 April 2009:
 - 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 2009 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 2009:
 - 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 2009, 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 2009 has been received and is included on page 112.

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	\$683,041
Assurance-related	\$17,800

Signed in accordance with a resolution of the Directors.

Andrew Reitzer
Director

Sydney, 17 July 2009

income statement

for the year ended 30 April 2009

	NOTES	METCASH GROUP		METCASH LIMITED	
		2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m
Revenue	4(a)	11,067.5	10,199.1	390.8	383.2
Cost of sales		(9,950.9)	(9,137.0)	–	–
Gross profit		1,116.6	1,062.1	390.8	383.2
Distribution costs		(369.5)	(335.4)	–	–
Administrative costs		(363.5)	(383.7)	(4.5)	(4.8)
Share of profit of associates		1.9	3.2	–	–
Termination of derivative financial instrument	4(f)	(24.6)	–	–	–
Finance costs					
Other finance costs	4(g)	(70.2)	(61.9)	(202.7)	(217.9)
Profit before income tax		290.7	284.3	183.6	160.5
Income tax expense	5	(87.5)	(86.8)	–	–
Net profit for period		203.2	197.5	183.6	160.5
Profit attributable to minority interest		(0.7)	–	–	–
Profit attributable to the members of the parent company		202.5	197.5	183.6	160.5
Earnings per share (cents per share)					
– basic earnings per share	26	26.47	25.86	–	–
– diluted earnings per share	26	26.45	25.74	–	–
Franked dividends per share	6	24.00	21.00	–	–

balance sheet

as at 30 April 2009

	NOTES	METCASH GROUP		METCASH LIMITED	
		2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m
ASSETS					
Current assets					
Cash and cash equivalents	7	148.6	180.5	–	–
Trade and other receivables	8	967.7	975.1	1,125.3	850.4
Inventories	9	680.5	576.7	–	–
Derivative financial instruments	20	–	3.8	–	–
Income tax receivable		–	10.2	–	10.1
Other		5.6	4.6	–	–
Total current assets		1,802.4	1,750.9	1,125.3	860.5
Non-current assets					
Receivables	10	40.1	35.8	–	–
Investments in associates accounted for using the equity method	11	84.1	80.5	–	–
Other financial assets	12	0.2	0.2	4,616.1	4,616.1
Property, plant and equipment	13	163.4	140.0	–	–
Net Deferred tax assets	5	16.2	20.1	–	–
Intangible assets and goodwill	14	1,180.1	1,116.1	–	–
Total non-current assets		1,484.1	1,392.7	4,616.1	4,616.1
TOTAL ASSETS		3,286.5	3,143.6	5,741.4	5,476.6
LIABILITIES					
Current liabilities					
Trade and other payables	16	1,188.0	1,153.9	–	–
Interest-bearing loans and borrowings	17	6.9	5.7	–	–
Income tax payable		42.2	–	42.0	–
Provisions	18	72.7	73.1	–	–
Total current liabilities		1,309.8	1,232.7	42.0	–
Non-current liabilities					
Interest bearing loans and borrowings	17	638.2	610.6	3,019.7	2,817.0
Provisions	18	59.1	60.6	–	–
Total non-current liabilities		697.3	671.2	3,019.7	2,817.0
TOTAL LIABILITIES		2,007.1	1,903.9	3,061.7	2,817.0
NET ASSETS		1,279.4	1,239.7	2,679.7	2,659.6
EQUITY					
Contributed equity					
Other equity	19	(765.9)	(765.9)	–	–
Reserves	19	23.9	20.7	16.9	12.4
Retained earnings	19	129.7	95.5	107.1	91.8
Parent Interest		1,277.4	1,239.7	2,679.7	2,659.6
Minority Interest		2.0	–	–	–
TOTAL EQUITY		1,279.4	1,239.7	2,679.7	2,659.6

statement of changes in equity

for the year ended 30 April 2009

METCASH GROUP

NOTES	CONTRIBUTED EQUITY \$'m	OTHER EQUITY \$'m	SHARE-BASED PAYMENTS \$'m	RETAINED EARNINGS \$'m	CAPITAL RESERVE \$'m	FOREIGN CURRENCY TRANSLATION RESERVE \$'m	MINORITY INTEREST \$'m	TOTAL EQUITY \$'m
AT 1 MAY 2008								
Total equity at the beginning of the financial period	1,889.4	(765.9)	12.6	95.5	12.8	(4.7)	-	1,239.7
Currency translation differences	-	-	-	-	-	(1.3)	-	(1.3)
Net income/(expenses) recognised directly in equity	-	-	-	-	-	(1.3)	-	(1.3)
Profit for the period	-	-	-	202.5	-	-	0.7	203.2
Total recognised income and expenses for the period	-	-	-	202.5	-	(1.3)	0.7	201.9
Exercise of options	0.3	-	-	-	-	-	-	0.3
Minority interest on acquisition	-	-	-	-	-	-	1.3	1.3
Cost of share-based payment	-	-	4.5	-	-	-	-	4.5
Dividend	-	-	-	(168.3)	-	-	-	(168.3)
AT 30 APRIL 2009								
Total equity at the end of the financial period	1,889.7	(765.9)	17.1	129.7	12.8	(6.0)	2.0	1,279.4
AT 1 MAY 2007								
Total equity at the beginning of the financial period	1,885.8	(765.9)	7.8	43.0	12.8	(3.3)	-	1,180.2
Currency translation differences	-	-	-	-	-	(1.4)	-	(1.4)
Net income/(expenses) recognised directly in equity	-	-	-	-	-	(1.4)	-	(1.4)
Profit for the period	-	-	-	197.5	-	-	-	197.5
Total recognised income and expenses for the period	-	-	-	197.5	-	(1.4)	-	196.1
Exercise of options	3.6	-	-	-	-	-	-	3.6
Cost of share-based payment	-	-	4.8	-	-	-	-	4.8
Dividend	-	-	-	(145.0)	-	-	-	(145.0)
AT 30 APRIL 2008								
Total equity at the end of the financial period	1,889.4	(765.9)	12.6	95.5	12.8	(4.7)	-	1,239.7

AT 1 MAY 2008
Total equity at the beginning of the financial period
Currency translation differences
Net income/(expenses) recognised directly in equity
Profit for the period
Total recognised income and expenses for the period
Exercise of options
Minority interest on acquisition
Cost of share-based payment
Dividend

AT 30 APRIL 2009
Total equity at the end of the financial period

AT 1 MAY 2007
Total equity at the beginning of the financial period
Currency translation differences
Net income/(expenses) recognised directly in equity
Profit for the period
Total recognised income and expenses for the period
Exercise of options
Cost of share-based payment
Dividend

AT 30 APRIL 2008
Total equity at the end of the financial period

statement of changes in equity

for the year ended 30 April 2009

METCASH LIMITED

	CONTRIBUTED EQUITY \$'m	SHARE-BASED PAYMENTS \$'m	RETAINED EARNINGS \$'m	TOTAL EQUITY \$'m
AT 1 MAY 2008				
Total equity at the beginning of the financial period	2,555.4	12.4	91.8	2,659.6
Net income/(expenses) recognised directly in equity	-	-	-	-
Profit for the period	-	-	183.6	183.6
Total recognised income/expense for the period	-	-	183.6	183.6
Exercise of options	0.3	-	-	0.3
Issue of share capital	-	-	-	-
Cost of share-based payment	-	4.5	-	4.5
Dividends	-	-	(168.3)	(168.3)
AT 30 APRIL 2009				
Total equity at the end of the financial period	2,555.7	16.9	107.1	2,679.7
AT 1 MAY 2007				
Total equity at the beginning of the financial period	2,551.8	7.6	76.3	2,635.7
Net income/(expenses) recognised directly in equity	-	-	-	-
Profit for the period	-	-	160.5	160.5
Total recognised income/expense for the period	-	-	160.5	160.5
Exercise of options	3.6	-	-	3.6
Issue of share capital	-	-	-	-
Cost of share-based payment	-	4.8	-	4.8
Dividends	-	-	(145.0)	(145.0)
AT 30 APRIL 2008				
Total equity at the end of the financial period	2,555.4	12.4	91.8	2,659.6

cash flow statement

for the year ended 30 April 2009

	METCASH GROUP		METCASH LIMITED		
	NOTES	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m
Cash from operating activities:					
Receipts from customers		11,818.3	10,855.5	-	-
Receipts from related parties		-	-	207.2	222.7
Payments to suppliers and employees		(11,380.9)	(10,429.2)	-	-
Income taxes paid		(31.0)	(63.8)	-	-
GST paid		(104.8)	(113.5)	-	-
Dividends received		1.3	1.5	183.6	160.5
Borrowing costs		(64.0)	(60.1)	(202.7)	(217.9)
Interest received		9.2	7.1	-	-
Total cash from operating activities	7	248.1	197.5	188.1	165.3
Cash flows from investing activities:					
Proceeds from sale of plant and equipment		7.1	21.6	-	-
Proceeds from sale of retail stores		7.1	5.7	-	-
Payment on acquisition of businesses	25	(65.8)	(5.8)	-	-
Purchase of property, plant and equipment		(36.7)	(31.8)	-	-
Payments for intangibles		(21.3)	(15.1)	-	-
Payment on acquisition of associates		(1.6)	(1.0)	-	-
Loan (to)/from subsidiaries		-	-	(20.1)	(23.9)
Loan to associates		-	(12.5)	-	-
Loan (to)/from other entities		(16.1)	(8.2)	-	-
Proceeds from repayments of non-current receivables		21.1	35.1	-	-
Net cash used by investing activities		(106.2)	(12.0)	(20.1)	(23.9)
Cash flows from financing activities:					
Proceeds from the issue of ordinary shares		0.3	3.6	0.3	3.6
Payment to terminate derivative financial instrument		(24.6)	-	-	-
Proceeds from borrowings – other		550.0	575.0	-	-
Repayments of borrowings – other		(525.0)	(575.0)	-	-
Payment of finance lease principal		(6.1)	(5.4)	-	-
Payment of dividends on ordinary shares		(168.3)	(145.0)	(168.3)	(145.0)
Net cash used by financing activities		(173.7)	(146.8)	(168.0)	(141.4)
Net cash increase/(decrease) in cash and cash equivalents					
		(31.8)	38.7	-	-
Cash and cash equivalents at beginning of year		180.5	141.9	-	-
Effect of exchange rate changes on cash		(0.1)	(0.1)	-	-
Cash and cash equivalents at end of year	7	148.6	180.5	-	-

notes to the financial statements

for the year ended 30 April 2009

1 CORPORATE INFORMATION

The financial report of Metcash Limited (the Company) for the year ended 30 April 2009 was authorised for issue in accordance with a resolution of the Directors on 17 July 2009.

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 that has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared using the historical cost basis except for derivative financial instruments, which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest \$100,000 unless otherwise stated under the option available to the Company under ASIC 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 2008 the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 May 2008. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

REFERENCE	TITLE	SUMMARY
AASB 2007-4	<i>Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 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]</i>	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.
AASB Interpretation 4 (revised)	<i>Determining whether an Arrangement contains a Lease</i>	The revised Interpretation specifically scopes out arrangements that fall within the scope of AASB Interpretation 12.

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.

notes to the financial statements

for the year ended 30 April 2009

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 ending 30 April 2009. These are outlined in the table below:

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP
AASB 8 and AASB 2007-3	<i>Operating Segments and consequential amendments to other Australian Accounting Standards</i>	New standard replacing AASB 114 Segment Reporting, which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard and as such will have no direct impact on the amounts included in the Group's financial statements.	1 May 2009
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	<i>Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards</i>	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	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 statement or as two statements.	1 May 2009
AASB 127 (Revised), AASB 2008-3	<i>Consolidated and Separate Financial Statements</i>	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	The Group intends to acquire business entities in the future and outstanding non-controlling interests. Impact to the Group's financial report is unable to be assessed. No impact on previous acquisitions.	1 May 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP
AASB 3 (Revised)	<i>Business Combinations</i>	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. Also, under the revised standard, transaction costs under business combination are expensed and contingent considerations are recognised at fair values. The changes apply prospectively.	1 July 2009	Refer to AASB 127 (Revised), AASB 2008-3 Above.	1 May 2010
AASB 123 (Revised) and AASB 2007-6	<i>Borrowing Costs</i>	Borrowing Costs and consequential amendments to other Australian Accounting Standards	1 January 2009	The Group has borrowing costs associated with qualifying assets. The amendments are not expected to have any impact on the Group financial report.	1 May 2009

notes to the financial statements

for the year ended 30 April 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 2008-1	<i>Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations</i>	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has an employee option plan in place. The Group may issue employee options in the future. The impact of this standard is unable to be assessed at this stage.	1 May 2009
AASB 2008-2	<i>Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation</i>	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	No material impact on the Group is expected from the adoption of the Standard.	1 May 2009
AASB 2008-5	<i>Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part I deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009	No material impact on the Group is expected from the adoption of the Standard.	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 2008-6	<i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	Refer to AASB 2008-5 above.	1 July 2009	No material impact on the Group is expected from the adoption of the Standard.	1 May 2009
AASB 2008-7	<i>Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>	The main amendments of relevance to Australian entities are those made to AASB 127 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e. parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	Refer to AASB 127 (Revised), AASB 2008-3 above.	1 May 2009
AASB 2008-8	<i>Amendments to Australian Accounting Standards – Eligible Hedged Items</i>	The amendment to AASB 139 clarifies how the principles underlying hedge accounting should be applied when (i) a one-sided risk in a hedged item and (ii) inflation in a financial hedged item existed or was likely to exist.	1 July 2009	No material impact on the Group is expected from the adoption of the Standard.	1 May 2010

notes to the financial statements

for the year ended 30 April 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP
Amendments to International Financial Reporting Standards	<i>Embedded Derivatives (Amendments to IFRIC 9 and IAS 39)</i>	The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements.	Ending on or after 30 June 2009	No material impact on the Group is expected from the adoption of the Standard.	1 May 2009
Amendments to International Financial Reporting Standards	<i>Amendments to IFRS 7</i>	The amended IFRS 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy: <ul style="list-style-type: none"> • Quoted prices in active markets for identical assets or liabilities (Level 1) • Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2) • Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3) 	1 January 2009	This amendment relates to a disclosure standard so it will have no direct material impact on the amounts included in the Group's financial report. However, it will result in additional disclosure included in the Group's financial report.	1 May 2009
AASB Interpretation 13	<i>Customer Loyalty Programmes</i>	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 programs and as such this interpretation is not expected to have any impact on the Group's financial report.	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 Interpretation 18	<i>Hedges of a Net Investment in a Foreign Operation</i>	This interpretation requires that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	1 October 2008	No material impact on the Group is expected from the adoption of the Standard.	1 May 2009
AASB Interpretation 17 and AASB 2008-13	<i>Distributions of Non-cash Assets to Owners and consequential amendments to other Australian Accounting Standards</i>	The Interpretation outlines how an entity should measure distributions of assets, other than cash, as a dividend to its owners acting in their capacity as owners. This applies to transactions commonly referred to as spin-offs, split offs or demergers and in-specie distributions.	1 July 2008	No material impact on the Group is expected from the adoption of the Standard.	1 May 2009
AASB Interpretation 18	<i>Transfers of Assets from Customers</i>	This Interpretation provides guidance on the transfer of assets such as items of property, plant and equipment or transfers of cash received from customers. It requires a transferred asset (which is controlled by the entity) to recognise that asset at fair value. It also requires revenue from ongoing access to goods/services to be recognised over the period that access is provided and revenue from connection to a network to be recognised when the connection to the network is completed.	Applies prospectively to transfer of assets from customers received on or after 1 July 2009	No material impact on the Group is expected from the adoption of the Standard.	1 July 2009

notes to the financial statements for the year ended 30 April 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Metcash Limited and its subsidiaries as at 30 April 2009.

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

Controlled entities 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 acquired 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 is 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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\$).

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 Exploitiemaatschappij 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 comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

(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 Stock 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 value of interest rate collar contracts are determined by reference to market values for similar instruments.

notes to the financial statements for the year ended 30 April 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 changes in the fair value of derivatives are taken directly to profit or loss for the year.

(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:

	2009	2008
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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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 that 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 of the assets 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 lives of the improvements, whichever is the shorter.

notes to the financial statements for the year ended 30 April 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 value 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 statements when the asset is de-recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- Customer contracts – 25 years
- Software development costs – five years
- Other – 10 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.

(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.

notes to the financial statements for the year ended 30 April 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Deferred tax assets and deferred liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

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

(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.

notes to the financial statements for the year ended 30 April 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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) 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	
	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m
SEGMENT REVENUE										
Sales to customers outside the consolidated entity	6,681.8	6,066.0	1,660.4	1,550.8	2,639.5	2,499.3	-	-	10,981.7	10,116.1
Inter-segment revenues	809.7	875.1	-	-	109.6	99.6	(919.3)	(974.7)	-	-
Unallocated revenue	-	-	-	-	-	-	-	-	85.8	83.0
Total segment revenue	7,491.5	6,941.1	1,660.4	1,550.8	2,749.1	2,598.9	(919.3)	(974.7)	11,067.5	10,199.1
Segment result	315.5	275.1	33.0	30.6	33.8	31.2	-	-	382.3	336.9
Unallocated result									(91.5)	(52.6)
Consolidated entity profit from ordinary activities before income tax expense									290.8	284.3
Segment Assets	2,071.0	1,913.7	431.2	356.2	619.6	621.9	-	-	3,121.8	2,891.8
Unallocated Assets									164.7	251.8
Total Assets									3,286.5	3,143.6
Segment Liabilities	777.1	758.7	152.3	143.3	370.5	364.6	-	-	1,299.9	1,266.5
Unallocated Liabilities									707.2	637.3
Total Liabilities									2,007.1	1,903.8
Acquisition of property, plant and equipment and intangible assets	64.4	4.7	16.4	8.0	1.2	4.8	-	-	82.0	17.5
Depreciation	5.4	4.8	3.9	3.5	4.8	4.6	-	-	14.1	12.9
Lease amortisation	3.1	2.3	1.9	1.4	1.0	0.7	-	-	6.0	4.4
Non-cash expenses other than depreciation	11.0	3.2	1.8	0.3	1.0	1.0	-	-	13.8	4.5

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.

notes to the financial statements

for the year ended 30 April 2009

4 REVENUE AND EXPENSES

	METCASH GROUP		METCASH LIMITED	
	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m
(a) REVENUE				
Sale of goods	10,981.7	10,116.1	–	–
Rent	76.6	66.0	–	–
Interest from other person/corporation	9.2	7.0	–	–
Fair value gain on derivative financial instrument	–	3.8	–	–
Dividend income	–	–	183.6	160.5
Other revenue	–	6.2	207.2	222.7
	11,067.5	10,199.1	390.8	383.2
(b) OTHER INCOME				
Net profit from disposal of property, plant and equipment	0.1	5.3	–	–
(c) OTHER EXPENSES				
Depreciation of property, plant and equipment	27.5	28.9	–	–
Amortisation of intangibles – software	12.9	12.8	–	–
Amortisation of Intangibles – customer contracts	6.2	5.9	–	–
Impairment of trade receivables	10.7	9.3	–	–
Inventories obsolescence provision	7.8	13.5	–	–
(d) OPERATING LEASE RENTAL				
Minimum lease payments	83.2	88.0	–	–
(e) EMPLOYEE BENEFITS EXPENSE				
Wages and salaries	364.2	362.4	–	–
Defined contribution plan expense	31.6	32.8	–	–
Workers compensation costs	8.5	8.7	–	–
Share-based payments	4.5	4.8	4.5	4.8
Other employee benefits costs	7.8	7.6	–	–
(f) SIGNIFICANT ITEM				
Termination of derivative financial instrument	24.6	–	–	–
Metcash Limited entered into an interest rate collar as a condition of its syndicated loan agreement. Due to significant movements in interest rates, steps were taken to terminate the derivative financial instrument				
(g) OTHER FINANCE COSTS				
Interest expense	66.4	61.9	202.7	217.9
Fair value loss on derivative financial instrument	3.8	–	–	–
	70.2	61.9	202.7	217.9

5 INCOME TAX

	METCASH GROUP		METCASH LIMITED	
	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m
The major components of income tax expense are:				
CURRENT INCOME TAX				
Current income tax charge	83.6	54.2	–	–
Deferred income tax relating to origination and reversal of temporary differences	3.9	32.6	–	–
Income tax expense reported in the income statement	87.5	86.8	–	–
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	290.7	284.3	183.6	160.5
At the Group's statutory income tax rate of 30% (2008: 30%)	87.2	85.3	55.1	48.2
Expenditure not allowable for income tax purposes	1.6	1.5	1.4	1.4
Income not assessable for income tax purposes	–	–	(56.5)	(49.6)
Adjustments in respect of current income tax of previous years	(1.3)	–	–	–
Income tax expense reported in the consolidated income statement at an effective tax rate of 30% (2008: 31%)	87.5	86.8	–	–
	BALANCE SHEET		INCOME STATEMENT	
	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m
DEFERRED INCOME TAX				
Deferred income tax of the Metcash Group at 30 April relates to the following:				
DEFERRED TAX LIABILITIES				
Accelerated depreciation for tax purposes	–	0.1	(0.1)	(0.8)
Deferred expenditure	5.6	6.7	(1.1)	0.2
Intangibles	41.4	40.1	1.3	(1.6)
Other receivables	2.6	3.8	(1.2)	3.8
Set off of deferred tax assets	(49.6)	(50.7)		
	–	–		
DEFERRED TAX ASSETS				
Provisions	50.4	48.0	(2.4)	(2.6)
Project Costs	3.1	7.4	4.3	5.6
Other	12.3	15.4	3.1	28.0
Set off of deferred tax liabilities	(49.6)	(50.7)		
	16.2	20.1		
Deferred tax income expense			3.9	32.6

notes to the financial statements for the year ended 30 April 2009

5 INCOME TAX (continued)

In the prior year, deferred tax assets of \$70.7 million have been presented in non-current assets and deferred tax liabilities of \$50.6 million in non-current liabilities. To the extent that there exists a legally enforceable right to set off current tax against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority, deferred tax assets and deferred tax liabilities are set off. Accordingly, the comparative prior year balances were reclassified and the net deferred tax assets presented in other non-current assets.

At 30 April 2009, there is no recognised or unrecognised deferred income tax liability (2008: \$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 an unrecognised benefit relating to capital losses in Australia of \$18 million that are available indefinitely for offset against future capital gains.

TAX CONSOLIDATION

Metcash Limited and its 100% owned Australian resident subsidiaries have formed a tax consolidated group with effect from 1 July 2005. Metcash Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a modified 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 of members of the tax consolidated group are measured and recognised in accordance with the principles of AASB 112 *Income Taxes*.

Under the tax funding agreement, funding is based upon the amounts allocated and recognised by the member entities. Accordingly, funding results in an increase/decrease in the subsidiaries' intercompany accounts with the tax consolidated group head 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	
	2009 \$'m	2008 \$'m
Total (decrease)/increase to inter-company assets of Metcash Limited	52.1	(10.1)

6 DIVIDENDS PAID AND PROPOSED

	METCASH GROUP		METCASH LIMITED	
	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m
(a) DIVIDENDS PAID ON ORDINARY SHARES DURING THE YEAR				
(i) Final franked dividend for 2008: 12.0c (2007: 10.0c)	91.8	76.3	91.8	76.3
(ii) Interim franked dividend for 2009: 10.0c (2008: 9.0c)	76.5	68.7	76.5	68.7
	168.3	145.0	168.3	145.0
Dividends declared (not recognised as a liability as at 30 April 2009)				
Franked dividends for 2009: 14.0c per share (2008: 12.0c)	107.1	91.8	107.1	91.8
(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% (2008: 30%)			83.6	125.4
– franking credits that will arise from the payment of income tax payable as at the end of the financial year			16.3	11.5
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			(45.9)	(39.3)
			54.0	97.6

(c) TAX RATES

The tax rate at which paid dividends have been franked is 30% (2008: 30%).
Dividends declared have been franked at the rate of 30% (2008: 30%).

notes to the financial statements for the year ended 30 April 2009

7 CASH AND CASH EQUIVALENTS

	METCASH GROUP		METCASH LIMITED	
	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m
Cash at bank and on hand	148.6	180.5	–	–
	148.6	180.5	–	–
(a) RECONCILIATION OF NET PROFIT AFTER TAX TO NET CASH FLOWS FROM OPERATIONS				
Net profit	203.2	197.5	183.6	160.5
Adjustments for:				
Depreciation	27.5	28.9	–	–
Amortisation	19.1	18.8	–	–
Net (profit)/loss on disposal of property, plant and equipment	(0.1)	(5.3)	–	–
Share of associates' net profit	(1.9)	(3.2)	–	–
Dividends received from associates	1.3	1.5	–	–
Termination of derivative financial instrument	24.6	–	–	–
Deferred borrowing costs	2.8	1.7	–	–
Share-based payments	4.5	4.8	4.5	4.8
Net (profit) on disposal of retail business	–	(3.6)	–	–
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and other receivables	(6.4)	(52.1)	–	–
(Increase)/decrease in other current assets	(1.0)	0.8	–	–
(Increase)/decrease in inventories	(103.0)	8.2	–	–
(Increase)/decrease in deferred tax assets	4.0	32.1	–	–
(Decrease)/increase in payables and provisions	17.0	(19.8)	–	–
(Decrease)/increase in tax payable	52.7	(9.0)	–	–
(Decrease)/increase in derivative financial instruments	3.8	(3.8)	–	–
Net cash from operating activities	248.1	197.5	188.1	165.3
(b) NON-CASH FINANCING AND INVESTING ACTIVITIES				
Acquisition of assets by means of finance lease	7.5	8.6	–	–
Capitalisation of debtor to investment in associate	1.8	–	–	–

8 TRADE AND OTHER RECEIVABLES (CURRENT)

	METCASH GROUP		METCASH LIMITED	
	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m
Trade receivables – Securitised (i)	735.6	778.2	–	–
Trade receivables – Non-securitised (ii)	134.3	32.4	–	–
Allowance for impairment loss	(22.8)	(12.9)	–	–
Customer loans (iii)	847.1	797.7	–	–
Other receivables (iv)	38.6	49.7	–	–
Related-party receivables: (v)	82.0	127.7	–	–
wholly owned subsidiaries	–	–	1,125.3	850.4
	967.7	975.1	1,125.3	850.4

- (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 17iii) trade receivables of \$735.6 million (2008: \$778.2) had been securitised as disclosed above, with \$125.0 million (2008: \$200.0 million) 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 2009, 94.2% of trade receivables are required to be settled within 30 days and 5.8% 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. \$17.0 million (2008: \$15.5 million) of loans are non-interest bearing. \$21.6 million (2008: \$34.2) of loans have annual interest of 7.66% (2008: 8.54%).
- (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. These receivables are non-interest bearing. 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 2009, receivables to the value of \$5.5 million (2008 \$3.2 million) were considered impaired and written off. As at 30 April 2009 trade receivables with a notional value of \$22.8 million (2008 \$12.9 million) were provided for as potential impairment. Movement in the allowance for impairment loss:

	METCASH GROUP	
	2009 \$'m	2008 \$'m
At 1 May	(12.9)	(6.8)
Charge for the year	(10.7)	(9.3)
Accounts written off as non-recoverable	5.5	3.2
Amounts reclassified from other payables	(4.7)	–
Closing balance	(22.8)	(12.9)

notes to the financial statements for the year ended 30 April 2009

8 TRADE AND OTHER RECEIVABLES (CURRENT) (continued)

DEBTORS AGEING

As at 30 April 2009, the analysis of trade receivables for the Metcash Group that were past due but not impaired is as follows:

	NEITHER PAST DUE OR IMPAIRED \$'m	LESS THAN 30 DAYS OVERDUE \$'m	MORE THAN 30 LESS THAN 60 \$'m	MORE THAN 60 LESS THAN 90 \$'m	MORE THAN 90 LESS THAN 120 \$'m	MORE THAN 120 \$'m	TOTAL \$'m
2009	689.3	108.3	12.6	7.3	7.3	22.3	847.1
	81.4%	12.8%	1.5%	0.9%	0.9%	2.6%	100.0%
2008	623.1	132.4	14.9	10.8	5.6	10.9	797.7
	78.1%	16.6%	1.9%	1.3%	0.7%	1.4%	100.0%

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

CUSTOMER LOANS AGEING

As at 30 April 2009, the analysis of customer loans receivable for the Metcash Group that were past due but not impaired is as follows:

	NEITHER PAST DUE OR IMPAIRED \$'m	LESS THAN 30 DAYS OVERDUE \$'m	MORE THAN 30 LESS THAN 60 \$'m	MORE THAN 60 LESS THAN 90 \$'m	MORE THAN 90 LESS THAN 120 \$'m	MORE THAN 120 \$'m	TOTAL \$'m
2009	34.5	2.3	2.2	2.1	1.8	26.6	69.5
	49.6%	3.3%	3.2%	3.0%	2.6%	38.3%	100.0%
2008	61.9	0.3	0.3	0.2	0.2	15.4	78.3
	79.1%	0.4%	0.3%	0.3%	0.2%	19.7%	100.0%

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

OTHER RECEIVABLES AGEING

As at 30 April 2009, the analysis of other receivables for the Metcash Group that were past due but not impaired is as follows:

	NEITHER PAST DUE OR IMPAIRED \$'m	LESS THAN 30 DAYS OVERDUE \$'m	MORE THAN 30 LESS THAN 60 \$'m	MORE THAN 60 LESS THAN 90 \$'m	MORE THAN 90 LESS THAN 120 \$'m	MORE THAN 120 \$'m	TOTAL \$'m
2009	73.3	6.4	1.4	0.2	0.4	0.3	82.0
	89.4%	7.8%	1.7%	0.2%	0.5%	0.4%	100.0%
2008	96.7	21.9	4.9	3.0	0.2	1.0	127.7
	75.7%	17.1%	3.8%	2.4%	0.2%	0.8%	100.0%

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

8 TRADE AND OTHER RECEIVABLES (CURRENT) (continued)

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	
	2009 \$'m	2008 \$'m
Current loans	38.6	49.7
Non-current loans	30.9	28.6
	69.5	78.3

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 2009 was \$25.2 million (2008: \$28.1 million).

9 INVENTORIES

	METCASH GROUP		METCASH LIMITED	
	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m
Finished goods (at net realisable value)	680.5	576.7	–	–
Total inventories at the lower of cost and net realisable value	680.5	576.7	–	–

Inventory write-downs recognised as an expense totalled \$7.8 million (2008: \$13.5 million) for the Group and \$nil (2008: \$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	
	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m
Customer loans (i)	30.9	28.6	–	–
Other receivables (ii)	9.2	7.2	–	–
Total	40.1	35.8	–	–

(i) Customer loans receivable are non-current and have repayment terms of greater than 12 months. \$6 million (2008: \$5.0 million) of loans are non-interest bearing. \$24.9 million (2008: \$23.6 million) of loans have annual interest of 7.66% (2008: 8.54%). Refer to Note 8 for ageing analysis.

(ii) Other receivables are non-interest bearing and have repayment terms greater than 12 months. These receivables are all neither past due nor impaired.

notes to the financial statements for the year ended 30 April 2009

11 INVESTMENTS IN ASSOCIATES

	METCASH GROUP		METCASH LIMITED	
	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m
Investments in associates	84.1	80.5	–	–

INTEREST IN ASSOCIATES

	PRINCIPAL ACTIVITIES	BALANCE DATE	OWNERSHIP INTEREST	
			2009 %	2008 %
Produce Traders Trust	Distribution of fruit and vegetables	30 June	40.0	40.0
Abacus Independent 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
Coco's Fresh Food Markets	Grocery retailing	30 June	26.0	26.0
Dart Trading Co Pty Ltd	Grocery retailing	30 June	26.0	–
Bamlane Pty Ltd	Grocery retailing	30 June	26.0	–
Mundin Pty Ltd	Grocery retailing	30 June	26.0	–
G'Butt Pty Ltd	Grocery retailing	30 June	26.0	–
Mussen Pty Ltd	Grocery retailing	30 June	26.0	–
Ully Pty Ltd	Grocery retailing	30 June	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)	Grocery retailing	30 June	55.4	55.4

Metcash has a direct ownership of 49.0% in Progressive, and an indirect ownership of 6.4% via the 25.1% interest in BMS Retail Group Pty Ltd. 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 do 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	
	2009 \$'m	2008 \$'m
Profit/(loss) before income tax	2.8	4.6
Income tax expense	(0.9)	(1.4)
Profit after income tax	1.9	3.2
SHARE OF ASSOCIATES' BALANCE SHEET:		
Current assets	60.0	21.6
Non-current assets	127.4	70.1
Total Assets	187.4	91.7
Current liabilities	(81.7)	(31.7)
Non-current liabilities	(50.4)	(36.7)
Total Liabilities	(132.1)	(68.4)
Net assets	55.3	23.3

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	
	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m
Investment in shares (unlisted)	0.2	0.2	–	–
Investments in subsidiaries	–	–	4,616.1	4,616.1
	0.2	0.2	4,616.1	4,616.1

notes to the financial statements for the year ended 30 April 2009

13 PROPERTY, PLANT AND EQUIPMENT

	METCASH GROUP			METCASH LIMITED		
	LAND AND BUILDINGS \$'m	PLANT AND EQUIPMENT \$'m	TOTAL \$'m	LAND AND BUILDINGS \$'m	PLANT AND EQUIPMENT \$'m	TOTAL \$'m
YEAR ENDED 30 APRIL 2009						
At 1 May 2008,						
net of accumulated depreciation and impairment	51.4	88.6	140.0	-	-	-
Additions	-	52.0	52.0	-	-	-
Disposals	-	(1.1)	(1.1)	-	-	-
Depreciation charge for the year	(0.8)	(26.7)	(27.5)	-	-	-
At 30 April 2009,						
net of accumulated depreciation and impairment	50.6	112.8	163.4	-	-	-
At 1 May 2008,						
Cost or fair value	55.8	236.6	292.4	-	-	-
Accumulated depreciation and impairment	(4.4)	(148.0)	(152.4)	-	-	-
Net carrying amount	51.4	88.6	140.0	-	-	-
At 30 April 2009,						
Cost or fair value	55.2	269.6	324.8	-	-	-
Accumulated depreciation and impairment	(4.6)	(156.8)	(161.4)	-	-	-
Net carrying amount	50.6	112.8	163.4	-	-	-
YEAR ENDED 30 APRIL 2008						
At 1 May 2007,						
net of accumulated depreciation and impairment	58.1	86.2	144.3	-	-	-
Additions	-	41.1	41.1	-	-	-
Disposals	(4.0)	(12.5)	(16.5)	-	-	-
Depreciation charge for the year	(2.7)	(26.2)	(28.9)	-	-	-
At 30 April 2008,						
net of accumulated depreciation and impairment	51.4	88.6	140.0	-	-	-
At 1 May 2007,						
Cost or fair value	64.7	208.1	272.8	-	-	-
Accumulated depreciation and impairment	(6.6)	(121.9)	(128.5)	-	-	-
Net carrying amount	58.1	86.2	144.3	-	-	-
At 30 April 2008,						
Cost or fair value	55.8	236.6	292.4	-	-	-
Accumulated depreciation and impairment	(4.4)	(148.0)	(152.4)	-	-	-
Net carrying amount	51.4	88.6	140.0	-	-	-

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 April 2009 is \$17.7 million (2008: \$18.2 million).

14 INTANGIBLE ASSETS AND GOODWILL

	METCASH GROUP				METCASH LIMITED	
	SOFTWARE DEVELOPMENT \$'m	CUSTOMER CONTRACTS \$'m	GOODWILL \$'m	OTHER \$'m	TOTAL \$'m	TOTAL \$'m
YEAR ENDED 30 APRIL 2009						
At 1 May 2008						
Net carrying amount	46.2	138.8	931.1	–	1,116.1	–
Additions	12.4	5.2	0.2	3.0	20.8	–
Acquisition from business combination (Refer Note 25)	–	–	62.3	–	62.3	–
Amortisation	(12.9)	(6.1)	–	(0.1)	(19.1)	–
At 30 April 2009						
Net carrying amount	45.7	137.9	993.6	2.9	1,180.1	–
At 30 April 2009						
Cost (gross carrying amount)	153.3	159.0	993.6	3.0	1,308.9	–
Accumulated amortisation and impairment	(107.6)	(21.1)	–	(0.1)	(128.8)	–
Net carrying amount	45.7	137.9	993.6	2.9	1,180.1	–
YEAR ENDED 30 APRIL 2008						
At 1 May 2007						
Cost (gross carrying amount)	129.1	151.1	924.6	–	1,204.8	–
Accumulated amortisation and impairment	(81.7)	(8.8)	–	–	(90.5)	–
Net carrying amount	47.4	142.3	924.6	–	1,114.3	–
YEAR ENDED 30 APRIL 2008						
At 1 May 2007						
Net carrying amount	47.4	142.3	924.6	–	1,114.3	–
Additions	11.4	2.5	4.1	–	18.0	–
Acquisition from business combination	–	–	2.4	–	2.4	–
Amortisation	(12.6)	(6.0)	–	–	(18.6)	–
At 30 April 2008						
Net carrying amount	46.2	138.8	931.1	–	1,116.1	–

CUSTOMER CONTRACTS

VALUATION APPROACH

To value the customer relationships on acquisition, the multi-period excess-earnings (MEEM) approach 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.

notes to the financial statements for the year ended 30 April 2009

14 INTANGIBLE ASSETS AND GOODWILL (continued)

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 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. It also purchased other customer relationships amounting to \$5.5 million (2008: \$5.6million) with a finite life and amortised over 25 years straight line. Amortisation of \$6.1 million has been charged to the profit and loss (in the administrative costs line) in the current financial year for all customer relationships.

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.

OTHER

The company entered into an Alliance Agreement with Lenard's Pty Ltd during the year to offer customers the opportunity to purchase products under a Lenards Franchise. The agreement fee will be amortised over 10 years, straight line.

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 and when impairment indicators arise, provided the testing is done at the same time each year. Management has elected to conduct the impairment testing in December 2008. 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>Western Australia, Campbells Wholesale and Australian Liquor Marketers.

The recoverable amount of the CGUs has 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 12.26% (2008: 13.1%) and cash flows beyond the five-year period are extrapolated using a 2.5 % growth rate (2008: 2.5%), which is 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 Australian 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.

14 INTANGIBLE ASSETS AND GOODWILL (continued)

The table below summarises the Goodwill attributed to each CGU and potential impairment trigger point at the impairment testing date of December 2008:

CGU	GOODWILL \$'m	DISCOUNT RATE AT WHICH IMPAIRMENT IS TRIGGERED %
IGAD>NSW	67.2	*
IGAD>Victoria	63.7	*
IGAD>Queensland	145.4	*
IGAD>South Australia	45.3	*
IGAD>Western Australia	533.1	15.23%
Campbells Wholesale	32.9	*
Australian Liquor Marketers	89.1	18.04%

* Management believe that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

15 SHARE-BASED PAYMENTS

SHARE-BASED PAYMENT PLANS

During the year no options were issued to Executive Directors other than as disclosed in Note 23 (b).

The following table illustrates the number and exercise prices and movements during the year ended 30 April 2009 and 30 April 2008:

	2009 NUMBER	2008 EXERCISE PRICE	2009 NUMBER	2008 EXERCISE PRICE
Outstanding at the beginning of the year	13,523,106	–	18,007,840	–
Reinstated during the year	21,325	various	32,255	various
Granted during the year	21,091,806	4.267	–	–
Exercised during the year	–	–	(510,000)	2.430
	–	–	(1,837,938)	1.268
	(38,000)	1.870	(39,000)	1.870
	(57,770)	3.925	–	–
Expired during the year	(2,338,144)	various	(2,130,051)	various
Outstanding at the end of the year	32,202,323	–	13,523,106	–

The outstanding balance as at 30 April 2009 is represented by:

- 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.
- 8,675,181 options over ordinary shares with an exercise price of \$3.9251 exercisable until 2 September 2011.
- 19,387,142 options over ordinary shares with an exercise price of \$4.267 exercisable until 7 February 2014.

The weighted average fair value of options granted during the year was \$0.88 (2008: nil).

notes to the financial statements

for the year ended 30 April 2009

15 SHARE-BASED PAYMENTS (continued)

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 ending 30 April 2009 and 30 April 2008:

	2009	2008
Dividend yield (%)	5.00	–
Expected Volatility (%)	23.88	–
Risk-free rate (%)	6.70	–
Expected Life of Options (years)	6.00	–
Option exercise price (\$)	4.27	–
Weighted average share price (\$)	4.22	–

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 third anniversary of the grant date;
- a further 20% become exercisable from the fourth anniversary of the grant date; and
- the remaining 20% become exercisable from the fifth anniversary of the grant date.

Options must be exercised prior to the sixth 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	
	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m
Trade payables	989.0	999.9	–	–
Other payables	199.0	154.0	–	–
	1,188.0	1,153.9	–	–

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	
	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m
CURRENT				
Secured liabilities				
Finance lease obligation (i)	6.9	5.7	–	–
	6.9	5.7	–	–
NON-CURRENT				
Finance lease obligation (i)	17.3	17.3	–	–
Bank loans (ii)	495.9	393.3	–	–
Debt securitisation (iii)	125.0	200.0	–	–
Loans from subsidiaries (iv)	–	–	3,019.7	2,817.0
	638.2	610.6	3,019.7	2,817.0

- (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 8.14% (2008: 7.69%). 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. Refer to Note 28 Subsequent Events for the new Financing Agreement.
- (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 a variable interest rate. The interest rate at 30 April 2009 was 3.91% (2008: 8.91%).

(a) FAIR VALUE

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

(b) DEFAULTS OR BREACHES

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

(c) INTEREST RATE RISK AND LIQUIDITY RISK

Details regarding interest rate risk and liquidity risk is disclosed in Note 20.

notes to the financial statements for the year ended 30 April 2009

18 PROVISIONS

	METCASH GROUP		METCASH LIMITED	
	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m
CURRENT				
Employee entitlements	60.7	63.3	–	–
Rental subsidy (i)	9.3	9.4	–	–
Lease and remediation	2.3	0.1	–	–
Other (ii)	0.4	0.3	–	–
	72.7	73.1	–	–
NON-CURRENT				
Employee entitlements	25.8	22.4	–	–
Rental subsidy (i)	31.0	38.2	–	–
Other (ii)	2.3	–	–	–
	59.1	60.6	–	–
Total	131.8	133.7	–	–

(a) MOVEMENTS IN PROVISIONS

	METCASH GROUP			
	RENTAL SUBSIDY \$'m	LEASE AND REMEDIAION \$'m	OTHER \$'m	TOTAL \$'m
1 May 2008	47.6	0.1	0.3	48.0
Arising during the year	1.7	2.2	2.7	6.6
Utilised	(3.9)	–	(0.3)	(4.2)
Unused amounts released	(5.1)	–	–	(5.1)
30 April 2009	40.3	2.3	2.7	45.3

(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.

(ii) Other current provisions contain a number of insignificant balances, the costs of which are expected to be incurred within the next financial year. Non-current provisions represent the future payment for the exercise of a put option held by the vendor of Market Garden Produce.

19 CONTRIBUTED EQUITY AND RESERVES

	METCASH GROUP		METCASH LIMITED	
	2009	2008	2009	2008
(a) ORDINARY SHARES:				
Issued and fully paid	1,889.7	1,889.4	2,555.7	2,555.4
	1,889.7	1,889.4	2,555.7	2,555.4

19 CONTRIBUTED EQUITY AND RESERVES (continued)

	METCASH GROUP			
	2009		2008	
	NUMBER OF SHARES	\$'m	NUMBER OF SHARES	\$'m
MOVEMENTS IN ORDINARY SHARES ON ISSUE				
At 1 May	764,792,593	1,889.4	762,405,655	1,885.8
Issued during the year:				
– Exercise of employee options – 1,837,938 ordinary shares at 126.8 cents per share	–	–	1,837,938	2.3
– Exercise of employee options – 39,000 ordinary shares at 187.0 cents per share	–	–	39,000	0.1
– Exercise of employee options – 510,000 ordinary shares at 243.0 cents per share	–	–	510,000	1.2
– Exercise of employee options – 38,000 ordinary shares at 187.0 cents per share	38,000	0.1	–	–
– Exercise of employee options – 57,770 ordinary shares at 392.5 cents per share	57,770	0.2	–	–
At 30 April	764,888,363	1,889.7	764,792,593	1,889.4
	METCASH LIMITED			
	2009		2008	
	NUMBER OF SHARES	\$'m	NUMBER OF SHARES	\$'m
MOVEMENTS IN ORDINARY SHARES ON ISSUE				
At 1 May	764,792,593	2,555.4	762,405,655	2,551.8
Issued during the year:				
– Exercise of employee options – 1,837,938 ordinary shares at 126.8 cents per share	–	–	1,837,938	2.3
– Exercise of employee options – 39,000 ordinary shares at 187.0 cents per share	–	–	39,000	0.1
– Exercise of employee options – 510,000 ordinary shares at 243.0 cents per share	–	–	510,000	1.2
– Exercise of employee options – 38,000 ordinary shares at 187.0 cents per share	38,000	0.1	–	–
– Exercise of employee options – 57,770 ordinary shares at 392.5 cents per share	57,770	0.2	–	–
At 30 April	764,888,363	2,555.7	764,792,593	2,555.4

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

notes to the financial statements for the year ended 30 April 2009

19 CONTRIBUTED EQUITY AND RESERVES (continued)

RESERVES

	METCASH GROUP				METCASH LIMITED	
	SHARE-BASED PAYMENTS \$'m	CAPITAL RESERVES \$'m	FOREIGN CURRENCY TRANSLATION \$'m	TOTAL \$'m	SHARE-BASED PAYMENTS \$'m	TOTAL \$'m
At 1 May 2007	7.8	12.8	(3.3)	17.3	7.6	7.6
Currency translation differences	–	–	(1.4)	(1.4)	–	–
Share-based payments	4.8	–	–	4.8	4.8	4.8
At 30 April 2008	12.6	12.8	(4.7)	20.7	12.4	12.4
Currency translation differences	–	–	(1.3)	(1.3)	–	–
Share-based payments	4.5	–	–	4.5	4.5	4.5
At 30 April 2009	17.1	12.8	(6.0)	23.9	16.9	16.9

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	
	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m
At 1 May	95.5	43.1	91.8	76.3
Profit/(loss) for the period	202.5	197.4	183.6	160.5
Dividends	(168.3)	(145.0)	(168.3)	(145.0)
At 30 April	129.7	95.5	107.1	91.8
OTHER EQUITY				
At 30 April	(765.9)	(765.9)	–	–

NATURE AND PURPOSE

The other equity account is used to record the reverse acquisition adjustment on application of AASB 3 *Business Combinations* in 2005.

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 manages its exposure to key financial risks including interest rate and credit risks in accordance with the Group's financial risk management policy. The objective of the policy is to support delivery of the Group's financial targets while protecting future financial securities.

The Group also enters into a small number of derivative transactions from time to time 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 from time to time.

As at 30 April 2009, the Group has no interest rate derivative financial instruments. The interest rate collar in effect at 30 April 2008 was terminated on 12 November 2008.

DERIVATIVE FINANCIAL INSTRUMENTS

	METCASH GROUP		METCASH LIMITED	
	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m
Interest rate collar	-	3.8	-	-

notes to the financial statements for the year ended 30 April 2009

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 AS PER THE BALANCE SHEET		WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	
	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m	2009 %	2008 %
(i) FINANCIAL ASSETS										
Fixed rate										
Trade and other receivables	21.6	34.2	30.9	23.5	–	–	52.5	57.7	7.66	8.54
Floating rate										
Cash	148.6	180.5	–	–	–	–	148.6	180.5	3.0	6.64
Total financial assets	170.2	214.7	30.9	23.5	–	–	201.1	238.2	–	–
(ii) FINANCIAL LIABILITIES										
Fixed rate										
Finance lease liability*	6.9	5.7	17.1	15.2	0.2	2.1	24.2	23.0	8.14	7.69
Weighted average interest rate	8.19%	7.98%	8.13%	7.72%	6.42%	6.70%				
Floating rate										
Bank and other loans**	–	–	620.9	593.3	–	–	620.9	593.3	4.02	8.31
Non-interest bearing										
Trade and other payables	1,188.0	1,153.9	–	–	–	–	1,188.0	1,153.9	–	–
Total financial liabilities	1,194.9	1,159.6	638.0	608.5	0.2	2.1	1,833.1	1,770.2	–	–

* 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 8.14% (2008: 7.69%). 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. Refer to Note 28 for the new Financing Agreement signed after balance date.

At the reporting date, the carrying value of all financial assets and liabilities approximate 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 2009, 51.7% have been utilised.

REMAINING CONTRACTUAL MATURITIES

Remaining contractual liabilities consist of non-interest-bearing liabilities amounting to \$1,188 million 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 CONTRACTED DATE

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 the contracted date of settlement of financial liabilities.

	METCASH GROUP				METCASH LIMITED			
	1 YEAR OR LESS \$'m	1-5 YEARS \$'m	MORE THAN 5 YEARS \$'m	TOTAL \$'m	1 YEAR OR LESS \$'m	1-5 YEARS \$'m	MORE THAN 5 YEARS \$'m	TOTAL \$'m
YEAR ENDED 30 APRIL 2009								
Financial liabilities								
Trade and other payables	1,188.0	-	-	1,188.0	-	-	-	-
Finance lease liability	8.6	18.0	1.8	28.4	-	-	-	-
Bank and other loans	41.4	640.5	-	681.9	-	-	-	-
Loans from subsidiaries	-	-	-	-	-	-	3,193.2	3,193.2
	1,238.0	658.5	1.8	1,898.3	-	-	3,193.2	3,193.2

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 \$3,193.2 million.

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 \$'m	DEBT USAGE \$'m	CASH \$'m	FACILITY AVAILABLE \$'m
Senior facility	700.0	500.0	-	200.0
Bills	400.0	125.0	-	275.0
Overdraft/Guarantees	150.0	21.6	-	128.4
	1,250.0	646.6	-	603.4
Cash and cash equivalents	-	-	148.6	148.6
	1,250.0	646.6	148.6	752.0

SENSITIVITY ANALYSIS

The table below shows the effect on profit after tax (PAT) 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, giving 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 any interest rate derivatives that the company may have in place.

notes to the financial statements for the year ended 30 April 2009

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

	METCASH GROUP PROFIT AFTER TAX HIGHER/(LOWER)		METCASH LIMITED PROFIT AFTER TAX HIGHER/(LOWER)	
	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m
If interest rates were to increase by 0.50% (50 basis points), profit after tax (PAT) would increase/(decrease) by:	(3.1)	(0.6)	-	-
If interest rates were to decrease by 0.25% (25 basis points), profit after tax (PAT) would increase/(decrease) by:	1.6	0.6	-	-

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 Trade and Other Receivables, the current level of impairment provision represents less than 2.6% 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 while 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 reinstated 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 remained 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 monitor capital through the gearing ratio (debt / total capital). The gearing ratios at 30 April 2009 and 2008 were 33.5% and 33.2% respectively. This is within an acceptable target range.

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 7.9%. 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	
	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m
Within 1 year	138.1	122.8	–	–
After 1 year but not more than 5 years	455.6	404.0	–	–
More than 5 years	447.8	348.1	–	–
Aggregate lease expenditure contracted for at reporting date	1,041.5	874.9	–	–

(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 7.9%. The future lease payments expected to be received at the reporting date are:

	METCASH GROUP		METCASH LIMITED	
	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m
Within 1 year	62.3	56.0	–	–
After 1 year but not more than 5 years	199.2	174.1	–	–
More than 5 years	264.0	222.8	–	–
	525.5	452.9	–	–

(c) FINANCE LEASE COMMITMENTS

The Group has finance leases for various items of vehicles and equipments. The weighted average interest rate impact in the leases is 8.14% (2008: 7.69%). 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	
	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m
Within 1 year	8.6	7.2	8.7	5.6
After 1 year but not more than 5 years	18.0	16.6	15.3	15.1
More than 5 years	1.8	3.5	0.2	2.2
	28.4	27.3	24.2	22.9
Less amounts representing finance charges	(4.2)	(4.4)	–	–
Present value of minimum lease payments	24.2	22.9	24.2	22.9

notes to the financial statements

for the year ended 30 April 2009

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	
		2009 %	2008 %
A.C.N. 131 933 376 Pty Ltd	Australia	100	–
Action Holdco Pty Limited	Australia	100	100
Action Holdings Pty Ltd (i)	Australia	100	100
Action Projects Proprietary Limited	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 Pty Ltd	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. Limited (i)	Australia	100	100
Blue Lake Exporters Pty Ltd	Australia	100	100
Bofeme Pty Ltd	Australia	100	100
Campbells Cash and Carry Pty. Limited (i)	Australia	100	100
Casuarina Village Shopping Centre Pty. Ltd.	Australia	100	100
City Ice and Cold Storage Company Proprietary Limited	Australia	100	100
Clancy's Food Stores Pty Limited	Australia	100	100
Composite Buyers Finance Pty. Ltd.	Australia	100	100
Composite Buyers Pty Limited	Australia	100	100
Composite Pty. Ltd.	Australia	100	100
Cotswrap Pty. Limited	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. Ltd.	Australia	100	100
IGA Community Chest Limited (ii)	Australia	100	100

22 RELATED PARTY DISCLOSURE (continued)

PERCENTAGE OF EQUITY INTEREST
HELD BY THE CONSOLIDATED ENTITY

NAME	COUNTRY OF INCORPORATION	PERCENTAGE OF EQUITY INTEREST HELD BY THE CONSOLIDATED ENTITY	
		2009 %	2008 %
IGA Distribution (SA) Pty Limited (i)	Australia	100	100
IGA Distribution (Vic) Pty Limited (i)	Australia	100	100
IGA Distribution (WA) Pty Limited (i)	Australia	100	100
IGA Distribution Pty Limited (i)	Australia	100	100
IGA Fresh (Northern Queensland) Pty Limited	Australia	100	100
IGA Fresh (NSW) Pty Limited (formerly RKH Services Pty Ltd)	Australia	100	74
IGA Pacific Pty Limited	Australia	100	100
IGA Retail Network Limited (ii)	Australia	100	100
IGA Retail Services Pty Limited	Australia	100	100
Independent Brands Australia Pty Limited (ii)	Australia	100	100
Jewel Food Stores Pty. Ltd.	Australia	100	100
Jewel Superannuation Fund Pty Ltd	Australia	100	100
Jorgensens Confectionery Pty. Limited	Australia	100	100
Keithara Pty. Ltd.	Australia	100	100
Knoxfield Transport Service Pty. Ltd.	Australia	100	100
M C International Australia Pty Limited	Australia	100	100
Melton New Co Pty Ltd	Australia	100	100
Metcash Export Services Pty Ltd	Australia	100	100
Metcash Holdings Pty Ltd	Australia	100	100
Metcash Management Pty Limited	Australia	100	100
Metcash Services Proprietary Limited	Australia	100	100
Metcash Storage Pty Limited	Australia	100	100
Metcash Trading Limited (i)	Australia	100	100
Metoz Holding Limited	South Africa	100	100
Metro Cash & Carry Pty Limited	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 Ltd	Australia	100	100
NFRF Developments Pty Ltd	Australia	51	-
Nu Fruit Pty. Ltd.	Australia	51	-
NZ Holdco Limited (ii)	Australia	100	100
Payless Superbarn (N.S.W.) Pty Ltd	Australia	100	100
Payless Superbarn (VIC.) Pty. Ltd.	Australia	100	100
Pinnacle Holdings Corporation Pty Limited	Australia	100	100
Plympton Properties Pty. Ltd.	Australia	100	100
Property Reference Pty. Limited	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

notes to the financial statements

for the year ended 30 April 2009

22 RELATED PARTY DISCLOSURE (continued)

NAME	COUNTRY OF INCORPORATION	PERCENTAGE OF EQUITY INTEREST HELD BY THE CONSOLIDATED ENTITY	
		2009 %	2008 %
Rainbow Unit Trust	Australia	100	100
Rainfresh Vic Pty. Ltd.	Australia	51	–
Regeno Pty Limited	Australia	100	100
Regzem (No 3) Pty. Ltd.	Australia	100	100
Regzem (No 4) Pty. Ltd.	Australia	100	100
Rennet Pty. Ltd.	Australia	100	100
Retail Merchandise Services Pty. Limited	Australia	100	100
Retail Stores Development Finance Pty. Limited	Australia	100	100
Rockblock Pty. Ltd.	Australia	100	100
R.S.D.F. Nominees Pty. Ltd.	Australia	100	100
Soetensteeg 2 61 Exploitiemaatschappij BV	Netherlands	100	100
SR Brands Pty Ltd	Australia	100	100
Stonemans (Management) Proprietary Limited	Australia	100	100
Stonemans Self Service Pty. Ltd.	Australia	100	100
Tasher No 8 Pty. Ltd.	Australia	100	100
Tasman Liquor Company Limited	New Zealand	100	100
Vawn No 3 Pty. Ltd.	Australia	100	100
Wickson Corporation Pty Limited	Australia	100	100
Wimbledon Unit Trust	Australia	100	100

(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 2006 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 lodgment of their financial reports. As a condition of the Order, Metcash Limited and the controlled entities, being those marked as (i) (the Closed Group) entered into a Deed of Cross Guarantee on 27 April 2006 or assumption deed on 17 January 2007. The entities marked (ii) are also party to the Deed of Cross Guarantee, but are not eligible for inclusion in the financial reporting relief. 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. These controlled entities have also given similar guarantees in the event that Metcash Limited is wound up.

22 RELATED PARTY DISCLOSURE (continued)

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

	CLOSED GROUP	
	2009 \$'m	2008 \$'m
(i) INCOME STATEMENT		
Profit before income tax	293.4	280.8
Income tax expense	(89.4)	(86.6)
Profit after tax	204.0	194.2
Net profit for the financial year	204.0	194.2
Retained profits at the beginning of the financial year	95.5	46.3
Dividends provided for or paid	(168.3)	(145.0)
Retained profits at the end of the financial year	131.2	95.5
(ii) BALANCE SHEET		
ASSETS		
Current Assets		
Cash and cash equivalents	135.3	181.8
Trade and other receivables	819.5	849.0
Inventories	680.5	559.0
Derivative financial instruments	–	3.8
Income tax receivable	–	10.1
Other	5.6	4.6
Total Current Assets	1,640.9	1,608.3
Non-Current Assets		
Receivables	40.1	35.8
Investments	2,439.7	2,435.8
Property, plant and equipment	104.8	102.4
Net Deferred tax assets	14.3	14.3
Intangible assets	1,017.2	1,005.6
Total Non-Current Assets	3,616.1	3,593.9
Total Assets	5,257.0	5,202.2

notes to the financial statements

for the year ended 30 April 2009

22 RELATED PARTY DISCLOSURE (continued)

	CLOSED GROUP	
	2009 \$'m	2008 \$'m
LIABILITIES		
Current Liabilities		
Trade and other payables	1,053.3	1,016.3
Interest-bearing loans and borrowings	5.0	3.8
Current tax liabilities	42.0	-
Provisions	26.7	28.1
Total Current Liabilities	1,127.0	1,048.2
Non-Current Liabilities		
Interest-bearing loans and borrowings	2,826.8	2,893.3
Provisions	18.5	16.6
Total Non-current Liabilities	2,845.3	2,909.9
Total Liabilities	3,972.3	3,958.1
NET ASSETS	1,284.7	1,244.1
EQUITY		
Contributed equity	1,889.7	1,889.4
Other equity	(765.9)	(765.9)
Reserves	29.7	25.1
Retained profits	131.2	95.5
TOTAL EQUITY	1,284.7	1,244.1

(d) TRANSACTIONS WITH RELATED PARTIES

RELATED PARTY		SALES TO RELATED PARTIES \$'m	PURCHASES FROM RELATED PARTIES \$'m	OTHER TRANSACTIONS WITH RELATED PARTIES \$'m
CONSOLIDATED				
Associates				
Sales to Associates	2009	1,188.3	-	-
	2008	910.1	-	-
Dividends received from associates	2009	-	-	1.3
	2008	-	-	1.5

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 under normal commercial terms and conditions. However, the total level of purchases from both companies is less than 0.4% of Metcash's annual purchases and is not considered material.

Mr Hamilton was 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 (2008: nil).

RELATED PARTY		SALES TO RELATED PARTIES \$'m	PURCHASES FROM RELATED PARTIES \$'m	OTHER TRANSACTIONS WITH RELATED PARTIES \$'m
Subsidiaries				
Dividend received	2009	-	-	183.6
	2008	-	-	160.5
Current tax payable/(receivable) assumed from wholly owned consolidated entities	2009	-	-	42.0
	2008	-	-	(10.1)
Management fees received	2009	-	-	207.2
	2008	-	-	222.7
Interest Paid	2009	-	-	202.7
	2008	-	-	217.9

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 arrangement are set out in Note 5.

notes to the financial statements

for the year ended 30 April 2009

22 RELATED PARTY DISCLOSURE (continued)

(e) AMOUNTS DUE FROM OR PAYABLE TO RELATED PARTIES

RELATED PARTY	2009 \$'m	2008 \$'m
CONSOLIDATED		
Associates		
Trade Accounts Receivable	127.1	88.3
Loans Receivable	23.5	24.2
PARENT		
Subsidiaries		
Loans receivable	1,125.3	850.4
Loans Payable	3,019.7	2,817.0

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 ending 30 April 2009, 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		EXECUTIVES	
Carlos S dos Santos	Non-executive Chairman	Ken Bean	CEO Group Logistics and Corporate Development
Peter L Barnes	Non-executive Deputy Chairman	Fergus Collins	CEO Australian Liquor Marketers
Andrew Reitzer	Chief Executive Officer	Peter Dubbelman	CEO Campbells Wholesale
Michael R Butler	Non-executive Director	Adrian Gratwicke	General Manager Finance
Neil D Hamilton	Non-executive Director	Bernard Hale	Chief Information Officer
Michael R Jablonski	Group Merchandise Director	David Johnston	Chief Human Resources Officer
Edwin M Jankelowitz	Finance Director	Harry Rumpler	CEO IGA Fresh
Lou Jardin	CEO IGA Distribution		
Richard A Longes	Non-executive Director		
V Dudley Rubin	Non-executive Director		

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 48 to 50 of the Directors' Report designated as audited.

23 DIRECTORS' AND EXECUTIVES' DISCLOSURES (continued)

(b) OPTION HOLDING OF KEY MANAGEMENT PERSONNEL

30 APRIL 2009	BALANCE AT BEGINNING OF PERIOD 1 MAY 2008	GRANTED AS REMUNERATION	OPTIONS EXERCISED	OTHER ADJUSTMENTS	BALANCE AT END OF PERIOD 30 APRIL 2009	VESTED AT 30 APRIL 2009	
						TOTAL	EXERCISABLE
DIRECTORS							
C S dos Santos	-	-	-	-	-	-	-
P Barnes	-	-	-	-	-	-	-
M Butler	-	-	-	-	-	-	-
R Longes	-	-	-	-	-	-	-
D Rubin	-	-	-	-	-	-	-
A Reitzer	1,200,000	-	-	-	1,200,000	720,000	720,000
M Jablonski	650,000	-	-	-	650,000	390,000	390,000
E Jankelowitz	650,000	-	-	-	650,000	390,000	390,000
L Jardin	650,000	-	-	-	650,000	390,000	390,000
EXECUTIVES							
K Bean	400,000	-	-	-	400,000	240,000	240,000
F Collins	50,000	-	-	-	50,000	30,000	30,000
P Dubbelman	400,000	-	-	-	400,000	240,000	240,000
A Gratwicke	50,000	500,000	-	-	550,000	30,000	30,000
B Hale	990,000	-	-	-	990,000	170,000	170,000
D Johnston	400,000	-	-	-	400,000	240,000	240,000
H Rumpler	50,000	500,000	-	-	550,000	30,000	30,000
Total	5,490,000	1,000,000	-	-	6,490,000	2,870,000	2,870,000
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 30 APRIL 2008	
						TOTAL	EXERCISABLE
DIRECTORS							
C S dos Santos	-	-	-	-	-	-	-
A E Harris, AC	-	-	-	-	-	-	-
R Longes	-	-	-	-	-	-	-
P Barnes	-	-	-	-	-	-	-
D Rubin	-	-	-	-	-	-	-
B Hogan, AM	-	-	-	-	-	-	-
M Butler	-	-	-	-	-	-	-
A Reitzer	1,200,000	-	-	-	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	-	-

notes to the financial statements

for the year ended 30 April 2009

23 DIRECTORS' AND EXECUTIVES' DISCLOSURES (continued)

(c) SHAREHOLDING OF KEY MANAGEMENT PERSONNEL

30 APRIL 2009	BALANCE AT BEGINNING OF PERIOD 1 MAY 2008	GRANTED AS REMUNERATION	ON MARKET TRADE	OPTIONS EXERCISED	OTHER ADJUSTMENTS (DRP ISSUE)	BALANCE AT END OF PERIOD 30 APRIL 2009
DIRECTORS						
C S dos Santos	54,100	-	-	-	-	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	15,000	-	-	-	-	15,000
EXECUTIVES						
K Bean	-	-	-	-	-	-
F Collins	1,600	-	-	-	-	1,600
P Dubbelman	500,350	-	(100,000)	-	-	400,350
A Gratwicke	35,242	-	-	-	-	35,242
B Hale	510,000	-	(240,000)	-	-	270,000
D Johnston	80,000	-	-	-	-	80,000
H Rumpler	-	-	-	-	-	-
Total	4,151,515	-	(669,986)	-	-	3,481,529
30 APRIL 2008						
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	-	(50,000)	-	-	500,350
A Gratwicke	-	-	35,242	-	-	35,242
B Hale	-	-	-	510,000	-	510,000
D Johnston	-	-	-	80,000	-	80,000
H Rumpler	-	-	-	-	-	-
Total	3,868,168	-	96,442	591,600	-	4,556,210

* Number of shares held as at date of retirement.

23 DIRECTORS' AND EXECUTIVES' DISCLOSURES (continued)

(d) COMPENSATION BY CATEGORY

	METCASH GROUP	
	2009 \$'m	2008 \$'m
Short-Term	12.5	14.7
Long-Term	3.6	3.6
Post-Employment	0.7	0.8
Termination Benefits	–	0.3
Share-Based Payments	1.1	1.7
Total	17.9	21.1

The Group has applied the option under *Corporations Amendments Regulation 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.

The remuneration report has 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 AUDITOR'S REMUNERATION

	METCASH GROUP		METCASH LIMITED	
	2009 \$	2008 \$	2009 \$	2008 \$
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	1,580,500	1,419,472	–	–
– other services in relation to the entity and any other entity in the consolidated entity	–	–	–	–
– tax compliance	683,041	807,000	–	–
– assurance related	17,800	137,000	–	–
– other services	–	–	–	–
	2,281,341	2,363,472	–	–

notes to the financial statements for the year ended 30 April 2009

25 BUSINESS COMBINATIONS

The Metcash Group acquired the assets of the following entities:

DATE OF ACQUISITION	ENTITY PURCHASED	% ACQUIRED
2 June 2008	Market Garden Produce (MGP)	100%
3 July 2008	Solomons Food Group (SFG) – Produce	100% (1)
16 August 2008	APFB GemFruit (APFB)	100% (1)
28 December 2008	IGA Fresh (NSW) Pty Ltd (formerly RKH Services Pty Ltd)	26% (2)
28 November 2008	Rainfresh Group (Rainfresh Pty Ltd, Nufruit Pty Ltd, NFRF Developments Pty Ltd)	51%
5 February 2009	Solomons Food Group (SFG) – Food Service	100% (1)
1 April 2009	Kelly's Providores Pty Ltd	100% (1)

(1) Acquisition of business assets.

(2) Acquisition of minority interest. 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 \$2.4 million and comprised cash and transaction costs directly attributable to the combination. IGA Fresh (NSW) Pty Ltd is now 100% owned.

Details of the fair value of the assets and liabilities acquired are as follows:

(b) PURCHASE CONSIDERATION

	TOTAL \$'m
Cash paid to date	63.1
Direct costs relating to the acquisition	2.8
Total purchase consideration	65.9
Cash acquired	(0.1)
Net purchase consideration	65.8
Deferred Consideration	2.3
Fair value of net identifiable assets acquired (c)	(6.9)
Goodwill	61.2

(c) ASSETS AND LIABILITIES ACQUIRED

The assets and liabilities arising from the acquisition are as follows:

	TOTAL \$'m
Accounts Receivable	10.2
Property, plant and equipment	7.8
Inventory	1.0
Goodwill	1.1
Creditors and Employee benefits provision	(12.2)
Deferred tax asset relating to employee benefits provision	0.3
Minority Interest	(1.3)
Fair value of net identifiable assets acquired	6.9

The fair value of the identifiable assets and liabilities of MGP, SFG, APFB, Kelly's, IGA Fresh (NSW) Pty Ltd and Rainfresh Group approximated their carrying values at the dates of acquisition.

The results of MGP, SFG, APFB, Kelly's, IGA Fresh (NSW) Pty Ltd and Rainfresh Group from acquisition have not been disclosed separately as they are not significant to the total Group results.

25 BUSINESS COMBINATIONS (continued)

The revenue and results of the total Metcash Group for the period ended 30 April 2009, as though MGP, SFG, APFB, Kelly's, IGA Fresh and Rainfresh had been acquired on 1 May 2008, would not be significantly different to the Group results as currently reported.

The accounting for the above business combinations is provisional as at 30 April 2009.

ACQUISITION OF OTHER BUSINESSES

Effective 11 May 2009, Metcash acquired the assets of Fresh Market Meats for \$4.1 million.

26 EARNINGS PER SHARE

	2009 \$'m	2008 \$'m
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	202.5	197.5
Adjustments:		
Earnings used in calculating basic and diluted earnings per share	202.5	197.5
	NUMBER	NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	764,843,880	763,484,392
Effect of dilutive securities:		
Share options	579,379	3,418,952
Weighted average number of ordinary shares used in calculating dilutive earnings per share	765,423,259	766,903,344

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

27 CONTINGENT LIABILITIES

	METCASH GROUP		METCASH LIMITED	
	2009 \$'m	2008 \$'m	2009 \$'m	2008 \$'m
The Company and certain controlled entities have granted Bank guarantees to third parties in respect of property lease obligations to the value of	18.4	20.2	-	-
The Company and certain controlled entities have granted Bank guarantees in respect of Workcover in WA	3.2	3.2	-	-
The total face value of the outstanding charges due to American Express under the charge card arrangement is	77.3	38.1	-	-
The Company and certain controlled entities have granted put options to third parties to the value of	13.6	13.6	-	-

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 that 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.

notes to the financial statements for the year ended 30 April 2009

27 CONTINGENT LIABILITIES (continued)

Subsequently, Metcash filed a motion seeking clarification of the rectification order, as well as judgment 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 appeal and cross-appeal were heard from 23 to 26 March 2009. At the conclusion of the proceedings, the Court of Appeal reserved its judgment. The written judgment is expected to be delivered in the latter part of 2009.

AMERICAN EXPRESS 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.

PUT OPTIONS FOR SALE OF RETAIL STORE ASSETS

The Company and certain controlled entities have granted put options relating to the sale of retail store assets to certain customers and associates. The holders of the put option have the right to 'put' these non-financial assets back to the Company within an agreed period and under certain prescribed circumstances. The estimate of the financial effect of the put options, if exercised, is the aggregate of the purchase price as defined in the option deed or business sale agreement.

28 SUBSEQUENT EVENTS

On 22 May 2009 the Company entered into a new Financing Agreement with new and ongoing Financiers. The Agreement in large part was an extension of the existing facility and provides the Group with security of funding for the three years to May 2012. The new Agreement provides Metcash with an unsecured senior loan facility totalling \$700 million and split into two tranches. The first tranche is \$500 million and will be fully drawn throughout the term of the Agreement. The second tranche of \$200 million is at call according to the Company's borrowing requirements and similarly can be repaid when not required.

The new facility has three covenants that the Group must comply with, being a fixed charges cover ratio (Earnings Before Interest, Tax, Depreciation, Amortisation and Rent (EBITDAR) divided by Total Net Interest plus Gross Rent Expense), senior leverage ratio (Total Group Debt divided by Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)) and minimum shareholders funds (a fixed figure representing the Group share capital and reserves). These covenants and other key terms of the Agreement remain largely unchanged from the previous Agreement. Interest payable on the facility is based on BBSY plus a margin and rollover is monthly. The applicable margin is dependent upon an escalation matrix linked to the senior leverage ratio achieved.

Management and the Board of Metcash are pleased to have successfully secured funding for the Group in such difficult credit market conditions. The facility provides the Company with an appropriate level of funding to support its growth and working capital needs. Whilst the debt line is more expensive than that previously enjoyed by the Company, certainty of funding took precedence. In the Company's results announcement on 1 June 2009, Management advised that the benefit of being able to access lower prevailing cash rates (as a result of terminating the interest rate collar) would be largely offset by the increased margin applicable under the new Financing Agreement. Management concluded therefore that their expectations for net interest expense for the financial year 2010 would be similar to 2009 at \$61 million.

directors' declaration

for the year ended 30 April 2009

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 2009 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 2009.
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

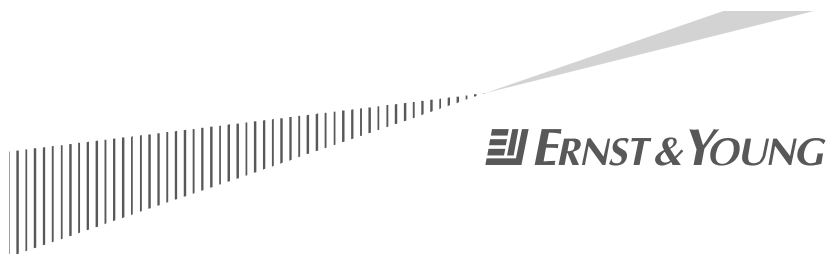
Andrew Reitzer

Director

Sydney, 17 July 2009

auditor's independence declaration

for the year ended 30 April 2009



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Auditor's Independence Declaration to the Directors of Metcash Limited

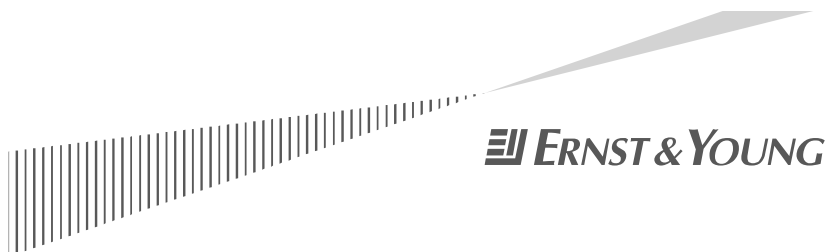
In relation to our audit of the financial report of Metcash Limited for the financial year ended 30 April 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Neil Wykes
Partner
Sydney
17 July 2009

independent audit report

to members of Metcash Limited
the year ended 30 April 2009



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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 2009, 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 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 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 and International Standards on Auditing. 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 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 complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included by reference in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the non-audit services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Liability limited by a scheme approved under
Professional Standards Legislation

independent audit report

to members of Metcash Limited
the year ended 30 April 2009



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 2009 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in 41 to 50 of the directors' report for the year ended 30 April 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Metcash Limited for the year ended 30 April 2009, complies with section 300A of the *Corporations Act 2001*

Ernst & Young

Neil Wykes
Partner
Sydney
17 July 2009

ASX additional information

for the year ended 30 April 2009

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 17 July 2009.

(a) DISTRIBUTION OF EQUITY SECURITIES

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

	SIZE OF HOLDING	NUMBER OF SHAREHOLDERS
	1-1,000	6,307
	1,001-5,000	16,704
	5,001-10,000	4,941
	10,001-100,000	3,202
	100,001-999,999,999	151
	Total	31,305

(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	185,655,112	24.271
National Nominees Limited	106,808,825	13.963
J P Morgan Nominees Australia Limited	105,611,019	13.807
Citicorp Nominees Pty Limited	28,955,859	3.785
ANZ Nominees Limited <Cash Income A/C>	28,029,766	3.664
RBC Dexia Investor Services Australia Nominees Pty Limited <Pipooled A/C>	21,614,782	2.826
Cogent Nominees Pty Limited	14,381,352	1.880
RBC Dexia Investor Services Australia Nominees Pty Limited <Bkcust A/C>	9,577,465	1.252
AMP Life Limited	8,844,444	1.156
Cogent Nominees Pty Limited <SMP Accounts>	6,178,138	0.808
Queensland Investment Corporation	5,596,871	0.732
Australian Foundation Investment Company Limited	4,500,000	0.588
RBC Dexia Investor Services Australia Nominees Pty Limited	4,262,794	0.557
UBS Nominees Pty Ltd	4,251,569	0.556
RBC Dexia Investor Services Australia Nominees Pty Limited <GSJBW A/C>	4,028,465	0.527
Australian Reward Investment Alliance	4,018,046	0.525
Citicorp nominees Pty Limited <CFSIL Cwllth Aust Shs 4 A/C>	3,417,412	0.447
ANZ Nominees Limited <SI Cash Income A/C>	3,199,051	0.418
RBC Dexia Investor Services Australia Nominees Pty Limited <PIIC A/C>	2,906,425	0.380
Citicorp Nominees Pty Limited <CFS Wsle 452 Aust Share A/C>	2,874,626	0.376
	554,712,021	72.518

ASX additional information for the year ended 30 April 2009

(c) SUBSTANTIAL SHAREHOLDERS

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

NAME	NUMBER OF SHARES
Westpac Banking Corporation Group	85,870,034
Perennial Investment Partners Limited (PIPL)	85,366,361
Barclays Global Investors Australia Limited	38,595,739

(d) VOTING RIGHTS

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

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

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SHARE REGISTER

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Facsimile: 61 2 9279 0664

AUDITOR

Ernst & Young

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