BIG BENEFITS FOR INDEPENDENT BUSINESSES

Metcash

2010 ANNUAL REPORT

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ANNUAL GENERAL MEETING

02.09.2010 • Ballroom 2 *Four Seasons Hotel* • 2.30pm • 199 George Street, Sydney

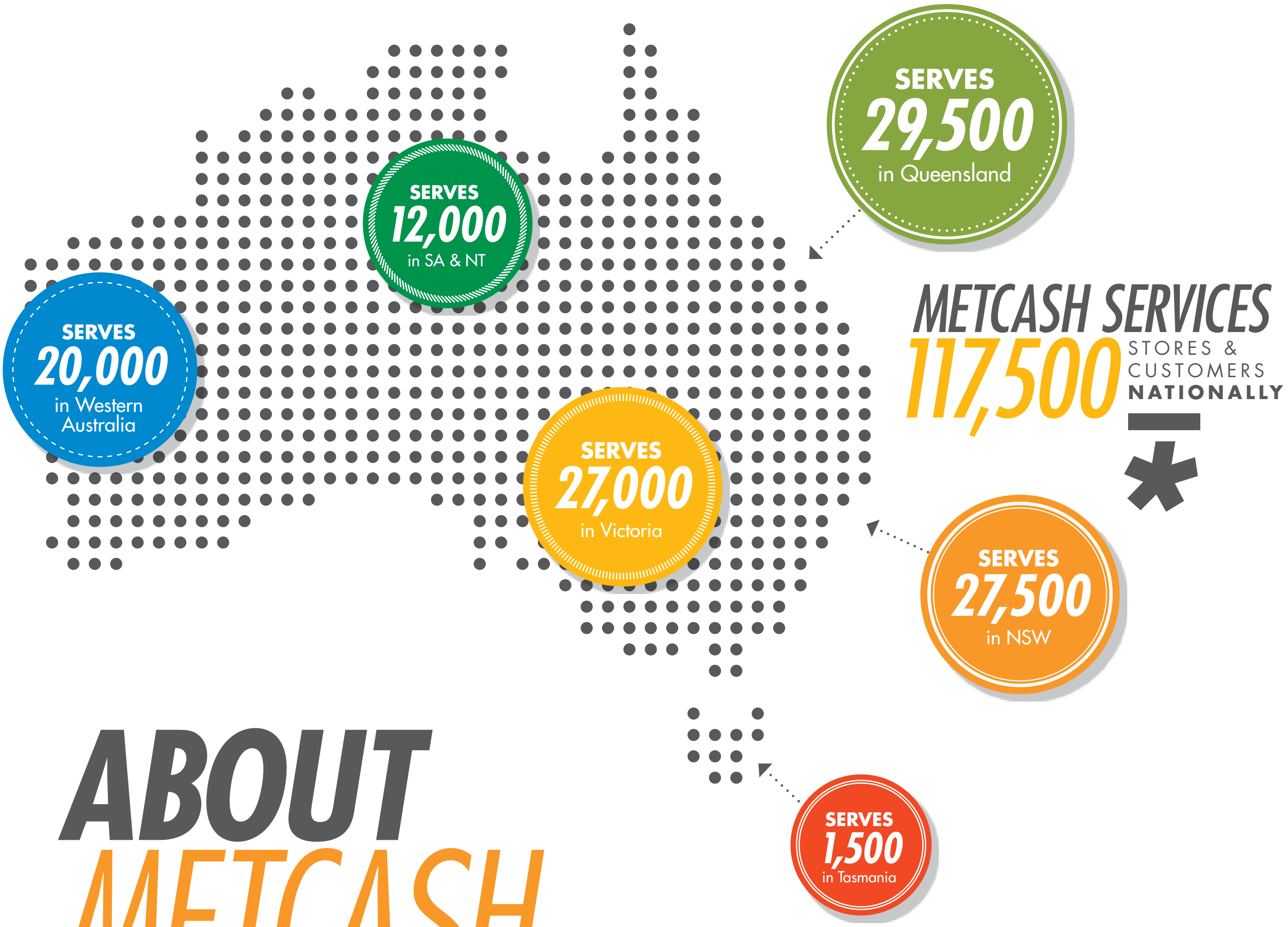
— We consider ourselves the champion of the independent retailer. —

GOOD DISTRIBUTION NETWORK

OUR BUSINESS MODEL WORKS TOWARDS GIVING EVERYBODY A FAIR SHARE...

Value You Can Trust

QUALITY, VALUE & COMMUNITY SUPPORT



ABOUT METCASH

Metcash Limited (Metcash) is Australia's leading wholesale distribution and marketing company specialising in grocery, fresh produce, liquor and other fast moving consumer goods.

Metcash has 4 divisions, often referred to as business pillars, each operating in a distinct wholesaling industry segment:

- IGA Distribution;
- Australian Liquor Marketers;
- Campbells Wholesale; and
- Mitre 10

All business pillars are fully owned by Metcash with the exception of Mitre 10, of which Metcash owns 50.1%.

Metcash's customers are predominantly independently owned grocery and liquor stores. With the acquisition of a majority interest in the Mitre 10 Group in March 2010, Metcash has broadened its customer range to include independent hardware stores.

Metcash champions the interests of the independent grocery, liquor and hardware sectors through its core competencies of buying, merchandising, marketing, brand building, distribution logistics and warehousing.

With the support of its customers, independent retailers, Metcash is the 'third force' in the Australian grocery retailing market.

*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

Our Values

Our core values represent who we are and underpin how we do business. These values are at the forefront as we interact with each other and our business partners. We also measure how well we live the values in our performance management processes.

Our Priorities

High service levels remain at the core of Metcash's success. If our customers are not successful, we are not successful. The company continues to focus on teamwork and staff training programs for the benefit of employees, customers and stakeholders.

The company's commitment to its employees at every level, clear communication channels, regular briefings and an emphasis on training programs have reinforced the core values of the company and contributed to the rising status of the Metcash Group.

Our Goal

Our goal is to provide big benefits for independent businesses. We supply the buying power, merchandising, marketing, brand building, distribution logistics and warehousing which supports independents in the face of strong competition.

WE FOCUS ON OUR CUSTOMERS

Mission Statement

Our mission is to be the marketing and distribution leader in food and other fast-moving consumer goods.

Company Pillars

IGA DISTRIBUTION

IGA Distribution (IGA›D) is Australia's largest grocery wholesale distribution and marketing company with six major distribution centres supplying grocery products (dry, chilled, frozen and fresh), produce out of nine dedicated fresh produce warehouses and general merchandise to independent businesses nationally.

AUSTRALIAN LIQUOR MARKETERS

Australian Liquor Marketers (ALM) is a broad range liquor wholesaler supplying over 15,000 hotels, liquor stores, restaurants and other licensed premises throughout Australia. ALM's wholly owned subsidiary Tasman Liquor Company operates in a similar market in New Zealand.

CAMPBELLS WHOLESALE

Campbells Wholesale (CW) through its national network of over 30 warehouses, is a multi-format distributor of grocery, confectionery, tobacco, liquor, soft drinks and foodservice products.

MITRE 10

Mitre 10 is Australia's only independent home improvement and hardware wholesaler with an iconic independent retail network of over 430 Mitre 10 and True Value Hardware stores.

CHAIRMAN & CEO'S REPORT

"We are pleased to announce that a final dividend of 15 cents per share has been declared."

We are pleased to announce that the 2010 financial year was very successful and that Metcash posted its eleventh successive record profit. This was achieved in the face of low cost inflation in core grocery and liquor categories and the receding effects of the government stimulus package, which boosted sales in 2009.

During 2009, the economic and financial environment was uncertain. Against this background of uncertainty, wholesale sales rose by 4.9% from $10.98 billion to $11.52 billion, lifting reported profit after tax by 12.4% from $202.5 million to $227.6 million. EBITA grew 8.6% to $415.4 million and profit after tax, pre non-recurring item, rose 8.5% to $238.4 million. Operating cash flow rose 18.8% to $294.7 million.

Included in this result was a non-recurring item, a provision of $15.4 million to restructure the Campbells Cash & Carry and Wholesale Distribution businesses in order to reduce costs and provide an effective base for current and anticipated market demand. This is discussed in more detail later in the report.

The cost of doing business (CODB) was carefully controlled in each of the businesses and this proved to be an effective insurance measure over the year. This has been achieved through supply chain improvement, cost control and warehouse and technology innovation.

The Metcash balance sheet remains strong and all necessary borrowing facilities are in place.

INCREASE OF WHOLESALE SALES TO $11.5 BILLION

We are pleased to announce that a final dividend of 15 cents per share has been declared. This brings the total dividend for 2010 to 26 cents fully franked, an increase of 8.3% on the 2009 financial year dividends.

The Company's bid to obtain 50.1% of the Mitre 10 business was successful with Metcash obtaining 50.1% voting power in Mittenmet, the new holding company for the Mitre 10 Group. This was achieved through the Mitre 10 Schemes of Arrangement which became effective on 25 March 2010.

98% of Mitre 10's shareholders voted in favour of the bid showing their confidence in the Metcash business model and our ability to help them compete more effectively in the home improvement market.

Metcash has the right to acquire the remaining 49.9% of the Mitre 10 Group in 2012 or 2013, based on an agreed multiple of earnings. This provides Mitre 10 retailers with an incentive to maintain their loyalty and partner Metcash in increasing the profitability of the Mitre 10 Group and their businesses.

The acquisition was attractive as it provides an opportunity to apply the Metcash business model to improve the performance of Mitre 10 and assist Mitre 10 retailers. In the same way that the grocery and liquor customers of the three Metcash business pillars are independent retailers, so are the hardware customers of Mitre 10.

Over the next two years, the business principles that have worked well within the Metcash business model will be fully implemented within Mitre 10. This will provide Mitre 10 retailers with an enhanced product range, more cost effective and efficient logistics, improved purchasing power and access to financial resources to help fund new stores and the extension and refurbishment of existing stores.

Three experienced Metcash executives have been seconded to Mitre 10 to fill the roles of CEO, General Manager Commercial and General Manager Merchandise and Marketing.

On 1 July 2010 the Company announced it had entered into an agreement with Pick n Pay Retailers (Pty) Limited to purchase the Franklins supermarket chain in New South Wales for approximately $215 million. The agreement is subject to, among other things, ACCC approval and will be funded from existing Metcash bank facilities. It is proposed to sell the stores on completion (expected by 30 September 2010) to independent retailers. This might take several months to complete and Metcash will operate the stores in the intervening period.

The acquisition is expected to add more than $500 million per annum of wholesale sales to Metcash's turnover and increase the New South Wales market share of Metcash supplied retailers from 11% to 17%.

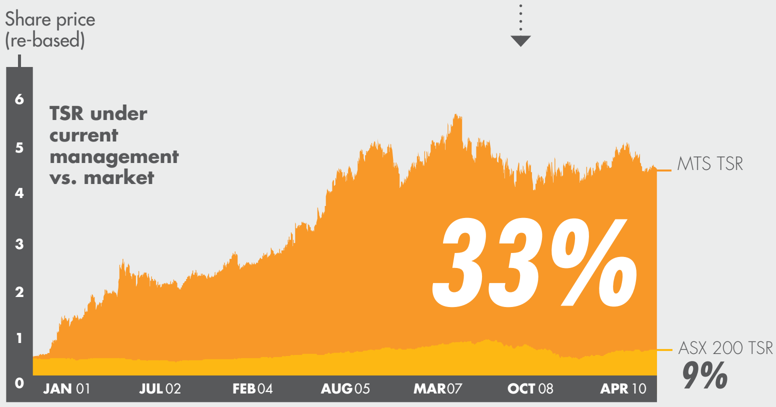
Each of the Metcash business pillars has business models that strive to provide their independent retailer customers with the services and efficiencies of their chain store competitors. There are many services that, on their own, independent retailers would not be able to access due to scale of operations or technological restrictions but are available to them through the Metcash business model. Metcash can only achieve success if its customers are successful.

IGA Distribution (IGA>D), the Metcash grocery distribution business, had another successful year with sales on a comparable store basis increasing by 4.1% and profit (EBITA) growing 9.8% to $346.6 million. Food cost inflation at 2.4% was lower than the 4.4% experienced in 2009.

Despite strong competition, market share (defined dry grocery categories) in the April 2010 quarter of 19.9% was above the 19% of the same quarter in 2009.

THANK YOU

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



Left to Right:
› Andrew Reitzer (CEO Metcash Group of Companies);
› Carlos S dos Santos (Non-executive Chairman).

During the year, IGA>D's customers opened 53 new stores and refurbished or extended a further 101 stores.

As targeted, IGA>D's total Fresh sales reached $1 billion per annum, with fresh produce now contributing $400 million. Customer patronage is increasing with 730 supermarkets and 900 foodservice customers now being supplied. Meat and delicatessen sales each grew 24%, with bakery leading the way with 34% growth.

Australian Liquor Marketers' (ALM) sales for the year were static at $2.6 billion in a market demonstrating lower demand than in 2009 and the absence of price inflation. A strong focus on cost reduction with higher warehouse labour and operating efficiency levels and stock level optimisation produced an increase in profitability with EBITA rising 6.9% to $36.1 million.

The Independent Brands Australia (IBA) marketing strategy continues to underpin sales volumes with banner groups 'IGA Plus Liquor' purchases growing by 11% and 'Cellarbrations' by 6%.

IBA continues to focus on improving the banner groups' compliance and in-store standards and expects to increase the IBA network by a further 50 outlets in 2011.

Campbells Wholesale experienced growth in sales of 1.5% to $1.68 billion whilst EBITA fell 12.5% to $28.8 million.

Campbells Wholesale had four business arms, Campbells Cash and Carry which mainly supplies metropolitan local convenience retailers, Campbells Wholesale Distribution which provides warehouse distribution in regional areas, CSD which services the 'Modern Petrol and Convenience' sectors (e.g. 7/11, 'Lucky 7') and FoodLink which is a foodservice business.

The Cash and Carry business has been affected over time by the consumer switch from local convenience shopping to value or discounting shopping. The decision was taken to restructure the business to recognise this trend and merge it with Campbells Wholesale Division to provide a cost effective distribution base to meet current and expected demand patterns.

The FoodLink foodservice business boosted sales 9.8%, whilst distribution to modern branded convenience and petrol outlets has grown 4.5%.

This division continues to look to reduce its cost of doing business, whilst pursuing higher market share in the Foodservice and Modern Petrol and Convenience sectors.

IGA>D's TOTAL FRESH SALES REACHED $1 BILLION PER ANNUM

THE METCASH BUSINESS MODEL IS RESILIENT

SALES UP 9.8% FOR FOODLINK

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

Health, Safety, Environment and Community (HSEC)

Metcash's HSEC programs continue to be an important area of focus. The programs encompass – care for our people, with workplace engagement, development and competency, health services and safety; environmental management; product safety and public health.

We have continued to develop our people through talent management and leadership development strategies. This strategy allows us to identify and retain high quality talent in our businesses.

The Metcash 'Pro-fit Program' offers annual flu vaccinations and health checks, counselling services, holiday childcare and flexible working arrangements.

Safety at work is a high priority in the Company's operational activity and the implementation of the 'Mission Zero' five year plan is an important element in our OH&S strategy. The results for the 2010 year were positive with reductions in the number of Lost Time Injuries, lost hours and the Lost Time Injury Frequency Rate.

We continue to track our carbon footprint and are pleased to report that we were fully compliant with the NGER Act.

Way Forward

Last year we advised that we would be looking for major acquisition opportunities which complement Metcash's business model and core competencies. We believe our partnership with Mitre 10 has achieved this and look forward to sharing the competencies of our business model with the Mitre 10 team.

We will continue to look for acquisition opportunities which are in line with Metcash's business model and core competencies.

Each of the Metcash businesses continues to refine the cost of doing business and maximising sales opportunities. We continue to invest in our people to ensure a high level of service to our customers, the independent retailers.

Our Shareholders

Thank you to our shareholders for your investment and support. With your help, we have already achieved significant milestones and continue to assist independent businesses to optimise their results. 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
Non-executive Chairman

Andrew Reitzer
CEO Metcash Group of Companies

Strategies to maintain talent

We have continued to develop our people through talent management and leadership development strategies.

Succession Planning

In February of this year, it was announced that Andrew would remain as CEO for the next three years when he would then retire. Having been Chairman of Metcash since 1998, I feel that the time is approaching to step aside and pass the Chair. In order to provide a smooth transition and avoid appointing a new Chairman and CEO at the same time, I have decided to retire as a Director at the close of the 2010 Annual General Meeting. The Board has decided that Peter Barnes, the Deputy Chairman, will replace me as Chairman and work with Andrew to develop candidates to replace him as CEO in three years' time. A search is currently being undertaken to select Board member candidates with the appropriate skill and experience to help guide Metcash in the future.

Michael Jablonski has also decided to retire from the Board at the conclusion of the 2010 Annual General Meeting after serving as a Director for twelve years. During that time he has provided tremendous value to the Board from both his personal contribution and from his wide knowledge of the grocery industry and merchandising. Michael has said that he would like to spend more time working and focusing on the numerous committees and internal boards that he sits on such as Mittenmet and Mitre 10, Metfood, and IGA Retail Network.

Michael will remain as a member of the Executive Team in his role as Group Merchandise Director.

It has been a privilege to have been Chairman of the Metcash business for the past twelve years during which the company has been transformed from the struggling wholesaler that it then was into the successful $12 billion business that it now is. I am confident that, with the strength and talent of the management team and Board, Metcash will continue to grow and thrive over the coming years.

I would like to express my sincere thanks to Andrew Reitzer as well as to present and past Directors, management, staff, customers and suppliers who have all worked so hard to make Metcash the company that it now is.

Carlos S dos Santos
Non-executive Chairman

PARTNERSHIP WITH MITRE 10

WAS OUR MAJOR ACQUISITION IN 2010

FINANCIAL REVIEW

TOTAL REVENUE ROSE BY 4.9% FROM $11.1 BILLION TO $11.6 BILLION MAKING A

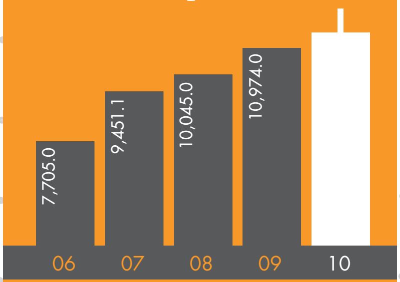
$541

MILLION DOLLAR INCREASE

UP BY **4.9%**

Wholesale sales ($m)

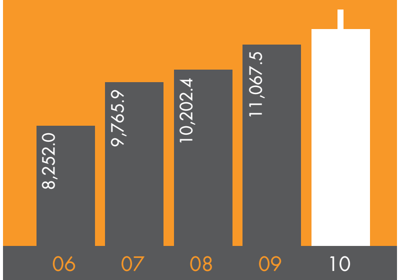
11,517.4



UP BY **4.9%**

Total revenue ($m)

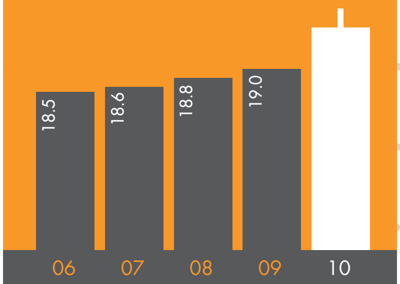
11,608.1



UP BY **4.5%**

Market share (%)

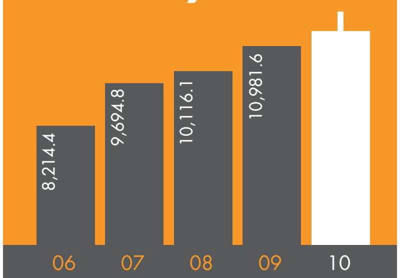
19.9



UP BY **4.9%**

Total sales revenue ($m)

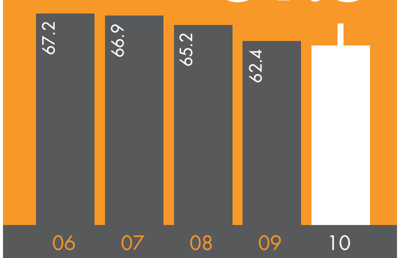
11,517.4



DOWN BY **1.3%**

Cost of doing business/GP (%)

61.6



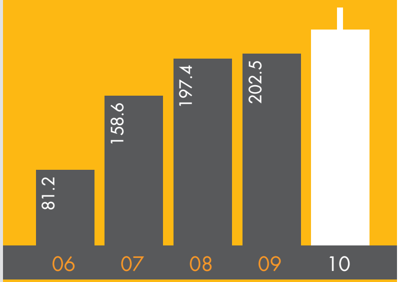
WHOLESALE SALES ROSE 4.9%, LIFTING REPORTED PROFIT AFTER TAX BY 12.4%

FROM **$202.5** MILLION TO **$227.6** MILLION

UP BY 12.4%

Profit after tax ($m)

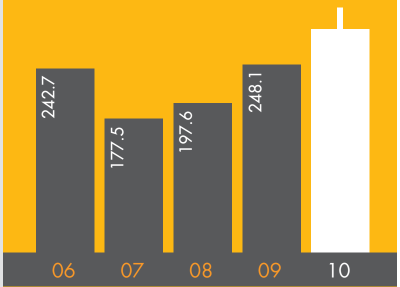
227.6



UP BY 18.8%

Operating cash flow ($m)

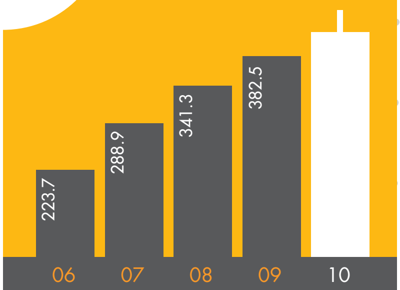
294.7



UP BY 8.5%

EBITA ($m)

415.4



Cash Flow

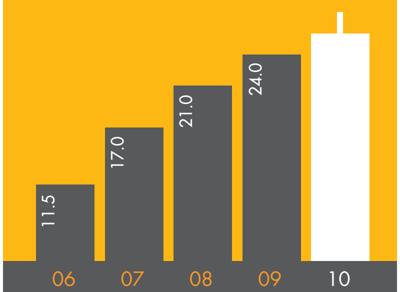
Increase by 18.8%

Strong operating cash generation during the year, with operating cash flows increasing by $46.6 million to $294.7 million.

UP BY 8.3%

Dividends per share (cents)

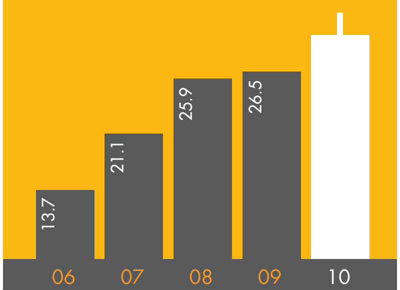
26.0



UP BY 11%

Earnings per share (cents)

29.7



FINANCIAL REVIEW CONTINUED...

Financial Performance

In an uncertain economic environment, the Group continues to challenge its business model and cost structures. For a number of years, the traditional Cash & Carry wholesale market has been in decline. This is a global trend where unbranded convenience stores are no longer able to compete with modern organised formats, and consumers' desire for value has caused a change in shopping behaviours. The impact of this trend, combined with increasing fixed network costs, resulted in a number of Cash & Carry warehouses no longer being viable and a decision was taken in March 2010 to close 8 of these sites. The site closures were enacted by 30 April.

DIVIDENDS PER SHARE UP BY 8.3%

A one off cost of closure and restructure of $15.4m ($10.8m after tax) has been incurred in the current year. Whilst this was a painful action to take, it was necessary to ensure the ongoing health and vitality of the Campbells Wholesale business and is expected to generate an additional $4 million to $5 million in EBIT annually as a result.

The Group's wholesale sales continued to grow at 4.9%, despite persistent low inflation growth in core grocery categories and the receding effects of the Government Stimulus Package, which had boosted sales in 2009. The Group's acquisition of the Mitre 10 business on 25 March 2010 resulted in the inclusion of one month's trading for that group, thus having only a minor impact on overall sales and EBIT growth. In addition, the group has continued to focus on cost reductions, with Cost of Doing Business as a percentage of Gross Profit reducing by a further 83 basis points this year, continuing from the 280 basis point reduction in 2009. This has been achieved through continuous focus on cost control and supply chain improvement and is in spite of substantial increases in fixed costs such as rent and utilities.

As a result of these factors, the Group was able to achieve its market guidance, reporting an Underlying Earnings of 32 cents per share, an increase of 8.4% on the prior year. A final dividend of 15 cents per share was declared bringing the total dividend declared for the 2010 financial year to 26 cents per share, an increase of 8.3% on 2009.

Well positioned

The capital injection of $55.2m into Mitre 10 sees that business is reinvigorated and well positioned for future growth.

Financial Position

Since the acquisition of the Australian operations of FAL in 2005, the Group has long sought out a fourth business pillar to complement the existing businesses. In March 2010, the necessary approvals were obtained to enable the completion of the acquisition of 50.1% of the Mitre 10 business, thus giving the Group a fourth business pillar in hardware distribution. The capital injection of $55.2 million into Mitre 10 sees that business reinvigorated and well positioned for future growth.

In addition, the Group's previously announced plan to complete its national produce network was finalised in July 2009 with the acquisition of the City Fruit business in Adelaide.

The Group's working capital position has stabilised substantially since the prior year, where a number of one-off impacts resulted in a substantial increase. The profile of debtor days and creditor payment days is impacted slightly by the inclusion of the Mitre 10 business, and partly negated by the increased product mix of fresh produce, where typically shorter payment terms exist. The continued take up of the American Express Payment facilities by customers has also seen an overall reduction in underlying debtor days.

The Group has drawn down an additional $50 million in net debt during the period, primarily to finance the Mitre 10 acquisition and other business combinations.

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.

Cash Flow

The Group has continued its strong operating cash generation during the year, with operating cash flows increasing by $46.6 million to $294.7 million. The prior year operating cash flows contained a number of one off impacts including the working capital adjustment noted above and a change in the Group's tax paying position. As such, the current period represents a more underlying cash flow.

Metcash maintains its continued focus on reinvestment, with a total of $133.1 million being committed to the acquisition of a fourth business pillar, the completion of the produce network and other Fresh opportunities as well as substantial investment in software for both financial applications (SAP) and operating systems, the Power Enterprise package being successfully deployed into the Western Australian operations in January 2010.

The Group has maintained a high dividend payout ratio (in excess of 80%) and dividend payments for the year totalled $191.6 million.

FIVE YEAR REVIEW

	2010 ($m)	2009 ($m)	2008 ($m)	Restated 2007 ($m)	2006 ($m)
Income Statement					
Net sales	11,517.4	10,981.7	10,116.1	9,694.8	8,214.4
Earnings before interest and taxation	393.5	351.8	335.4	282.9	174.0
Interest, net	63.5	61.0	51.1	57.2	40.5
Operating profit before tax	330.0	290.8	284.3	225.7	133.5
Profit after tax	227.6	202.5	197.4	158.6	81.2
Balance Sheet					
Metcash shareholder equity	1,377.6	1,279.4	1,239.7	1,180.2	1,032.9
Net tangible assets per share (cents)	12.49	12.98	16.16	8.65	(2.40)
Gearing (debt/debt+equity) (%)	35.5	33.5	33.2	34.1	42.3
Share Statistics					
Fully paid ordinary shares	765,644,031	764,888,363	764,792,593	762,405,655	747,741,353
Weighted average ordinary shares	765,178,865	764,843,880	763,484,392	753,116,068	593,675,382
Earnings per ordinary share (cents)	29.74	26.47	25.86	21.06	16.99
Dividends declared per share (cents)	26.00	24.00	21.00	17.00	11.50
Other Statistics					
Number of employees (full-time equivalents)	5,773	5,358	5,056	5,855	7,033

Community support

We will continue to promote and enhance our community spirit.

REVIEW OF OPERATIONS
AT A GLANCE

IGA DISTRIBUTION

Major Activities

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

Significant Achievements

- Wholesale Sales up 6.8%.
- EBITA up 9.8% to $346.6 million.
- Launched 'Locked Down Low Prices' program to provide consumer cost savings and to keep our independents competitive.

Future Direction

- Ensuring our promotional offer continues to provide value to our customers.
- Reduce the cost of doing business at wholesale and retail.
- Grow retail area through new stores and extensions.
- The evolution of our Local Heroes campaign launched in 2005, into our new 'How the locals like it' campaign, launched in late July 2010.

IGA FRESH

Major Activities

- Fresh food innovation and product development.
- 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.
- Training and retail operational support for independent retailers.

Significant Achievements

- $1 billion in annualised sales has been achieved across all areas of fresh food.
- Purchased a national network of 10 fresh produce warehouses and grown customer base to 730 supermarket customers.
- Sales of meat have grown over 20% year on year for the past two years.
- Deli sales have continued to grow strongly with a 30% increase for the second year running.

Future Direction

- Enhance our retail offer through ranging, display, location and compliance being driven by retail specialists.
- Grow Fresh Foodservice business nationally.
- Establish a 'retail ready' meat program on the east coast.

AUSTRALIAN LIQUOR MARKETERS

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.

Significant Achievements

- EBIT performance was up 6.9%.
- Overall sales for IGA Liquor, Cellarbrations and The Bottle-O grew strongly during the year.

Future Direction

- Continue to grow IBA and Liquor Alliance store numbers.
- Beer volume growth – one stop supply to the Independent channel.
- Win back the 'on-premise' market.

CAMPBELLS WHOLESALE

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: 31 branches servicing over 80,000 small businesses and retailers across all states and territories, stocking in excess of 20,000 product lines including grocery, general merchandise, non-food, confectionery, foodservice and liquor.
- Four C-Store Distribution (CSD) stockless warehouses supported by specialist confectionery distribution centres.
- Two FoodLink Foodservice businesses in Western Australia and Queensland providing the leading distribution solution to the foodservice industry.

Significant Achievements

- Despite difficult trading conditions, sales grew by 1.5% to $1.68 billion.
- Catering Connection delivered foodservice growth in excess of 8%.

Future Direction

- Continuing to provide the total supply chain solution to the modern petrol and convenience channel throughout metropolitan and regional centres.
- Increase the Lucky 7 branded stores to 400 by the end of FY 2011.
- Continued growth in confectionery markets.
- Continuing to expand the foodservice operations of the business.
- Win back the 'on-premise' market.

MITRE 10

Major Activities

Independent home improvement and hardware wholesaler with an independent retail network of over 430 Mitre 10 and True Value Hardware Stores

Significant Achievements

Last 12 months management did a great job in:

- Stabilising the business.
- Reducing costs.
- Getting service levels right.
- Finding an equity partner.

Future Direction

- Retain and grow the store network.
- Modernise the supply chain.
- Improve merchandise and marketing programs.

100 Major Refurbishments

51 New Stores

IGA DISTRIBUTION

IGA Distribution (IGA›D) has again delivered a strong performance and continued to reduce its cost of doing business in 2010 by further innovating and upgrading its in-house processes and systems. As a result, wholesale sales grew 6.8% and EBITA by 9.8% to $346.6 million.

The strong sales growth was achieved in a competitive market with low inflation and with the benefit of the IGA Fresh business being operational for the full year.

During the year 51 new IGA stores were opened and major refurbishments and extensions completed on 100 IGA stores. Growth in numbers and floor space continues to be a major focus to increase the IGA brand and buying power.

The introduction of specific training and development programs for our supervisors and warehouse managers added new skill sets that increased their productivity and competence. These actions combined to drive an improved overall performance within our group.

During the year a 'National Distribution Centre' was established in Victoria, using a 'mini loader' that has facilitated an expansion of the range of products available to IGA›D customers and has reduced the cost of warehousing and distributing small volume product items. This will enable retailers to offer a wider range of products to their customers and generate higher returns.

Terms of Engagement – Project Lion

Project Lion (Leadership, Innovation, Ownership and Negotiation) was established early in 2008 and facilitated offers for optimal communication and goal sharing between IGA›D and the IGA retailers. During 2010, a number of initiatives were provided to IGA retailers as a result of the terms of engagement.

One of the key focuses of Project Lion is the new Lion trading terms agreement that enables eligible IGA retailers to earn up to a total of $4 million in additional rebates. The Lion trading terms agreement allows retailers that deliver improved fresh food sales and trade within a highly competitive environment the ability to achieve additional rebates to further strengthen their market position.

Solid progress was also made in the areas of benchmarking store operating costs and culture and governance.

IGA›D DISTRIBUTION
LEADING INDEPENDENTS FORWARD

Additional Retailer Support provides:

- Additional Local Area Marketing support.
- Providing defence strategies for independent retailers under threat from the two major chains.
- 'Host' support for product pricing.
- Utilisation of the Metcash data warehouse to identify improved sales opportunities through product ranging.
- Funding for the expansion, construction or renovation of stores.
- Advice on store layouts and enhancement.
- New store support packages.
- Introduction of enhanced training and development tools.

Locked Down Low Prices

The Global Financial Crisis (GFC) has created 'the value consumer'. In the next 12 months we will ensure that our value proposition and promotional offers

IGA WHOLESALE SALES INCREASED BY 6.8%

RAISING THE TOTAL AMOUNT TO $7,129.9

NEW CAMPAIGN
LAUNCH
'Locked Down Low Prices'

EBITA growth

EBITA grew by 9.8% raising $315.5 million to $346.6 million

continue to provide clear 'value' to our customers. Strategic initiatives relating to value and Fresh will be key drivers of overall sales growth in future.

As part of the strategy to provide consumers greater value and to keep our IGA retailers competitive, we launched a new 'Locked Down Low Prices' campaign. This is a major promotion/campaign that provides lower retail prices on thousands of products throughout IGA and Supa IGA stores across the country. Consumer and retailer response has been extremely pleasing.

Private Label Brands

The private label offering encompasses two product groups: Black & Gold, a value offer range and IGA Signature, the premium private label range.

The Black & Gold range is continually refined to develop categories that meet consumer demands for value. Sales growth for the 2010 financial year was 4%.

The IGA Signature range has achieved a sales growth of 7% during 2010. We have made a pledge to our customers that all products in the range offer great quality and great value. Local communities are supported through this product range with 2 cents from every product sold donated to the local IGA Community Chest as well as sourcing Australian ingredients where available.

IGA›D Corporate

In order to provide faster decision making at a state level and promptly address local market needs, the IGA›D corporate office has been restructured with greater accountability transferred to the State IGA›D offices. Corporate will continue to manage major National strategic issues.

Further, it enables improved 'speed to market' which provides an additional competitive advantage. This new approach also provides our customers with an improved offer overall in terms of market dynamics, by allowing the State office to determine the marketing and promotional needs of their businesses and where resources should be invested.

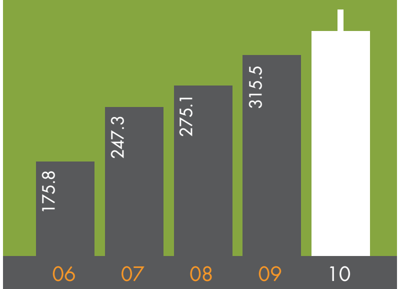
We continue to promote and enhance our community spirit and in July 2010 launched a new Local Heroes campaign that reiterates the community support and vision we have in the market place.

Silvestro Morabito
CEO IGA Distribution

9.8%

EBITA ($m)

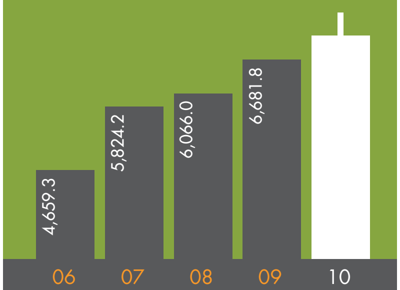
346.6



6.8%

Total Sales ($m)

7,129.9



730
Supermarket customers

IGA DISTRIBUTION CONTINUED...

IGA Fresh

In its second year of operation, IGA Fresh has actively consolidated the fresh produce network it established in year one and expanded its customer base. Metcash has invested significant time and resources in developing the ability to service retailers in this crucial area of its business. $1 billion in annual sales has been achieved across all areas of fresh food.

The IGA Fresh team now includes retail specialists located nationally to assist retailers grow their fresh food business. The buying, merchandising and maintenance of the fresh area within a supermarket drives shoppers' behaviour and the success of the rest of the store. The IGA retail specialists have proven experience in growing our customers' sales and gross profit by utilising the most up to date retailing techniques.

Produce

Having rapidly established a national network of 10 fresh produce warehouses, a key goal was to ensure customer retention during the conversion from smaller family run operations to an integrated corporate group. In addition to retaining existing customers, the IGA Fresh team has grown the customer base to 730 supermarket customers.

The Produce team continues to develop a private label fresh produce range with 271 products now available. The team has also commenced a project to further enhance the retail offer in range, display and location for a number of stores. Initial results are positive.

Significant investment has been made in warehousing and systems with the installation of a uniform produce system in seven warehouses, with a further three to be completed in the coming months. This will provide more transparency through the business and assist in sourcing a greater proportion of purchases directly from growers rather than from local markets. New warehouses are being built to house the growing produce businesses.

Meat

Sales of meat have grown over 20% per annum for the past two years as retailers are provided with high quality products at a competitive price together with sound advice on retailing initiatives.

The two WA meat processing sites continue to offer a complete meat offer to WA retailers. These two operations will be consolidated in 2011.

The private label meat range continues to grow with 118 products distributed nationally.

Opportunities to establish a 'retail ready' meat program on the east coast are being considered.

Delicatessen

Sales have continued to grow strongly with a 30% increase for the second year running. An increasing number of products are now being distributed through our national warehouses. Pricing continues to be a key driver with a number of strong price and product promotions in place to drive sales in 2011.

Poultry

IGA Fresh's agreement with Lenard's to offer a co-branded outlet in IGA retailers' stores has attracted a positive response from customers. Sales growth is expected to continue as more retailers take up this offer. Together with the 'Prize Poultry' concept, IGA now has a branded poultry offer in over 105 IGA stores.

In its second year of operation, IGA Fresh has actively consolidated the fresh produce network it established in year one and expanded its customer base.

ESTABLISHED A NATIONAL NETWORK OF 10* FRESH PRODUCE WAREHOUSES

AND GROWN CUSTOMER BASE TO **730** SUPERMARKET CUSTOMERS

Bakery

IGA stores continue to develop their bakery strategies with the support of IGA Fresh's retail specialists. More customers have been enticed by the 'Baker's Oven' brand and its 338 products, with the 'Quick Bake' (in-store baking) strategy also providing retailers with an opportunity to expand their offer.

Summary

In 2010 IGA Fresh achieved its key goals – significant growth in all categories with the continued integration of the national produce network. 2011 promises to be equally exciting, with ongoing consolidation of systems, investment in new facilities and a range of initiatives for retailers.

DELICATESSEN SALES UP 30%

Overall, IGA Fresh in conjunction with IGA›D Business Managers provide a number of services to grow and develop the Independent retailer. These include:

- Ranging of Departments.
- Operational procedures across all areas of the supermarket.
- Layouts, Core Ranging by store.
- Reporting and analysis of store GP's.
- Quality Assurance support (HACCP) and ongoing training.
- Communication of State protocols in relation to pricing, scanning and other legislative procedures.
- Providing retail and industry market knowledge.

A dedicated team of retail specialists assist retailers nationally in delivering the best possible outcome for their business with a strategic focus on driving profitable retail sales.

Harry Rumpler
CEO IGA Fresh

IGA FRESH ACHIEVED MANY KEY MILESTONES

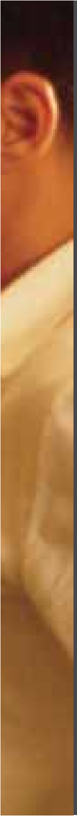
AUSTRALIAN LIQUOR MARKETERS

The 2010 year was a difficult trading period for the Australian liquor industry. Suppliers and retailers, who had previously benefited from the Federal Government's stimulus payments, experienced a very different market place this year. Up until the key Christmas trading period the market had been steady but from the end of December until the end of April trade was soft. Most, if not all, suppliers and retailers experienced these difficult trading conditions and as a result, Australian Liquor Marketers' sales finished flat on the prior year. Despite this, EBITA was up 6.9% as a result of a consistent and strong focus on cost reduction.

ALM was able to post a strong profit performance on the back of our continuous improvement process to maximise the asset utilisation and cost control within the distribution network. The introduction of a small warehouse management software solution in Hobart and radio frequency receiving in all major warehouses contributed to the overall reduction in the cost of doing business (CODB). In addition, the ongoing program to reduce excess stock resulted in lower holding costs but at the same time improved the overall customer service levels within the network. Additionally, the rationalisation of the New Zealand network was successful in improving service and reducing overall CODB in the Tasman business.

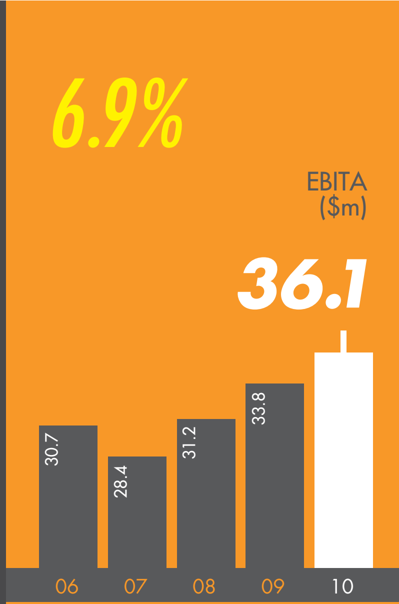
Independent Brands Australia (IBA) continued to lead the way for the independent banner groups in Australia. Management has worked hard to lift the retail standards of the entire network and while some stores were unable to retain their banner membership, their volume was not lost to the ALM network. Overall sales for 'IGA Liquor', 'Cellarbrations' and 'The Bottle-O' grew strongly during the 2010 year and these stores will be well placed to gain from any uplift in the market.

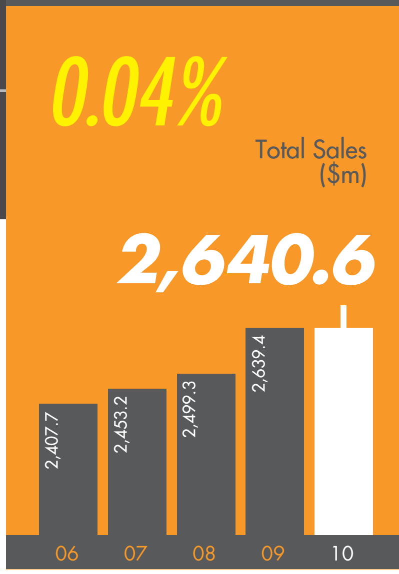
ALM has a long history of supporting independent liquor retailers during difficult times and is a strong supporter of independent liquor store and hotel owners.



EBITA INCREASED BY 6.9%

AS A RESULT OF A CONSISTENT AND STRONG **FOCUS ON COST REDUCTION**





The services that ALM provides retailers with include:

- Advice and support regarding store layouts.
- Support for store refits.
- Support in Information Technology and the latest web portal technology for stock ordering and control.
- Financial support to member organisations.
- Buying power for consumables, from motor vehicles to electricity through the 'Metcash Advantage Program'.

ALM has strong and experienced management and this, combined with a dedicated work force, continues to support our retailers and suppliers in providing them with world class, cost effective supply chain solutions.

ALM employees and IBA retailers were again proud to continue their national support of 'Canteen' and our retailers continue to support their local communities as only independent retailers can.

Fergus Collins
CEO Australian Liquor Marketers

OVERALL SALES FOR IGA LIQUOR, CELLARBRATIONS & BOTTLE-O GREW STRONGLY DURING 2010

In excess of
20,000
Product Lines

31
Branches

CAMPBELLS WHOLESALE

Campbells sales growth increased by 1.5% to $1.68 billion, however, EBIT declined by 12.5 %. This was largely due to the impact of low inflation affecting gross margins and the consequent impact of higher fixed costs.

The last 12 months' trading has been challenging for both the convenience and hospitality markets. Consumers have become more receptive to value products and this has been evidenced by less impulse spending and a greater tendency to dine at home.

Campbells Wholesale had four operating divisions, Campbells Wholesale Distribution (CWD), C-Store Distribution (CSD), Foodlink (Foodservice) and Campbells Cash & Carry (CCC). Each division was tailored to meet the needs of their customers in the route, convenience and hospitality market segments.

Whilst the first three divisions remain strong, for a number of years the traditional Cash and Carry wholesale market has been in decline.

The Company announced in March 2010 that it would rationalise the network of Campbells branches by closing 8 branches. This initiative is expected to substantially reduce costs whilst retaining a large number of customers by investing in the infrastructure to enable flexible, frequent deliveries to be made by the remaining branches to small business and convenience/hospitality retailers. As a result the CCC and CWD divisions will merge to form Campbells Wholesale division, with all branches in the network servicing both customer groups. This combined offer will provide a unique service to convenience store operators who require flexibility.

The cost of the restructure is estimated to be $10.8 million after tax with annual EBIT benefits of approximately $4 million to $5 million expected to flow from these actions. A restructure provision of $15.4 million has been created and this charge has been treated as a Non-Recurring Item (NRI) in the Group's Income Statement for the year ended 30 April 2010.

The Campbells Wholesale business continues to evolve with retail convenience requiring more of a full delivery service rather than an exclusive cash and carry offer. The provision of in excess of 100 business development representatives, strong community based operations, walk-in trade, full service delivery, online ordering and with access to over 20,000 product lines ensures that customers receive the support they need to grow their businesses. This division services 80,000 small businesses and retailers in all states and territories through one order, one invoice and one delivery of all of their requirements.

C-Store Distribution (CSD) consisting of 4 stockless warehouses, continues to grow. While independently operated 'corner stores' continue to decline, the organised sector remains an attractive target for CSD. The organised convenience sector, led by 7 Eleven, derives major benefit from using the efficient supply chain CSD provides, which is unmatched in the industry.

This division continues to reduce supply chain costs through investment in logistics technology. In September 2010 CSD will operate from IGA›D (Laverton, Victoria) and utilise the new 'mini-loader' which is a robotic crane picking system. This initiative will generate further efficiency gains.

The CSD division provides its customers with a 'just in time' delivery operation which uses state-of-the-art picking technology. It offers range control/hosting, electronic invoicing, planograms, supplier promotional programs and delivery in full and on time. The low cost operation is efficient and ensures competitive pricing.

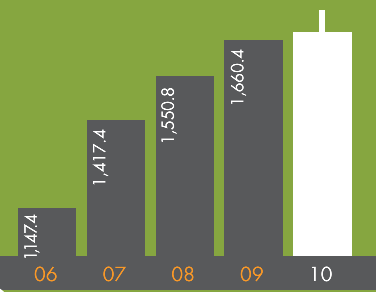
31 CAMPBELLS WHOLESALE BRANCHES SERVICING 80 THOUSAND

SMALL BUSINESSES AND RETAILERS IN ALL OF **AUSTRALIA'S STATES** AND TERRITORIES

1.5%

Total Sales ($m)

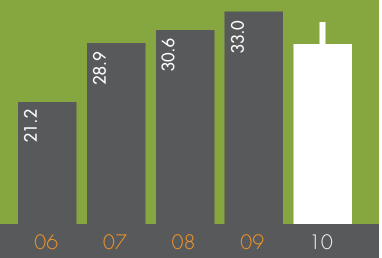
1,685.3



CATERING CONNECTION GROWTH UP 8%

EBITA ($m)

28.8



FoodLink - FOOD SERVICE -

Campbells specialist foodservice division, Foodlink, experienced a contracting sales trend as consumer dining shifted from restaurants to home dining and a number of mining operations closed in WA.

As the Campbells Wholesale business services a large number of foodservice vendors (takeaways, hotels, clubs etc) the hospitality industry remains an attractive target for both divisions.

Foodlink operate in two states (WA and Qld) and the division will expand nationally as acquisition opportunities arise.

CATERING CONNECTION

'Catering Connection' delivered an 8% foodservice sales growth through Campbells Wholesale business. The Catering Connection concept provides a 'shop within a shop' at selected Campbells outlets.

Essentially, 'Catering Connection' provides a broad range of foodservice products, frozen and chilled products, fresh meat and catering equipment to the free trade and hospitality markets and, provides full service delivery to its customer base.

Lucky 7 YOUR STORE WITH MORE

Lucky 7, the independent convenience store banner has 300 branded sites across Australia generating over $300 million in retail sales annually.

The Lucky 7 banner provides smaller independents with a unique formatted offer including store refurbishments, signage, retail assistance, planograms and impulse promotions.

Members joining this group are provided with the tools required to compete effectively in the convenience market.

Significant investment has been made in the brand and membership is expected to increase to over 400 in the next year.

Campbells Wholesale will continue to refine its services and operations to produce a strong result in the new financial year.

Peter Dubbelman
CEO Campbells Wholesale

Sales Growth

Lucky 7 sales increased 27% on the previous year

440
Branded Stores

MITRE 10

Mitre 10

Mitre 10 joins the Metcash Group with a fifty year history of supporting independent home improvement and hardware retailers, who are an integral part of local communities, right around the nation.

April 2010 was Mitre 10's first trading period to be included in Metcash's full year results. The Metcash share of Mitre 10 earnings for this period was $1.5 million.

The effect of tough economic conditions, reduced home building and interest rate increases have led to an unsteady market resulting in lower sales compared with last year. Trading conditions continue to be mixed across all states.

Despite the mixed trading conditions of the last 12 months, the business continued to manage working capital efficiently whilst maintaining a customer service level of 95% deliveries in full, on time (DIFOT).

Preparing for a Partnership

Prior to Metcash acquiring a 50.1% share in Mitre 10's holding company, Mittenmet Limited, a lot of work was undertaken to improve working capital management.

Over the last 12 months Mitre 10's management priorities were to stabilise the business, take out costs, get customer service levels right and continue to operate a lean business in a challenging economic environment. This 'business fitness' approach resulted in the company achieving significant financial improvements and its best ever EBIT result from its core business, wholesale distribution operations.

Mitre 10 and Metcash

Metcash, along with its tried and tested expertise in merchandising, brand management and logistics, has partnered with Mitre 10 to operate as the only true independent national home improvement and hardware chain in Australia.

It was clear to both parties that Metcash is the natural owner of Mitre 10. The Metcash involvement has bolstered the Mitre 10 balance sheet, ensures Mitre 10 Members retain their independence as retailers, and enables Mitre 10 to respond swiftly to market pressures in an increasingly competitive landscape.

New Leadership

In order to revitalise the Mitre 10 management team, Metcash has seconded three experienced executives – Mark Laidlaw as CEO, Robin Johnston, General Manager Commercial and Carl Salem, General Manager Merchandise & Marketing. These executives, alongside experienced Mitre 10 leaders, will create a strong management team.

Initial Focus

An operational review of the Mitre 10 business was conducted in April/May 2010 and the resultant recommendations are being merged into Mitre 10's business plan.

Productivity improvements will be made in areas such as supply chain, supplier relationships and brand building and some early results are expected.

Embarking on a New Growth Phase

The challenge for Mitre 10 now is to grow the business at a time where the retail economy is unsteady, but consumers will always support well stocked local independent retailers managed by knowledgeable and helpful owners and staff. Mitre 10 is now in a position to grow the business with Metcash support.

Plans will be implemented to:

- protect the existing store network and support Mitre 10 Members by developing a strong merchandise program to drive sales.
- Drive sales growth by recruiting new Members and opening new stores.

A guiding business principle, in line with the Metcash philosophy, is that Mitre 10 will not compete with its customers by operating company owned stores.

MITRE 10

JOINS THE METCASH GROUP WITH A 50 YEAR HISTORY

OF **SUPPORTING** INDEPENDENT HOME IMPROVEMENT AND HARDWARE RETAILERS

NEW EXECUTIVE TEAM

Future growth for Mitre 10

focus on improvements in the supply chain, developing a strong merchandise and marketing model

THE NEW EXECUTIVES ALONGSIDE EXPERIENCED MITRE 10 LEADERS WILL CREATE A STRONG MANAGEMENT TEAM

The Mitre 10 Member Network

The Mitre 10 network currently consists of 440 branded stores with 430 non branded stores also being serviced.

Information Technology

A new three-year IT strategy is being implemented to guide IT improvements and investment. Member needs, industry trends, the Mitre 10 three-year Business Plan and the current state of Mitre 10's ageing applications are being addressed.

Supply Chain

Three key Supply Chain and Logistics areas are being focused on to provide a stable and consistent level of service – safety, accuracy and service. This focus has resulted in the best level of DIFOT in the last five years and the lowest number of injuries or incidents in our distribution centres (DC), together with reduced costs and increased capability of the DC in Derrimut, Victoria.

In terms of safety and industrial relations:

- all workplace agreements were completed on time with no issues.
- no lost time incurred due to industrial relations issues over the last 12 months.
- safety performance has incrementally improved in the last 12 months resulting in reduced long term injury cases.

The warehouse management technology and systems used by Metcash in its warehouses will be implemented at Mitre 10 over the next 18 months. This is expected to produce a 20% to 30% increase in warehouse productivity.

Marketing and Merchandising

Mitre 10 continues to be the leading independent hardware brand in Australia. With brand recognition above 26% and rising, Mitre 10 can look forward to the benefits of synergies leveraged from Metcash's buying power – that means more brand exposure – that's Mighty Helpful for the membership!

Mitre 10 will improve its targeted 'local' market positioning and niche marketing.

The New Year will see significant new ranging throughout the Mitre 10 distribution network, delivering lower cost of goods with the advantage of one primary delivery.

The Private Label strategy will be a priority program, driving consumer preference for Mitre 10 whilst increasing retail margins in this very competitive market.

Promotion

Mitre 10 is set to deliver the critical competitive advantage required in promotion to consumer and trade. Stronger promotions, aggressive prices and a new range of 'go to market' initiatives will excite Members and consumers alike.

The future direction of Mitre 10 is expected to focus on improvements in the supply chain, developing a strong merchandise and marketing model and growth strategies.

Mark Laidlaw
CEO Mitre 10

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility

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 Health, Safety, Environmental and Community (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.

WE FOCUS ON
OUR PEOPLE
OUR CUSTOMERS
OUR COMMUNITY &
OUR ENVIRONMENT

Sustainability is now a core area within our business strategy. We continue to place greater importance on the value of environment, social and governance principles, and to improve and manage our corporate responsibilities as part of our daily business operations as part of a triple bottom line approach.

Our People

Talent Management

Attracting, developing and retaining our staff continues to be a key business priority. In 2009 the company invested in a new on-line recruitment system which is delivering lower recruitment costs and an improved level of candidate quality.

The Metcash Talent Management Framework has been strengthened to enhance business performance and ensure a leadership pipeline. This has been done by the introduction of new leadership competencies, a revised performance management system and new succession planning processes that identify and retain top talent.

Leadership Development

There has been a focus on building leadership capability and strength at all levels, increasing the return to employees and the company from learning and development investment and improving employees' access to learning opportunities.

The Metcash Leadership Academy was launched in early 2010 with structured leadership programs provided at each leadership level. Programs include the 'Diploma of Management',' LIFT Warehouse Leadership Program', and three 'Senior Manager Programs' focusing on leading operations, projects and people. The company also provides a suite of core/cross level programs, on-line resources and e-learning solutions. Employees are also supported in completing accredited vocational and tertiary education through the Metcash Employee Vocational Education Sponsorship program, or MEVES.

Employee Engagement

Employee health and well-being are supported through the Metcash Pro-fit Program offering annual flu vaccinations and health checks, employee counselling services, Camp Metcash, and flexible working arrangements including the ability to purchase additional annual leave days and access to well-being days.

The company 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.

Workplace diversity is a key priority and the establishment of a Diversity Committee and strategy will drive this initiative over the coming years.

Workplace Relations

More than two thirds of the Metcash Trading Limited's workforce have their wage rates and employment conditions determined by Enterprise Agreements or Modern Awards.

There are currently 38 Enterprise Agreements and three principal Modern Awards that apply to our weekly-paid employees, covering a range of warehousing, clerical and transport functions. Several Enterprise Agreements were renewed during the financial year, all of which have met the budgeted levels or parameters set by the business.

IGA LEADS AUSTRALIAN GROCERY RETAILING FOR QUALITY, EVERYDAY LOW PRICES & COMMUNITY SUPPORT

With the launch of IGA Signature we made a significant pledge to our members and people in the community. IGA Signature is our premium brand, offering quality benchmarked against market leaders and innovation throughout the world. This taps into the growth of Private Label acceptance by consumers and the range is exclusive to IGA branded stores, so adds a strong 'reason why' consumers will come back to IGA. Two cents from every IGA Signature product sold is contributed to the local community via the Community Chest program. This can be influenced by shoppers through their stores so is a powerful driver to purchase IGA Signature and reinforces the Local Hero message.

The annual payroll amount for weekly-paid employees across Metcash Trading Limited is $190,000,000.00.

Significantly, Metcash has not lost a day from industrial action for the re-negotiation of an Enterprise Agreement in the last 12 years.

Enterprise Agreements reached by the business require a balance between increasing employee benefits, whilst at the same time, having an emphasis on reducing our cost of doing business and improving our service to our customers.

Occupational Health & Safety (OH&S)

The Vision

In 2010 Metcash focused on improving Safety levels through the implementation of the Mission Zero five-year strategic plan. The central approach of 'Mission Zero' is to embed a culture that is intolerant of any injury and incident through a commitment to personal accountability at every level of the organisation. Building on this foundation with streamlined systems and processes, we aim to achieve world-class safety performance.

Some of the key focus areas in 2009-10 have included:

- Company-wide review of all safety procedures to ensure relevance and effectiveness.
- Simplification of internal safety reporting processes.
- Development of an early intervention approach to injury management.
- Rationalisation and realignment of insurance arrangements to ensure effective future management of workers compensation.
- A targeted approach to managing key safety risk areas.

The OH&S/Injury Management Team in 2009-10 developed strategic projects aimed at managing the key Safety Risk areas:

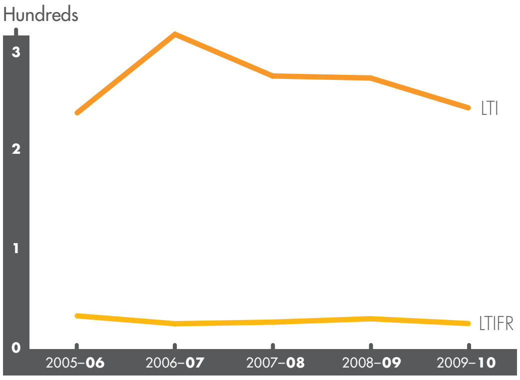
- I-CARE – continued implementation and embedding the national strategic injury management model;
- MESSI – mobile equipment management;
- Manual handling assessment and review;
- Fit For Work program fully implemented across the business incorporating drug and alcohol testing in pre-employment medicals, random testing, cause testing and self testing.

The year ahead will see a continued focus on our key safety risks and safety systems. This will include further development of initiatives for management of manual handling and mobile equipment aimed at driving down incidents and injuries in these areas. In addition, improved safety data systems will be developed to assist in effective targeting for proactive safety management, providing further improvements in safety performance.

Safety Performance

The results for the 2009-10 period were very positive with significant reductions in the Lost Time Injury Frequency Rate (LTIFR), Lost Time Injuries (LTI's), lost hours, claims costs and durations. There was an increase in workers compensation claims as a result of an increased focus on reporting incidents and injuries.

Metcash Five-Year OHS Lag Indicators



SUSTAINABILITY IS A CORE AREA WITHIN OUR BUSINESS STRATEGY

— WE CONTINUE TO PLACE GREATER IMPORTANCE ON THE VALUE OF **ENVIRONMENT, SOCIAL & GOVERNANCE PRINCIPLES**.

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 labeling legislation whilst 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's 'corporate brand' food and consumer products are produced under product specification management and trade measurement monitoring systems which include 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.

Pandemic contingency plans have been developed over the last four years by the Retail Action Working Group with the Food and Grocery Industry. Last year's pandemic event has been reviewed to further improve response and recovery plans for a severe pandemic event.

Business Continuity Management

A robust Business Continuity program is a characteristic of good corporate governance. Metcash continues to develop and review existing site management plans along with alerts and response/recovery procedures to improve our preparedness to effectively recover in the event of an incident, disaster or community issue (e.g. Pandemic).

Our Sustainability Strategy and Projects

We have formally established key performance improvement projects and targets that are being used to track our performance in relation to sustainability across four key areas; Our Business, Our Products, Our Suppliers, and Our Customers. These matters are contained in our internal Sustainability Strategy and Policy.

During the year we completed the Company's carbon footprint analysis by determining the greenhouse gas (GHG) emissions. Metcash fully complies with the National Greenhouse and Energy Reporting Act (NGER), and the analysis has been provided to the Federal Government and the Carbon Disclosure Project. Our target is to reduce by 20% the energy consumed by the existing Metcash sites in 2008/2009 by 2015.

The Metcash Environmental Sustainability Committee (MESC) comprising the CEO and key senior management has formally adopted a suite of policies and procedures to guide sustainability initiatives and improvement planning. These include targets and budgets for each Metcash site and making 'environmental care' a condition of employment in the Staff Code of Conduct. The program is focused on sustainability and environmental action in four areas; 'Our Business', 'Our Products', 'Our Suppliers', and 'Our Customers'.

Our Business:

Goals

- Sustainable Buildings
- Consolidated Logistics
- Tangible Resource Efficiencies
- Guide and Report Sustainable Work
- Informed and Engaged Staff
- Informed and Engaged Community

Results to date include:

- Completion of the carbon footprint analysis and implementation of a monitoring system.
- Electricity consumption per employee has been established as 17,341 kWh and 16.3 tonnes of carbon emissions; and water consumption equates to 42.7 litres per employee per day.
- Voluntary reporting of our NGERS data at 97kT carbon emissions, well below the 125kT reporting required threshold.
- Completing a $150,000 Detailed Facility Study under an Energy Performance Contract of our top 10 energy consuming sites.
- Completion of a successful lighting retrofit trial at a smaller site.
- Establishing a governance structure (including relevant charters and policies) available on www.metcash.com.
- Establishing Green teams at our larger sites to identify new initiatives.

Photo courtesy the Murwillumbah Weekly

IGA
Community Chest

IGA retailers have raised in excess of $45,000,000 over the past 8 years through IGA Community Chest and associated programs. The money has been donated to over 7,000 local community groups, not-for-profit organisations and other worthy causes.

Future work:

- We are completing a 'whole of business' Environmental Management System (EMS) for onsite processes to minimise our impact on the environment and to meet the international standard for environmental management ISO14001. This will be implemented at the 76 Metcash Australian warehouses over the next two years.
- All new planned large building projects will have regard to the Green Building Council of Australia recommendation for a Green Star rating system with a target rating of 4 or 5.

Our Products:

Goals

- Improve Product Packaging, Range + Reporting
- Sell More Eco-Friendlier Products

Results to date:

- A Sustainable Packaging Technologist has been employed to review the packaging design of our corporate branded products, with regard to environmental performance. A PIQET software tool is also being utilised.
- A new range of 41 BFA certified Organic products has been produced.

Future work:

- Working with suppliers to ensure National Packaging Covenant objectives.

Our Suppliers:

Goals

- Improve Supplier Sustainability

Results to date:

- We are working with our corporate brand suppliers on sustainability issues and to establish targets.

Future work:

- Working with the Australian Food and Grocery Council to create a coordinated sustainable supplier questionnaire survey.
- Continue to work with our suppliers on important issues such as 'certified' palm oil usage, sustainable seafood strategies, labelling of tuna and other products, fair trade and genetic modification.

Our Customers:

Goals

- Improve Customer Sustainability

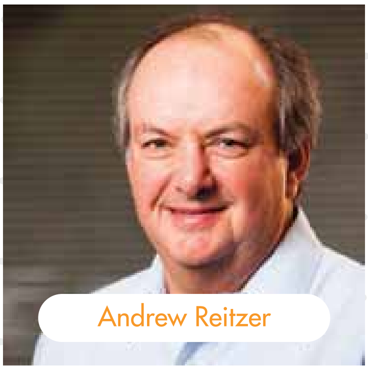
Results to date:

- IGA stores are now involved in Sustainability@Retail support programs that measure carbon footprints and encourage reduced Energy and Water consumption.
- Encouraging healthy eating via the annual IGA 'Fast Food Blitz' program.
- Continue to support the IGA Community Chest (since 1998), raising funds via the sale of selected products which stores then contribute to community groups.
- Continue to support the 'Unsung Heroes Awards' which recognise and reward hundreds of deserving individuals who give up their time for the good of others.
- Many IGA stores have independently decided to become plastic bag free
- Food For Life is IGA's healthy living philosophy that incorporates healthy information.

SUSTAINABILITY@RETAIL SUPPORT PROGRAMS
REDUCE CARBON FOOTPRINT

THE PROGRAM ALSO ENCOURAGES REDUCED ENERGY AND WATER CONSUMPTION.

EXECUTIVE TEAM



CEO Metcash Group of Companies

B COMM MBL

Date of app. to Metcash Ltd: *18.04.05*

Mr Andrew Reitzer has 32 years' experience in the retail/wholesale industry. Previous positions at Metro Cash and Carry Limited include Group Operations Director, heading operations in Russia and Israel, Marketing Director, IT Director and managing various operating divisions.

Chief Executive, Group Logistics and Corporate Development

MBA, GRAD DIP BUS, DIP ACC

Mr Ken Bean has over 39 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 Australian Logistics Council.

CEO Australian Liquor Marketers

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

Mr 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, Independent Brands Australia 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.

CEO Campbells Wholesale

MBA (MELB)

Appointed CEO of Campbells Wholesale in June 1998. Mr Peter Dubbelman has over 26 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 three distinct divisions each aligned with the specific needs of the organised and independent Convenience, and Hospitality markets throughout Australia.

General Manager Finance

BA (HONS), ACA, MBA

An experienced finance professional, Mr Adrian Gratwicke brings over 22 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.

Chief Information Officer

B TH (CAN)

Mr Bernard Hale was formerly a Director of Metro Cash and Carry Limited of South Africa. Bernard has 35 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 1 December 2002. Prior to being appointed to his current role he served as an Executive Director of Metcash Trading Limited.

Mike Jablonski

Group Merchandise Director

Date of app. to Metcash Ltd: *18.04.05*

Mr Mike Jablonski has 38 years' experience in the food industry. Previous positions include: 1984 Merchandise Executive Foods of OK Bazaars; 1987-1991 Merchandise and Marketing Director of Score Food Holdings Ltd; 1992-1996 Deputy Group Merchandise Director of Metro Cash and Carry Limited; 1996-1998 Director of Distribution and Retail Development of Metro Cash and Carry Limited.

Mr Jablonski is the Group Merchandise Director of Metcash Limited. He is responsible for the Group's Merchandise, Supplier relationships, and the income derived thereof.

Edwin Jankelowitz

Finance Director

B COMM, CA (SA)

Date of app. to Metcash Ltd: *18.04.05*

Qualified as a Chartered Accountant (SA) in 1966. From July 1967 to November 1979 with Adcock Ingram Ltd – 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 Edwin Jankelowitz has spent over 36 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).

Silvestro Morabito

CEO IGA Distribution

ASSOCIATE DIP IN FOOD RETAILING (FIT)EXEC DIP IN RETAIL MNGT (ACFRS)

Mr Silvestro Morabito has over 30 years' experience in grocery retailing both locally and internationally. His career began with Safeway in Victoria. He held various senior positions in operations and IT during this time.

After 15 years with Safeway, Mr Morabito was recruited by Dairy Farm International and held senior management roles in New Zealand and Singapore. As CEO of the Cold Storage Supermarket Group in Singapore, he managed the successful acquisition of the number three player in that market and a chain of over 100 supermarkets.

In 2005 Mr Morabito was appointed CEO of Action Supermarkets overseeing the sale of the supermarkets to independent retailers and the consolidation of the FAL retail brands. He was then appointed General Manager, WA, IGA Distribution.

Silvestro attended The Darden Business School at the University of Virginia in 1998 and completed the TEP program.

In February of 2010 he was appointed CEO of IGA Distribution.

David Johnston

Chief Human Resources Officer

M BUS (EMPLOYMENT RELATIONS), FAHRI, JP

Mr David Johnston joined Metcash in December 2001. He brings over 32 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 strengthen leadership capability, implement effective succession and talent development strategies, develop and implement Diversity programs and continue to develop ways to make Metcash a great employer.

Harry Rumpler

CEO IGA Fresh

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

Mr Rumpler has been in retail for 33 years working in all areas of the business including operations, merchandise and buying.

BOARD OF DIRECTORS

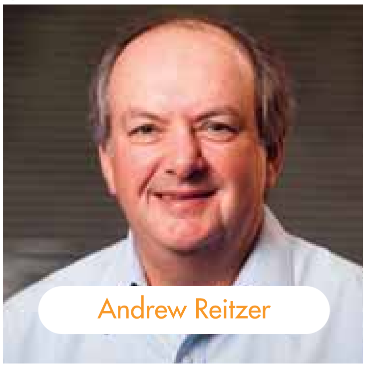
Carlos S Dos Santos

Non-executive Chairman
CA (SA)

Member of the Remuneration & Nomination Committee

Date of app. to Metcash Ltd: *18.04.05*

Mr Carlos dos Santos is a chartered accountant and is a director of various companies trading in Africa and the Far East. He has had 40 years' industry experience and has been involved with the Metcash business as a Director since May 1998.

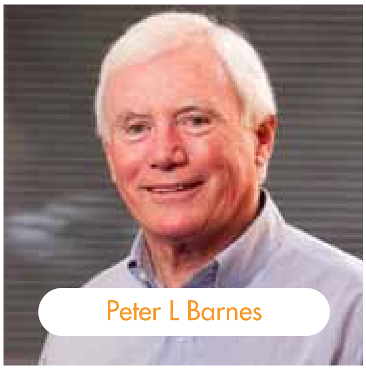


Andrew Reitzer

CEO Metcash Group of Companies
B COMM MBL

Date of app. to Metcash Ltd: *18.04.05*

Mr Andrew Reitzer has 32 years' experience in the retail/wholesale industry. Previous positions at Metro Cash and Carry Limited include Group Operations Director, heading operations in Russia and Israel, Marketing Director, IT Director and managing various operating divisions.



Peter L Barnes

Non-executive Deputy Chairman
MBA (MELBOURNE), B COMMERCE (HONS)

Chairman of the Remuneration & Nomination Committee

Date of app. to Metcash Ltd: *18.04.05*

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.

Michael R Butler

Non-executive Director
B SC, MBA

Member of the Audit Risk & Compliance Committee

Date of app. to Metcash Ltd: *08.02.07*

Mr Michael 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. 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, Verticon Group Limited, Position Partners Pty Ltd and APN Property Group Ltd.

Neil D Hamilton

Non-executive Director
LLB (UWA)

Member of the Remuneration & Nomination Committee

Date of app. to Metcash Ltd: *07.02.07*

Mr Neil Hamilton is based in Perth and Sydney and has over 27 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 OZ Minerals Ltd, Mount Gibson Iron Limited and Miclyn Express Offshore.

V. Dudley Rubin

Non-executive Director
CA (SA), H DIP BDP, MBA

Member of the Audit Committee

Date of app. to Metcash Ltd: *18.04.05*

Mr Dudley Rubin is a chartered accountant and is a director of various companies trading in Africa. He has had 27 years' industry experience and has been involved with the Metcash business as a director since May 1998.

Non-executive Director
BA (SYDNEY), LLB (SYDNEY), MBA (NSW)

Solicitor (non-practising)

Chairman of the Audit Risk & Compliance Committee

Date of app. to Metcash Ltd: *18.04.05*

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.

Group Merchandise Director

Date of app. to Metcash Ltd: *18.04.05*

Mr Mike Jablonski has 38 years' experience in the food industry. Previous positions include: 1984 Merchandise Executive Foods of OK Bazaars; 1987-1991 Merchandise and Marketing Director of Score Food Holdings Ltd; 1992-1996 Deputy Group Merchandise Director of Metro Cash and Carry Limited; 1996-1998 Director of Distribution and Retail Development of Metro Cash and Carry Limited. Mr Jablonski is the Group Merchandise Director of Metcash Limited. He is responsible for the Group's Merchandise, Supplier relationships, and the income derived thereof.

Finance Director
B COMM, CA (SA)

Date of app. to Metcash Ltd: *18.04.05*

Qualified as a Chartered Accountant (SA) in 1966. From July 1967 to November 1979 with Adcock Ingram Ltd – 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 Edwin Jankelowitz has spent over 36 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).

Lou Jardin

Former CEO IGA Distribution

Date of app. to Metcash Ltd: *18.04.05*

Resigned: 9 February 2010

Mr Lou 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 appointment in May 2000 to the role of CEO IGA Distribution. Mr Jardin resigned from this position in February 2010.

Company Secretary
BEC, FCPA, FCIS, MAICD

Mr John 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.

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.

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 Corporate Governance Principles and Recommendations (Principles) introduced in March 2003 and revised in August 2007.

PROPOSED CHANGES TO CORPORATE GOVERNANCE PRINCIPLES

The Company notes the Exposure Draft of proposed changes to the Principles (Changes) released on 22 April 2010 by the ASX Corporate Governance Council. The Changes are expected to be finalised on 30 June 2010 and to first apply to the Company for the financial year beginning 1 July 2011.

The Company will review and address each of the Changes once the final version has been released.

SUMMARY OF COMPLIANCE WITH PRINCIPLES AND RECOMMENDATIONS

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 34
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Yes	Page 34
1.3 Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes	Page 34
Principle 2 – Structure the Board to add value		
2.1 A majority of the Board should be Independent Directors.	Yes	Page 34
2.2 The Chair should be an Independent Director.	Yes	Page 35
2.3 The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	Yes	Page 35
2.4 The Board should establish a Nomination Committee.	Yes	Page 35
2.5 Companies should disclose the process for evaluating the performance of the Board, its Committees and individual Directors.	Yes	Page 36
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:	Yes	Website
› 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.		
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 36
3.3 Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes	
Principle 4 – Safeguard integrity in financial reporting		
4.1 The Board should establish an Audit Committee.	Yes	Page 37
4.2 The Audit Committee should be structured so that it:	Yes	Page 37
› 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.		
4.3 The Audit Committee should have a formal charter.	Yes	Page 37
4.4 Companies should provide the information indicated in the guide to reporting on Principle 4.	Yes	Website

RECOMMENDATION	COMPLY YES/NO	REFERENCE EXPLANATION
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	Website
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 38
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 38
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 39
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 39
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 40
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 and 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 2010 financial year in accordance with this process.

The Company maintains a performance evaluation process which 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 2010 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 and 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 and Nomination Committee selects a panel of candidates with appropriate expertise and experience. This may be supplemented with advice from external consultants if necessary. The Board, on the Committee's recommendation, then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

Directors are not appointed for a fixed term but, under the Company's Constitution, must be re-elected each 3 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 30, 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 and Compliance and Remuneration and 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 which 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 is a substantial shareholder 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 five 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.
- 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 three Executive Directors, Mr Andrew Reitzer, Mr Michael Jablonski and Mr Edwin Jankelowitz. Mr Andrew Reitzer is the Company's Chief Executive Officer and each of the other two 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 and Nomination Committee.

Remuneration and Nomination Committee

The membership of the Remuneration and 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 2010 (FY)	MEETINGS ATTENDED DURING 2010 (FY)
P L Barnes (C)	BComm (Hons), MBA	4	4
C S dos Santos	CA (SA)	4	4
N D Hamilton	LLB	4	4

(C) Chairman

Responsibilities of the Committee include to:

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

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

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

Process for evaluating the performance of the Board, its committees and individual directors

During 2008, 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. Prior to that, the Board reviewed performance each second year using the services of a recognised Board Performance Consultant.

The self-evaluation questionnaire has been utilised for the 2009 and 2010 financial years and, accordingly, a recognised Board Performance Consultant will conduct the 2011 financial year review.

The questionnaire used for the 2010 review 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 and found to be operating at a level that has surpassed the high level identified in the 2009 evaluation and decisions are made in a timely manner.

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'.

The Company also has a 'Serious Complaints' policy which 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 nor 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 and Compliance Committee.

The membership of the Audit Risk and 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.

The function of the Audit Risk and 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

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 and 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:

› 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.

MEMBER	QUALIFICATIONS	MEETINGS HELD DURING 2010 (FY)	MEETINGS ATTENDED DURING 2010 (FY)
R A Longes (C)	BA, LLB, MBA	5	5
M R Butler	B Sc, MBA	5	4
V D Rubin	CA(SA), HDip BDP, MBA	5	5

(C) Chairman

The Audit Risk and 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 private, 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 and Compliance Committee 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 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 five years of ASX and media announcements and annual reports. This information is shown under the heading 'Investors'. Electronic proxy voting has been introduced.

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 and Compliance Committee (AR&CC), 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, 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;
- 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 and 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 and 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;
- regular reporting processes to all levels of management.

The ongoing process of communication, consultation, monitoring and review enables management to demonstrate continuous improvement whilst 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 and 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.

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 RESPONSIBLY

The Board should establish a Remuneration Committee

The Board has established a Remuneration and 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.

FINANCIAL REPORT

DIRECTORS' REPORT

For the year ended 30 April 2010

Your Directors submit their report for the year ended 30 April 2010.

DIRECTORS

The names and details of the Company's Directors in office during the financial year 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 Jardin) resigned from the Metcash Board on 9 February 2010
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 the Board of Directors section of this annual report.

COMPANY SECRETARY

John A Randall
For qualifications and experience of the Company Secretary please refer to the 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	20,000	–
Michael R Jablonski	–	380,000
Edwin M Jankelowitz	320,000	650,000
Richard A Longes	128,154	–
V Dudley Rubin	15,000	–

EARNINGS PER SHARE

	CENTS
Basic earnings per share	29.74
Diluted earnings per share	29.69

DIVIDENDS

	CENTS	$'m
Final dividends for 2010 recommended		
– on ordinary shares	15.0	114.8
Dividends paid in the year		
Interim for the year		
– on ordinary shares in December 2009	11.0	84.2
Final for 2009 recommended in the 2009 financial report		
– on ordinary shares	14.0	107.1
Total dividends paid in the year		191.3
2010 Dividends declared per share	26.0	

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, hardware and associated products.

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 4.

Summarised operating results are as follows:

	2010	
	REVENUES $'m	PROFIT BEFORE TAX $'m
Business segments		
Food Distribution	7,129.9	346.6
Cash & Carry Distribution	1,685.3	28.8
Liquor Distribution	2,640.6	36.1
Hardware Distribution (Acquired 25 March 2010)	61.6	1.5
	11,517.4	413.0
Consolidated entity adjustments/(unallocated amounts)	90.7	(83.0)
Consolidated entity sales and profit from ordinary activities before income tax expense	11,608.1	330.0

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'.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 9 June 2010, the Group entered into a number of Interest Rate Swap contracts with various major Australian Banks. The principal hedged is $300,000,000 with a weighted maturity of 2 years and a weighted average interest rate of 5.059%. The Group considers that these derivatives will be effective hedges in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* and will be accounted for as a cash flow hedge in accordance with the Company's stated accounting policies.

On 1 July 2010, the Group entered into an agreement with Pick n Pay Retailers (Pty) Limited (Pick n Pay) of South Africa to acquire the shares of Interfrank Group Holdings Pty Ltd, the company which owns the Franklins business (which consists of 85 Supermarkets, comprising 77 corporate stores plus supply to 8 franchised stores), from Pick n Pay for a consideration of approximately $215,000,000, to be paid on completion – expected by 30 September, 2010.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

DIRECTORS' MEETINGS

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

		MEETINGS OF COMMITTEES	
	DIRECTORS' MEETINGS	REMUNERATION & NOMINATION	AUDIT RISK & COMPLIANCE
Number of meetings held:	8	4	5
Number of meetings attended:			
Carlos S dos Santos	8	4	–
Peter L Barnes	8	4	–
Andrew Reitzer	8	–	–
Michael R Butler	7	–	4
Neil D Hamilton	7	4	–
Michael R Jablonski	8	–	–
Edwin M Jankelowitz	7	–	–
Joao Louis S Jardim* (Lou Jardin)	6	–	–
Richard A Longes	8	–	5
V Dudley Rubin	8	–	5

* Mr Jardin resigned from the Metcash Board on 9 February 2010

All Directors were eligible to attend all meetings held except for Mr Jardin, who was eligible to attend seven Directors' meetings.

Committee membership

As at the date of this report, the Company had an Audit Risk and 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 Hielscher, B A Hogan, M Wesslink and Joao Louis Jardim (Lou Jardin) 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.

	2010	2009	2008	2007	2006
Earnings per share before CULS, CUPS in 2006 and 2007 and non-recurring items (cents)*	31.1	28.7	25.2	21.8	24.9
Basic earnings per share (cents)	29.7	26.5	25.9	21.1	17.0
Dividends declared per share (cents)	26.0	24.0	21.0	17.0	11.5
Increase/(decrease) in dividends declared per share (%)	8.3	14.3	23.5	47.8	21.1
Dividend payout ratio (%)	87.5	90.7	81.2	80.7	67.7
Return on equity (%)	17.3	16.1	16.3	14.2	19.0
Share price (30 April) ($)	4.15	4.12	4.22	5.24	4.60
Dividend yield (%)	6.3	5.8	5.0	3.2	2.5

* For 2006 and 2007 CULS (Convertible, redeemable, subordinated, unsecured loan notes) and CUPS (Convertible Undated Preference Shares) are defined respectively.

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.

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.

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;
- review management recommendations and advise the Board on performance linked compensation packages for executives, Directors' and executives' retirement, pension and superannuation schemes, and employee participation schemes, including executive share and share option plans and employee share plans;
- administer 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;
- annually 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

The limit to 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	156,784	10,500	14,461	286,745
Deputy Chairman/ Chairman Remuneration & Nomination Committee	105,000	72,784	–	14,461	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	255,818	42,000	71,920	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 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

Independent advisers 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 reviewed 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.

A new service contract was put in place for the recently appointed CEO of IGA Distribution. This contract contains similar elements to other executives' service contracts and complies with the Federal Government's law on executive contracts limiting any termination payments to a maximum amount of twelve months of base salary. Any new executive service contracts which may be put in place in the future will also comply.

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.

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 $160,680 per annum ($175,141 including superannuation capped at the maximum contribution of $14,461).

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, 42.86% 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 2010 year, the first half bonus payment was deferred to the end of the year.

For the 2010 year, the payment for achieving the minimum target was set at 33.3% of the maximum; a payment of 73.3% 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-funding. 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: 54)

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; and
- has direct impact on profitability.

3. Participants eligible for bonus at 50% fixed remuneration (Management bonus scheme) (Number of participants: 137)

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 KPI's e.g. cost per case etc.

Hurdles

The view of the Board is that earnings per share is the most appropriate hurdle measure as it aligns the long term interests of shareholders and management. Other commonly used measures are subject to external influences whilst earnings per share are company specific, reflect management success and directly relate to the interests of shareholders.

The Board has accepted advice from external remuneration specialists that 'underlying' earnings per share should be used. This is defined as reported earnings per share excluding amortisation and non-recurring items and best reflects the underlying ongoing profitability of the company.

Use of Derivatives over unvested Metcash securities

For information on the Company's policy, please refer to 'Principle 3 Promote Ethical and Responsible Decision Making' in the Corporate Goverance Statement contained earlier in this annual report.

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 August 2006, a Long Term Retention incentive was provided to the Chief Executive Officer, Finance Director, Group Merchandising Director, CEO of IGA Distribution and Chief Information Officer on the terms as set out 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 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 is 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.

The period of the incentive concluded on 30 April 2010. It was determined that, on a underlying earnings per share basis. 92.98 percent of the incentive had been earned. As each of the five participants remain in the Company's employ, 92.98 percent of their incentive was agreed to be paid as follows:

	$
Chief Executive Officer (Mr A Reitzer)	4,649,000
Finance Director (Mr E Jankelowitz)	1,859,600
Group Merchandising Director (Mr M Jablonski)	1,859,600
Former CEO of IGA Distribution (Mr L Jardin)	1,859,600
Chief Information Officer (Mr B Hale)	1,859,600

A further Long Term Retention Incentive was entered into in April 2007 as follows. A long-term retention payment of $1 million to each of the Chief Executive Officer Campbells Wholesale, Chief Executive Officer, Logistics and Corporate Development, Chief Executive Officer ALM and the Chief Human Resources Officer subject to achievement of specific hurdles over a five-year period (a compounding 10% increase in earnings per share based on 2007 earnings per share adjusted for material changes to the number of shares issued) and only payable on successful achievement of the hurdles in 2012 and if the executive is still employed by the Company at that time.

If the compound annual growth from the base year is 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.

As discussed under 'Hurdles' on this page, underlying earnings per share will be used in calculating performance.

A long term retention payment of $1 million to each of the CEO, 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 is 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 on a pro rata basis.

These Executives were not previously included in the 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.

As discussed under "Hurdles" on this page, 'underlying' earnings per share will be used in calculating performance.

During the year a three year retention incentive was provided to the Chief Executive Officer, commencing at the expiration of the five year retention incentive provided in August 2006.

The incentive commenced on 1 May 2010 and concludes on 30 April 2013. It is based on annual compounded earnings per share (eps) and payable at the end of the three year incentive period.

A minimum payment of $3 million will be paid for the achievement of a 5% annual compounded eps for the three years, based on earnings for the 2010 year, and a maximum payment of $5 million for the achievement of a 10% or better compounded eps over that period. Pro rata payments are to be made for achievements between 5% and 10%.

As discussed under 'Hurdles' on page 48, 'underlying' earnings per share will be used in calculating performance.

It is anticipated that in view of the establishment of the new Performance Rights Plan (see section below), there will not be a general requirement for a further long-term retention plan other than that already announced for the Chief Executive Officer.

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.

The Remuneration & Nomination Committee has reviewed the hurdles for the first two tranches (60% and 20%) of the 2005 option issue and concluded that, based on 'underlying' earnings, the hurdles have been met and those options can be exercised.

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 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.

Performance Rights

A new Long Term Incentive Plan, Performance Rights (The Rights Plan) was approved by the Board on 25 May 2010 following a remuneration review undertaken by the Chief Human Resources Officer in conjunction with external remuneration advisers.

The review found the following:

› the Federal Government has changed the taxation treatment of Options so that a "tax event" now occurs at vesting rather than at exercising. This change essentially makes Options unattractive from the point of view of a long term incentive;
› the market data shows that 36% of the ASX top 100 companies use Performance Rights as their LTI vehicle, 21% use Options and the remainder utilise other means including a combination of both. External advisers suggest Performance Rights are now industry best practice; and
› it is essential that any LTI plan drives a real incentive to align the interests of management and shareholders. Performance Rights provide this incentive over Options.

The Rights Plan will be offered only to the top sixty (approximately) Metcash Executives and Senior Managers.

The essential elements of the Rights Plan are as follows:

› share Rights are essentially "free" shares i.e. no "strike price";
› as such, significantly fewer rights are offered than is currently the case with Options;
› they are offered annually with vesting after three years subject to achievement of hurdle rates set between 5% and 10% compound underlying eps growth. (i.e. 5% compound underlying eps growth earns 50% of the right's allocation and 10% EPS growth earns 100% of the allocation);
› they are issued only to the top sixty (approximately) executive and Senior managers with "direct sight" to the bottom line growth of the company;
› this is to be the Company's principal long-term incentive offer;
› allocations are determined on the basis of remuneration mix. For example, if TEC is 47% of total remuneration, STI 35% and LTI 19% and an executive has a TEC of $200,000, then the number of share rights issued would be calculated as $200,000 x 19% divided by the value weighted price of Metcash shares for the five days prior to the date of issue; and
› rights vest after 3 years subject to achievement of hurdles.

Employee Share Trust (EST)

On 25 May 2010, the Board approved the establishment of an Employee Share Trust, 'The Metcash Employee Share Trust'. The EST functions as an administrative vehicle through which employee options and Performance Rights (and any other form of long term incentive) will be issued, administered, managed and reported.

The EST is a separate entity from Metcash and has been established in conjunction with Australian Executor Trustees and is subject to the rules of the Trust.

The EST provides the following services and benefits:

› establishes an "arm's length" relationship between Metcash and the Trust for the issuance of Options and Performance Rights to employees;
› Options and Rights are held by the Trust in the name of the employee and the Trust acts on those in accordance with instructions from Metcash and the rules of the trust;
› buys shares on market or issues new shares in accordance with instructions from Metcash;
› the Trust is created solely for the purposes of issuing, holding and administering Rights or Options for and on behalf of Metcash employees;
› does not diminish in any way the rights and interests of the employees who hold Options or Rights through the Trust; and
› the Trust reports on an annual basis on its activities throughout the financial year.

Salary Reviews and Bonuses FY2009/2010

As a precaution, management put in place at the beginning of the 2010 financial year a salary increase deferral for all employees earning more than $50,000 per annum. The Company's profit before tax targets for the 2010 year were met and the salary increases that otherwise would have been paid at the beginning of the year have been paid. Bonuses for the year have been paid (as all salary increases have been paid) where bonus targets have been met.

Non-executive Directors fees and allowances remain at their September 2008 level.

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	Silvestro Morabito	CEO IGA Distribution (appointed 17 February 2010)
Richard A Longes	Non-executive Director	Harry Rumpler	CEO IGA Fresh
V Dudley Rubin	Non-executive Director		
Joao Louis S Jardim (Lou Jardim)*	Former CEO IGA Distribution		

* Mr Jardim resigned from the Metcash Board on 9 February 2010

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 2010

	SHORT-TERM			POST EMPLOYMENT	LONG TERM	TERMINATION BENEFITS	SHARE-BASED PAYMENTS	TOTAL	TOTAL PERFORMANCE RELATED (%)
	SALARY AND FEES $	BONUS $	OTHER BENEFITS $	SUPER-ANNUATION $	BONUS AND LEAVE $	TERM-INATION BENEFITS $	EXPENSE $	$	%
Directors									
C S dos Santos [iv]	272,463	–	–	10,846	–	–	–	283,309	–
P Barnes [iv]	177,963	–	–	12,931	–	–	–	190,894	–
A Reitzer	1,720,875	978,526	3,837	53,087	686,588	–	76,695	3,519,608	48.42%
M Butler	115,500	–	–	10,395	–	–	–	125,895	–
N Hamilton	115,500	–	–	10,395	–	–	–	125,895	–
M Jablonski	674,688	392,490	23,000	14,342	273,961	–	41,543	1,420,024	48.85%
E Jankelowitz	706,086	396,301	–	14,342	274,467	–	41,543	1,432,739	48.68%
L Jardim [i]	490,058	287,484	17,250	15,301	203,391	–	31,157	1,044,641	55.35%
R Longes	131,250	–	–	11,813	–	–	–	143,063	–
D Rubin	115,500	–	–	10,395	–	–	–	125,895	–
Executives									
K Bean	537,290	325,301	–	54,167	212,035	–	15,541	1,144,334	47.26%
S Morabito [ii]	102,988	58,208	–	2,781	–	–	–	163,977	35.50%
F Collins	519,914	219,350	14,000	14,342	210,841	–	1,943	980,390	42.97%
P Dubbelman	504,310	189,418	23,000	27,083	211,677	–	15,541	971,029	41.70%
A Gratwicke	484,792	280,500	–	29,375	222,808	–	50,800	1,068,275	51.87%
B Hale	536,401	324,709	–	53,979	271,018	–	55,171	1,241,278	51.52%
D Johnston	413,910	255,771	–	51,129	209,196	–	15,541	945,547	49.85%
H Rumpler	378,255	226,800	30,000	24,342	222,484	–	50,800	932,681	53.62%
	7,997,743	3,934,858	111,087	421,045	2,998,466	–	396,275	15,859,474	45.52%

(i) Mr Jardim resigned from the Metcash Board on 9 February 2010 and ceased to be a Key Management Personnel at this time. In accordance with his service contract, Mr Jardim will serve his notice period and remain as an employee of Metcash until 1 March 2011. He will receive his normal salary and benefits until this date.

(ii) Mr Morabito was appointed CEO IGA distribution on 17 February 2010.

(iii) Mr Mark Laidlaw was appointed CEO of Mitre 10 on 29 April 2010. Due to the timing of this appointment, no remuneration has been disclosed in the current period for Mr Laidlaw as he did not act as Key Management Personnel for the period. Mr Mark Burrowes, the former CEO of Mitre 10, is not considered to have acted as Key Management Personnel from the period of acquisition, 25 March 2010 to 29 April 2010 as he does not meet the definition of Key Management Personnel.

(iv) Non executive remuneration varies from normal agreed fees due to prior year over payment of superannuation which has been corrected in the current period

(v) Superannuation amounts greater than the legislative cap of $14,461 are a result of individual election to sacrifice salary for additional superannuation payments.

(vi) Amounts disclosed as compensation under Long Term Bonus and Leave represent accruals for leave and amounts accrued over the vesting period of the long-term retention plan. Cash payments were made under this plan subsequent to 30 April 2010 and are disclosed in the remuneration report.

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	TOTAL PERFORMANCE RELATED (%)
	SALARY AND FEES $	BONUS $	OTHER BENEFITS $	SUPER-ANNUATION $	BONUS AND LEAVE $	TERM-INATION 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%

Options exercised as part of remuneration for the year ended 2009 and 2010

VALUE OF OPTIONS EXERCISED DURING THE YEAR	2010 $	2009 $
A Reitzer	–	–
M Jablonski	–	–
E Jankelowitz	–	–
L Jardin*	–	–
K Bean	–	–
F Collins	–	–
P Dubbelman	–	–
A Gratwicke	1,924	–
B Hale	669,800	–
D Johnston	–	–
S Morabito	97	–
H Rumpler	–	–

* Mr Jardin resigned from the Metcash Board on 9 February 2010

There were no options issued to Key Management Personnel during the current year (2009: 1,000,000). Refer to Note 25 Directors' and Executive Disclosures of Key Management Personnel (b) Option Holdings

Details of short term incentive bonus provided for in year ended 30 April 2010

	POTENTIAL BONUS $	BONUS PAYABLE $	BONUS FORFEITED $
Directors			
C S dos Santos	–	–	–
P Barnes	–	–	–
A Reitzer	1,334,354	978,526	355,828
M Butler	–	–	–
N Hamilton	–	–	–
M Jablonski	535,214	392,490	142,724
E Jankelowitz	540,410	396,301	144,109
L Jardin*	522,698	287,484	235,214
R Longes	–	–	–
D Rubin	–	–	–
Executives			
K Bean	443,593	325,301	118,292
S Morabito	79,327	58,208	21,119
F Collins	411,281	219,350	191,931
P Dubbelman	415,795	189,418	226,377
A Gratwicke	382,500	280,500	102,000
B Hale	442,785	324,709	118,076
D Johnston	348,779	255,771	93,008
H Rumpler	324,000	226,800	97,200

All bonuses for the year ended 30 April 2010 were paid in June 2010.

* Mr Jardin resigned from the Metcash Board on 9 February 2010

Details of short term incentive 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.

Details of long term incentive bonus provided for the year ended 30 April 2010

	POTENTIAL BONUS $	BONUS PAYABLE $	BONUS FORFEITED $
Directors			
C S dos Santos	–	–	–
P Barnes	–	–	–
A Reitzer	5,000,000	4,649,000	351,000
M Butler	–	–	–
N Hamilton	–	–	–
M Jablonski	2,000,000	1,859,600	140,400
E Jankelowitz	2,000,000	1,859,600	140,400
L Jardin *	2,000,000	1,859,600	140,400
R Longes	–	–	–
D Rubin	–	–	–
Executives			
K Bean	–	–	–
S Morabito	–	–	–
F Collins	–	–	–
P Dubbelman	–	–	–
A Gratwicke	–	–	–
B Hale	2,000,000	1,859,600	140,400
D Johnston	–	–	–
H Rumpler	–	–	–

* Mr Jardin resigned from the Metcash Board on 9 February 2010

Bonuses under long term retention plan vesting on 30 April 2010 were paid in June 2010. No payments were due or forfeited under these plans in the year ended 30 April 2009.

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 29,861,538 unissued ordinary shares under option (30,235,024 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 755,668 fully paid ordinary shares in Metcash Limited at a weighted average exercise price of $3.25 Since the end of the financial year, a further 301,920 options have been exercised, at a weighted average exercise price of $4.00.

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 2010:

- (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 2010 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 2010:

- (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 2010, 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 2010 has been received and is included on page 101.

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	$1,247,295
Assurance-related	$311,255

Signed in accordance with a resolution of the Directors.

Andrew Reitzer
Director

Sydney, 9 July 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 30 April 2010

	NOTES	METCASH GROUP 2010 $'m	METCASH GROUP 2009 $'m	METCASH LIMITED 2010 $'m	METCASH LIMITED 2009 $'m
Revenue	4(a)	11,608.1	11,067.5	376.4	390.8
Cost of sales		(10,435.3)	(9,950.9)	–	–
Gross profit		1,172.8	1,116.6	376.4	390.8
Distribution costs		(405.8)	(369.5)	–	–
Administrative costs		(350.2)	(363.5)	(2.6)	(4.5)
Share of profit of associates	11	0.3	1.9	–	–
Specific Items					
Termination of derivative financial instrument	4(f)	–	(24.6)	–	–
Restructure of Campbells Cash and Carry branch network	4(f)	(15.4)	–	–	–
Finance costs	4(g)	(71.7)	(70.2)	(174.7)	(202.7)
Profit from continuing operations before income tax		330.0	290.7	199.1	183.6
Income tax expense	5	(99.7)	(87.5)	–	–
Net profit for the period		230.3	203.2	199.1	183.6
Other comprehensive income					
Foreign currency translation adjustments		(0.6)	(1.3)	–	–
Foreign currency hedge adjustment		(0.1)	–	–	–
Income tax/(expense) on items of other comprehensive income		–	–	–	–
Other comprehensive income for the period, net of tax		(0.7)	(1.3)	–	–
Total comprehensive income for the period		229.6	201.9	199.1	183.6
Profit for the period is attributable to:					
Equity holders of the parent		227.6	202.5	199.1	183.6
Minority Interest		2.7	0.7	–	–
		230.3	203.2	199.1	183.6
Total comprehensive income for the period is attributable to:					
Equity holders of the parent		226.9	201.2	199.1	183.6
Minority Interest		2.7	0.7	–	–
		229.6	201.9	199.1	183.6
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:					
– basic earnings per share	28	29.74	26.47	–	–
– diluted earnings per share	28	29.69	26.45	–	–
Franked dividends per share	6	26.00	24.00	–	–

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2010

	NOTES	METCASH GROUP 2010 $'m	METCASH GROUP 2009 $'m	METCASH LIMITED 2010 $'m	METCASH LIMITED 2009 $'m
ASSETS					
Current assets					
Cash and cash equivalents	7	210.6	148.6	–	–
Trade and other receivables	8	1,008.0	967.7	1,314.4	1,125.3
Inventories	9	747.2	680.5	–	–
Assets held for sale		4.0	–	–	–
Prepayments and other		4.9	5.6		–
Total current assets		1,974.7	1,802.4	1,314.4	1,125.3
Non current assets					
Trade and other receivables	10	65.4	40.1	–	–
Investments in associates accounted for using the equity method	11	94.8	84.1	–	–
Other financial assets	12	0.2	0.2	4,616.1	4,616.1
Property, plant and equipment	13	194.7	163.4	–	–
Net deferred tax assets	5	27.2	16.2	–	–
Intangible assets and goodwill	14	1,282.0	1,180.1	–	–
Total non current assets		1,664.3	1,484.1	4,616.1	4,616.1
TOTAL ASSETS		3,639.0	3,286.5	5,930.5	5,741.4
LIABILITIES					
Current liabilities					
Trade and other payables	16	1,294.4	1,188.0	–	–
Interest bearing loans and borrowings	17	7.8	6.9	3,194.3	–
Derivative financial instruments	18	0.6	–	–	–
Provisions	19	99.8	72.7	–	–
Income tax payable		45.6	42.2	43.6	42.0
Other financial liabilities	20	0.2	–	–	–
Total current liabilities		1,448.4	1,309.8	3,237.9	42.0
Non current liabilities					
Interest bearing loans and borrowings	17	749.4	638.2	–	3,019.7
Provisions	19	61.7	59.1	–	–
Other financial liabilities	20	1.9	–	–	–
Total non current liabilities		813.0	697.3	–	3,019.7
TOTAL LIABILITIES		2,261.4	2,007.1	3,237.9	3,061.7
NET ASSETS		1,377.6	1,279.4	2,692.6	2,679.7
EQUITY					
Contributed equity	21	1,892.2	1,889.7	2,558.2	2,555.7
Other equity	21	(765.9)	(765.9)	–	–
Reserves	21	25.8	23.9	19.5	16.9
Retained earnings	21	166.0	129.7	114.9	107.1
Parent Interest		1,318.1	1,277.4	2,692.6	2,679.7
Minority Interest		59.5	2.0	–	–
TOTAL EQUITY		1,377.6	1,279.4	2,692.6	2,679.7

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

STATEMENT OF CHANGES IN EQUITY

Year ended 30 April 2010

	METCASH GROUP								
	CONTRIBUTED EQUITY $'m	OTHER EQUITY $'m	SHARE-BASED PAYMENTS $'m	RETAINED EARNINGS $'m	CAPITAL RESERVE $'m	FOREIGN CURRENCY TRANSLATION RESERVE $'m	CASH FLOW HEDGE RESERVE $'m	MINORITY INTEREST $'m	TOTAL EQUITY $'m
At 1 May 2009	1,889.7	(765.9)	17.1	129.7	12.8	(6.0)	–	2.0	1,279.4
Total comprehensive income	–	–	–	227.6	–	(0.6)	(0.1)	2.7	229.6
Transactions with owners in their capacity as owners:									
Exercise of options	2.5	–	–	–	–	–	–	–	2.5
Minority Interest on acquisition	–	–	–	–	–	–	–	55.1	55.1
Share-based payment	–	–	2.6	–	–	–	–	–	2.6
Dividends paid	–	–	–	(191.3)	–	–	–	(0.3)	(191.6)
At 30 April 2010	1,892.2	(765.9)	19.7	166.0	12.8	(6.6)	(0.1)	59.5	1,377.6
At 1 May 2008	1,889.4	(765.9)	12.6	95.5	12.8	(4.7)	–	–	1,239.7
Total comprehensive income	–	–	–	202.5	–	(1.3)	–	0.7	201.9
Transactions with owners in their capacity as owners:									
Exercise of options	0.3	–	–	–	–	–	–	–	0.3
Minority Interest on acquisition	–	–	–	–	–	–	–	1.3	1.3
Share-based payment	–	–	4.5	–	–	–	–	–	4.5
Dividends paid	–	–	–	(168.3)	–	–	–	–	(168.3)
At 30 April 2009	1,889.7	(765.9)	17.1	129.7	12.8	(6.0)	–	2.0	1,279.4

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

	METCASH LIMITED			
	CONTRIBUTED EQUITY $'m	SHARE-BASED PAYMENTS $'m	RETAINED EARNINGS $'m	TOTAL EQUITY $'m
At 1 May 2009	2,555.7	16.9	107.1	2,679.7
Total comprehensive income	–	–	199.1	199.1
Transactions with owners in their capacity as owners:				
Share-based payment	–	2.6	–	2.6
Exercise of options	2.5	–	–	2.5
Dividends paid	–	–	(191.3)	(191.3)
At 30 April 2010	2,558.2	19.5	114.9	2,692.6
At 1 May 2008	2,555.4	12.4	91.8	2,659.6
Total comprehensive income	–	–	183.6	183.6
Transactions with owners in their capacity as owners:				
Share-based payment	–	4.5	–	4.5
Exercise of options	0.3	–	–	0.3
Dividends paid	–	–	(168.3)	(168.3)
At 30 April 2009	2,555.7	16.9	107.1	2,679.7

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

STATEMENT OF CASH FLOWS

Year ended 30 April 2010

	NOTES	METCASH GROUP 2010 $'m	METCASH GROUP 2009 $'m	METCASH LIMITED 2010 $'m	METCASH LIMITED 2009 $'m
Cash flows from operating activities:					
Receipts from customers		12,440.4	11,818.3	–	–
Receipts from related parties		–	–	177.3	207.2
Payments to suppliers and employees		(11,848.5)	(11,380.9)	–	–
Dividends received		2.0	1.3	199.1	183.6
Interest received		8.2	9.2	–	–
Finance costs		(68.4)	(64.0)	(174.7)	(202.7)
Income tax paid		(101.6)	(31.0)	–	–
Goods and services tax paid		(137.4)	(104.8)	–	–
Net cash flows from operating activities	7	294.7	248.1	201.7	188.1
Cash flows from investing activities:					
Proceeds from sale of property, plant and equipment		1.2	7.1	–	–
Purchase of property, plant and equipment		(39.3)	(36.7)	–	–
Payments for intangibles		(30.9)	(21.3)	–	–
Proceeds from sale of retail stores		0.1	7.1	–	–
Proceeds from loans repaid by other entities		16.6	21.1	–	–
Loans (to)/from subsidiaries		–	–	(12.9)	(20.1)
Loans (to)/from other entities		(21.0)	(16.1)	–	–
Payment on acquisition of businesses	27 (d)	(62.0)	(65.8)	–	–
Payment on acquisition of associates		(0.9)	(1.6)	–	–
Net cash flows used in investing activities		(136.2)	(106.2)	(12.9)	(20.1)
Cash flows from financing activities:					
Proceeds from the issue of ordinary shares	21	2.5	0.3	2.5	0.3
Payment to terminate derivative financial instrument		–	(24.6)	–	–
Payment of refinancing costs		(6.1)	–	–	–
Proceeds from borrowings–other		795.0	550.0	–	–
Repayments of borrowings–other		(688.7)	(525.0)	–	–
Payment of dividends on ordinary shares	6	(191.3)	(168.3)	(191.3)	(168.3)
Payment of dividends to minority interests		(0.3)	–	–	–
Repayment of finance lease principal		(7.5)	(6.1)	–	–
Net cash flows used in financing activities		(96.4)	(173.7)	(188.8)	(168.0)
Net increase/(decrease) in cash and cash equivalents		62.1	(31.8)	–	–
Add opening cash brought forward		148.6	180.5	–	–
Effect of exchange rate changes on cash		(0.1)	(0.1)	–	–
Cash and cash equivalents at end of period	7	210.6	148.6	–	–

1 CORPORATE INFORMATION

The financial report of Metcash Limited (the Company) for the year ended 30 April 2010 was authorised for issue in accordance with a resolution of the Directors on 9 July 2010.

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 2009 the Group has adopted the following Standards and Amendments, mandatory for annual periods beginning on or after 1 May 2009. Adoption of these Standards and Amendments did not have any effect on the financial position or performance of the Group.

REFERENCE	TITLE	SUMMARY & IMPACT
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	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. No material impact on the Group as a result of the adoption of this Standard.
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 Segment Reporting, which adopts a management reporting approach to segment reporting. The Group concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114. AASB 8 disclosures are shown within the accompanying notes, including the related revised comparative information.
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	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. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.
AASB 123 (Revised) and AASB 2007-6	Borrowing costs	The new standard ensures the capitalisation of borrowing costs relating to qualifying assets and consequential amendments to other Australian Accounting Standards. The group acquires qualifying assets and all of the provisions of this standard have been applied accordingly.
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The AASB has separated the amendments into two parts: Part 1 deals with changes the AASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the AASB believes will have minimal impact. No material impact on the Group as a result of the adoption of this Amendment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REFERENCE	TITLE	SUMMARY & IMPACT
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	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. No material impact on the Group as the result of the adoption of this Amendment.
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	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. The group accounts incorporate all of the abovementioned entities and the provisions within this amendment have been applied accordingly. Any financial impact to the group is immaterial.
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	This Standard makes amendments to the following Australian Accounting Standards: 1. AASB 5 Non-current Assets Held for Sale and Discontinued Operations; 2. AASB 8 Operating Segments; 3. AASB 101 Presentation of Financial Statements; 4. AASB 107 Statement of Cash Flows; 5. AASB 117 Leases; 6. AASB 118 Revenue; 7. AASB 136 Impairment of Assets; and 8. AASB 139 Financial Instruments: Recognition and Measurement; as a consequence of the annual improvements project. No material impact has resulted on the Group from the early adoption of the amendments.

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

(b) Standards and amendments issued but not yet effective

Australian Accounting Standards and Amendments 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 2010. These are outlined in the table below:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REFERENCE	*TITLE*	*SUMMARY*	*APPLICATION DATE OF STANDARD*	*IMPACT ON GROUP FINANCIAL REPORT*	*APPLICATION DATE FOR GROUP*
AASB 127 (Revised), AASB 2008-3	Consolidated and Separate Financial Statements	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. All changes in the ownership interest of a subsidiary (without a change in control) are to be accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the statement of comprehensive income. Furthermore, the revised Standard changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary. The changes will affect future acquisitions, changes in, and loss of control of, subsidiaries and transactions with non-controlling interests.	1 May 2010
AASB 3 (Revised)	Business Combinations	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 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Refer to AASB 2008-5 above.	1 July 2009	No material impact on the Group is expected from the adoption of the Amendment.	1 May 2010
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	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 Amendment.	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 2009-3	Amendments to Australian Accounting Standards – Embedded Derivatives	These amendments to AASB Interpretation 9 require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. AASB 139 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss.	Periods ending on or after 30 June 2009	No material impact on the Group is expected from the adoption of the Amendment.	1 May 2010
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Amendments to Australian Accounting Standards AASB 2 Share-based Payment and AASB 138 Intangible Assets and AASB Interpretations 9 Reassessment of Embedded Derivatives and 16 Hedges of a Net Investment in a Foreign Operation.	Periods beginning on or after 1 July 2009	No material impact on the Group is expected from the adoption of the Amendment.	1 May 2010
AASB 2009-6	Amendments to Australian Accounting Standards	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. For example, the term 'revaluation reserve' is changed to 'revaluation surplus', which already appears in some places in the Australian pronouncements. The Standard makes additional amendments as a consequence of the issuance in September 2007 of a revised AASB 101. These amendments were omitted from or incorrectly stated in AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101. These amendments have no major impact on the requirements of the amended pronouncements.	Periods ending on or after 30 June 2009	AASB 2009-6 is a disclosure standard and as such will have no direct impact on the amounts included in the Group's financial statements.	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 9	Financial Instruments	The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes: 1. Two categories for financial assets being amortised cost or fair value. 2. Removal of the requirement to separate embedded derivatives in financial assets. 3. Strict requirements to determine which financial assets can be classified as amortised cost or fair value, Financial assets can only be classified as amortised cost if: (a) the contractual cash flows from the instrument represent principal and interest; and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows. 4. An option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition. 5. Reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes. 6. Changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income.	Periods ending on or after 1January 2013	No material impact on the Group is expected from the adoption of the Standard.	Periods ending on or after 1 May 2013
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12	Amendments to Australian Accounting Standards arising from AASB 2009. The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which are detailed above, AASB 9.	Periods ending on or after 1January 2013	No material impact on the Group is expected from the adoption of the Amendment.	Periods ending on or after 1 May 2013

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 2010.

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 consolidated statement of comprehensive income and are presented within equity in the consolidated statement of financial position, 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 are discussed in note 14.

Contractual customer relationships

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

(vi) FOREIGN CURRENCY TRANSLATION

Translation of foreign currency transactions

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

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 reporting 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.
- Soetensteeg 2–61 Exploitatiemaatschappij BV 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 reporting date whilst all elements contained within the consolidated statement of comprehensive income 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 consolidated statement of comprehensive income.

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 relevant reporting date.

(x) DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments (including forward currency contracts and interest rate swaps) to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date at which a derivative contract is entered into and are subsequently remeasured to fair value.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair values of interest rate swaps are determined using a valuation technique based on cash flows discounted to present value using current market interest rates.

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 derivative contracts are determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges, when they hedge the exposure to changes in the fair value of 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.

Hedges that meet the strict criteria for hedge accounting are accounted as follows:

Cashflow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or to a forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

(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 statement of financial position 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 statement of comprehensive income 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:

	2010	2009
Freehold buildings:	50 years	50 years
Plant and equipment:	5–15 years	5–15 years

Impairment

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

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

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

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the consolidated statement of comprehensive income.

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 consolidated statement of comprehensive income 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 groups of cash-generating units expected to benefit from the combination's synergies.

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

When goodwill forms part of a group of cash-generating units and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the groups of cash-generating units retained.

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.

Trade Names are recognised as intangible assets where a registered trade mark is acquired with attributable value. Trade Names are valued on a Relief from Royalty method. Trade names are considered to be indefinite life intangibles and are not amortised. Trade Name balances will be tested annually for impairment at the same time as goodwill is tested.

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 is 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 consolidated statement of comprehensive income when the asset is de-recognised.

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

- Customer contracts – twenty five years;
- software development costs – five years;
- other – ten years.

(xviii) TRADE AND OTHER PAYABLES

Trade payables and other payables are carried at amortised cost. 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 provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 probable. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

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

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

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

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

(xxii) SHARE-BASED PAYMENT TRANSACTIONS

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

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

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted.

The fair value is determined using a binomial model, further details of which are given in note 15.

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

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

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

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

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

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

(xxiii) REVENUE RECOGNITION

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

Sale of goods

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

Rendering of services

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

Interest

Revenue is recognised as the interest is earned.

Dividends

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

Rental income

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

Management fees

Management fees are recognised on an accrual basis.

(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 relevant reporting date.

Deferred income tax is provided on all temporary differences at the reporting 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 relevant reporting 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 consolidated statement of comprehensive income.

(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 consolidated statement of financial position.

Cash flows are included in the Statement of Cash Flows 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, except borrowing costs that are capitalised for acquisition of qualifying assets.

3 SEGMENT INFORMATION

INDENTIFICATION OF REPORTABLE SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the CEO (the chief operating decision maker) in assessing performance and in determining allocation of resources.

The operating segments are identified by management based on the differences in the products and services provided. Discrete financial information about each of these operating segments is reported to the CEO on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the products sold, as these are the sources of the Group's major risks and have the most effect on the rates of return.

SEGMENT PRODUCTS AND LOCATIONS

The economic entity predominantly operates in the industries indicated:

› Food distribution activities comprise the distribution 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.
› Hardware distribution comprises the distribution of hardware supplies to retail outlets.

Geographically the group operates predominately in Australia.

The New Zealand operation represents less than 10% 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.

MAJOR CUSTOMERS

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

	FOOD DISTRIBUTION		CASH AND CARRY DISTRIBUTION		LIQUOR DISTRIBUTION		HARDWARE DISTRIBUTION		CONSOLIDATED	
BUSINESS SEGMENTS	2010 $'m	2009 $'m	2010 $'m	2009 $'m	2010 $'m	2009 $'m	2010 $'m	2009 $'m	2010 $'m	2009 $'m
Segment Revenue										
Sales to external customers	7,129.9	6,681.8	1,685.3	1,660.4	2,640.6	2,639.5	61.6	–	11,517.4	10,981.7
Inter-segment revenues	772.6	809.7	–	–	102.1	109.6	–	–	874.7	919.3
Total segment revenue	7,902.5	7,491.5	1,685.3	1,660.4	2,742.7	2,749.1	61.6	–	12,392.1	11,901.0
Segment profit before tax	346.6	315.5	28.8	33.0	36.1	33.8	1.5	–	413.0	382.3

i) Segment revenue reconciliation to the statement of comprehensive income

	2010 $'m	2009 $'m
Total segment revenue	12,392.1	11,901.0
Inter-segment revenues elimination	(874.7)	(919.3)
Rent	82.5	76.6
Interest from other person/corporation	8.2	9.2
Total revenue	11,608.1	11,067.5

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

	2010 $'m	2009 $'m
Segment profit before tax	413.0	382.3
Net Finance Costs	(63.5)	(61.0)
Rent Income	82.5	76.6
Rent Expense	(82.5)	(76.6)
Share based payment expense	(2.6)	(4.5)
Termination of derivative financial instrument	–	(24.6)
Restructure of Campbells Cash and Carry branch network	(15.4)	–
Amortisation of customer relationships	(6.5)	(6.2)
Other	5.0	4.7
Total profit from continuing operations before income tax	330.0	290.7

4 REVENUE AND EXPENSES

	METCASH GROUP		METCASH LIMITED	
	2010 $'m	2009 $'m	2010 $'m	2009 $'m
(a) REVENUE				
Sale of goods	11,517.4	10,981.7	–	–
Rent	82.5	76.6	–	–
Interest from other person/corporation	8.2	9.2	–	–
Dividend income	–	–	199.1	183.6
Management fees	–	–	177.3	207.2
	11,608.1	11,067.5	376.4	390.8
(b) Other income				
Net (loss)/profit from disposal of property, plant and equipment	(0.3)	0.1	–	–
(c) Other expenses				
Depreciation/ Amortisation of property, plant and equipment	30.2	27.5	–	–
Amortisation of software and other intangibles	10.0	12.9	–	–
Loss from disposal of associate	1.3	–	–	–
Amortisation of customer relationships	6.5	6.2	–	–
Impairment of trade receivables	12.1	10.7	–	–
Inventories obsolescence provision	7.3	7.8	–	–
(d) Operating lease rental				
Minimum lease payments	90.8	83.2	–	–
(e) Employee benefits expense				
Wages and salaries	382.2	364.2	–	–
Defined contribution plan expense	31.5	31.6	–	–
Workers compensation costs	9.5	8.5	–	–
Share-based payments	2.6	4.5	2.6	4.5
Other employee benefits costs	4.5	7.8	–	–
(f) Significant items				
Restructure of Campbells Wholesale Branch Network to close 8 warehouses.	15.4	–	–	–
Termination of derivative financial instrument	–	24.6	–	–
(g) Finance costs				
Interest expense	68.3	63.6	–	–
Deferred Borrowing costs	3.4	2.8	–	–
Interest expense – related party	–	–	174.7	202.7
Fair value loss on derivative financial instrument	–	3.8	–	–
	71.7	70.2	174.7	202.7

5 INCOME TAX

	METCASH GROUP		METCASH LIMITED	
	2010 $'m	2009 $'m	2010 $'m	2009 $'m
The major components of income tax expense are:				
Current income tax				
Current income tax charge	105.1	84.9	–	–
Adjustments in respect of current income tax of previous years	(0.3)	(1.3)	–	–
Deferred income tax relating to origination and reversal of temporary differences	(5.1)	3.9	–	–
Income tax expense reported in the Consolidated Statement of Comprehensive Income	99.7	87.5	–	–
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	330.0	290.7	199.1	183.6
At the Group's statutory income tax rate of 30% (2009: 30%)	99.0	87.2	59.7	55.1
Expenditure not allowable for income tax purposes	1.0	1.6	0.8	1.4
Income not assessable for income tax purposes	–	–	(60.5)	(56.5)
Adjustments in respect of current income tax of previous years	(0.3)	(1.3)	–	–
Income tax expense reported in the Consolidated Statement of Comprehensive Income at an effective tax rate of 30% (2009: 30%)	99.7	87.5	–	–

	CONSOLIDATED STATEMENT OF FINANCIAL POSITION		CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	
	2010 $'m	2009 $'m	2010 $'m	2009 $'m
Deferred income tax				
Deferred income tax of the Metcash Group at 30 April relates to the following:				
Deferred tax liabilities				
Deferred expenditure	7.3	5.6	1.7	(1.1)
Intangibles	46.6	41.4	2.2	1.3
Other receivables	–	2.6	(2.6)	(1.2)
Set off of deferred tax assets	(53.9)	(49.6)		
	–	–		
Deferred tax assets				
Accelerated depreciation for accounting purposes	4.4	–	(5.7)	(0.1)
Provisions	61.1	50.4	(4.3)	(2.4)
Project Costs	–	3.1	3.1	4.3
Other	12.4	12.3	0.5	3.1
Unutilised Tax Losses	3.2	–		
Set off of deferred tax liabilities	(53.9)	(49.6)	–	–
	27.2	16.2		
Deferred tax income expense			(5.1)	3.9
Recognised net deferred tax assets				
Opening Balance	16.2	20.1		
Charged to Income Statement	5.1	(3.9)		
Charged to Equity	–	–		
Acquisitions / Disposals	5.9	–		
Closing Balance	27.2	16.2		

At 30 April 2010, there is no recognised or unrecognised deferred income tax liability (2009: $nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and associates as the Group has no liability for additional taxation should these earnings be remitted.

The Group has unrecognised capital losses in Australia of $22 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.

5 INCOME TAX (CONTINUED)

TAX EFFECT ACCOUNTING BY MEMBERS OF THE TAX CONSOLIDATED GROUP

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

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

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

	METCASH LIMITED	
	2010 $'m	2009 $'m
Total (decrease)/increase to inter-company assets of Metcash Limited	1.6	52.1

6 DIVIDENDS PAID AND PROPOSED

	METCASH GROUP		METCASH LIMITED	
	2010 $'m	2009 $'m	2010 $'m	2009 $'m
(a) Dividends paid on ordinary shares during the year				
(i) Final franked dividend for 2009: 14.0c (2008: 12.0c)	107.1	91.8	107.1	91.8
(ii) Interim franked dividend for 2010: 11.0c (2009: 10.0c)	84.2	76.5	84.2	76.5
	191.3	168.3	191.3	168.3
Dividends declared (not recognised as a liability as at 30 April 2010)				
Franked dividends for 2010: 15.0c per share (2009: 14.0c)	114.8	107.1	114.8	107.1
(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% (2009: 30%)			97.0	83.6
– franking credits that will arise from the payment of income tax payable as at the end of the financial year			21.8	16.3
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			(49.2)	(45.9)
			69.6	54.0

(c) Tax rates

The tax rate at which paid dividends have been franked is 30% (2009: 30%).

Dividends declared have been franked at the rate of 30% (2009: 30%).

7 CASH AND CASH EQUIVALENTS

	METCASH GROUP 2010 $'m	METCASH GROUP 2009 $'m	METCASH LIMITED 2010 $'m	METCASH LIMITED 2009 $'m
Cash at bank and on hand	210.6	148.6	–	–
	210.6	148.6	–	–
(a) Reconciliation of net profit after tax to net cash flows from operations				
Net profit	230.3	203.2	199.1	183.6
Adjustments for:				
Depreciation	30.2	27.5	–	–
Amortisation	16.5	19.1	–	–
Net (profit)/loss on disposal of property, plant and equipment	0.3	(0.1)	–	–
Share of associates' net profit	(0.3)	(1.9)	–	–
Dividends received from associates	2.0	1.3	–	–
Termination of derivative financial instrument	–	24.6	–	–
Deferred borrowing costs	3.4	2.8	–	–
Share based payments	2.6	4.5	2.6	4.5
Net loss on disposal of associate	1.3	–	–	–
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and other receivables	37.0	(6.4)	–	–
(Increase)/decrease in other current assets	1.5	(1.0)	–	–
(Increase)/decrease in inventories	(38.0)	(103.0)	–	–
(Increase)/decrease in deferred tax assets	(5.1)	4.0	–	–
(Decrease)/increase in payables and provisions	9.7	17.0	–	–
(Decrease)/increase in tax payable	3.3	52.7	–	–
(Decrease)/increase in derivative financial instruments	–	3.8	–	–
Net cash from operating activities	294.7	248.1	201.7	188.1
(b) Non-cash financing and investing activities				
Acquisition of assets by means of finance lease	3.2	7.5	–	–
Capitalisation of debtor to investment in associate	7.1	1.8	–	–

8 TRADE AND OTHER RECEIVABLES (CURRENT)

	METCASH GROUP 2010 $'m	METCASH GROUP 2009 $'m	METCASH LIMITED 2010 $'m	METCASH LIMITED 2009 $'m
Trade receivables – Securitised (i) (ii)	689.3	735.6	–	–
Trade receivables – Non-securitised (ii)	198.7	106.2	–	–
Allowance for impairment loss	(24.4)	(22.8)	–	–
	863.6	819.0	–	–
Customer loans (iii)	34.8	38.6	–	–
Marketing Debtors (iv)	39.4	38.0	–	–
Other receivables (iv)	70.2	72.1	–	–
Related party receivables: (v)				
wholly owned subsidiaries	–	–	1,314.4	1,125.3
	1,008.0	967.7	1,314.4	1,125.3

(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 $689.3 million (2009: $735.6 million) had been securitised as disclosed above, with $240.0 million (2009: $125.0 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 2010, 95.2% of trade receivables are required to be settled within 30 days and 4.8% 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. $4.0 million (2009: $17.0 million) of loans are non-interest-bearing. $30.8 million (2009: $21.6) of loans have a weighted average annual interest of 8.13% (2009: 7.66%).

(iv) Marketing Debtors and 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 24. 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 these receivable is considered to be recoverable in full.

8 TRADE AND OTHER RECEIVABLES (CURRENT) (CONTINUED)

IMPAIRED TRADE RECEIVABLES

During the year ended 30 April, 2010 receivables to the value of $19.2 million (2009: $5.5 million) were considered non-recoverable and written off. As at 30 April, 2010 trade receivables with a notional value of $24.4 million (2009: $22.8 million) were provided for as impaired. Movement in the allowance for impairment loss:

	METCASH GROUP 2010 $'m	METCASH GROUP 2009 $'m
At 1 May	(22.8)	(12.9)
Charge for the year	(12.1)	(10.7)
Accounts written off as non recoverable	19.2	5.5
Amounts reclassified from other payables	–	(4.7)
Increase due to business acquisition	(8.7)	–
Closing balance	(24.4)	(22.8)

DEBTORS AGEING

As at 30 April 2010, 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
2010	723.7	98.2	9.6	4.2	4.1	23.8	863.6
	83.8%	11.4%	1.1%	0.5%	0.5%	2.8%	100.0%
2009	661.2	108.3	12.6	7.3	7.3	22.3	819.0
	80.7%	13.2%	1.5%	0.9%	0.9%	2.7%	100.0%

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

CUSTOMER LOANS AGEING

As at 30 April 2010, 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
2010	72.5	0.5	0.6	1.5	0.4	16.9	92.4
	78.5%	0.5%	0.6%	1.6%	0.4%	18.4%	100.0%
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%

In 2010, the terms of the debts of the Walters group of companies were renegotiated. As a result, $33.1m in existing loans and trade debts were consolidated and rolled over into new loans with a term of 7 years. The loans have been offered on commercial terms.

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

OTHER RECEIVABLES AGEING

As at 30 April 2010, 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
2010	110.4	4.7	1.1	0.9	0.0	0.3	117.4
	94.0%	4.0%	0.9%	0.8%	0.0%	0.3%	100.0%
2009	110.6	6.4	1.4	0.2	0.4	0.3	119.3
	92.7%	5.4%	1.2%	0.2%	0.3%	0.3%	100.0%

The credit quality of the unimpaired other receivables is good. Metcash believes 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	
	2010 $'m	2009 $'m
Current loans	34.8	38.6
Non Current loans	57.6	30.9
	92.4	69.5

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 2010 was $27.1 million (2009: $25.2 million)

9 INVENTORIES

	METCASH GROUP		METCASH LIMITED	
	2010 $'m	2009 $'m	2010 $'m	2009 $'m
Finished goods (at net realisable value)	747.2	680.5	–	–
Total inventories at the lower of cost and net realisable value	747.2	680.5	–	–

Inventory write-downs recognised as an expense totalled $7.3 million (2009: $7.8 million) for the Group and $nil (2009: $nil) for the Company. The expense is included in the cost of sales line item as a cost of inventory.

10 RECEIVABLES (NON-CURRENT)

Customer loans (i)	57.6	30.9	–	–
Other receivables (ii)	7.8	9.2	–	–
Total	65.4	40.1	–	–

(i) Customer loans receivable are non-current and have repayment terms of greater than 12 months. $7.3 million (2009: $6.0 million) of loans are non-interest bearing. $50.3 million (2009: $24.9 million) of loans have a weighted average annual interest rate of 8.99% (2009: 7.66%). Refer to Note 8 for ageing analysis and credit quality.

(ii) Other receivables are non-interest-bearing and have repayment terms greater than 12 months. These receivables are all neither past due nor impaired. Refer Note 8 for ageing analysis and credit quality.

FAIR VALUES

The fair value and carrying values of non-current receivables of the Metcash Group are as follows:

	CARRYING AMOUNT 2010 $'m	CARRYING AMOUNT 2009 $'m	FAIR VALUE 2010 $'m	FAIR VALUE 2009 $'m
Customer loans	57.6	30.9	58.8	32.0
Other receivables	7.8	9.2	7.8	9.2
Total	65.4	40.1	66.6	41.2

The fair values are based on cash flows discounted at a rate reflecting current market rates adjusted for counter party credit risk.

11 INVESTMENTS IN ASSOCIATES

	METCASH GROUP		METCASH LIMITED	
	2010 $'m	2009 $'m	2010 $'m	2009 $'m
Investments in associates	94.8	84.1	–	–

Interest in associates

	PRINCIPAL ACTIVITIES	BALANCE DATE	OWNERSHIP INTEREST 2010 %	OWNERSHIP INTEREST 2009 %
Produce Traders Trust (i)	Distribution of fruit and vegetables	30 June	–	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 (i)	Grocery retailing	30 June	–	26.0
Dart Trading Co Pty Ltd	Grocery retailing	30 June	26.0	26.0
Bamlane Pty Ltd	Grocery retailing	30 June	26.0	26.0
Mundin Pty Ltd	Grocery retailing	30 June	26.0	26.0
G'Butt Pty ltd	Grocery retailing	30 June	26.0	26.0
Mussen Pty Ltd	Grocery retailing	30 June	26.0	26.0
Ully Pty Ltd	Grocery retailing	30 June	26.0	26.0
Adcome Pty Ltd	Grocery retailing	30 June	40.0	40.0
Metfood Pty Limited	Negotiate to reduce costs for Metcash and Foodstuffs	30 April	50.0	50.0
Progressive Trading Pty Ltd (Progressive) (iii)	Grocery retailing	30 June	55.4	55.4
Sunshine Hardware Pty Ltd (ii)	Hardware retailing	30 June	49.0	–

(i) Metcash acquired the remaining issued units of Produce Traders Trust, effective 1 July, 2009. On 17 December, 2009, Metcash divested its interest in Coco's Fresh Food Markets.

(ii) Metcash acquired a 49% interest in Sunshine Hardware Pty Ltd via its acquisition of Mitre 10.

(iii) 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 does not have the power to govern the financial and operating policies of Progressive.

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

Share of associates' profit:

	METCASH GROUP 2010 $'m	METCASH GROUP 2009 $'m
Profit/(loss) before income tax	0.4	2.8
Income tax expense	(0.1)	(0.9)
Profit after income tax	0.3	1.9
Share of associates' Consolidated Statement of Financial Position:		
Current assets	61.6	60.0
Non - current assets	134.4	127.4
Total Assets	196.0	187.4
Current liabilities	(82.7)	(81.7)
Non - current liabilities	(55.8)	(50.4)
Total Liabilities	(138.5)	(132.1)
Net assets	57.5	55.3

12 **OTHER FINANCIAL ASSETS (NON-CURRENT)**

	METCASH GROUP		METCASH LIMITED	
	2010 $'m	2009 $'m	2010 $'m	2009 $'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

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 2010						
At 1 May 2009,						
net of accumulated depreciation and impairment	50.6	112.8	163.4	–	–	–
Additions	2.9	39.4	42.3	–	–	–
Acquisition from business combination (Refer Note 27)	11.9	8.7	20.6			
Disposals	–	(1.4)	(1.4)	–	–	–
Depreciation charge for the year	(0.7)	(29.5)	(30.2)	–	–	–
At 30 April 2010,						
net of accumulated depreciation and impairment	64.7	130.0	194.7	–	–	–
At 1 May 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	–	–	–
At 30 April 2010,						
Cost or fair value	70.0	261.0	331.0	–	–	–
Accumulated depreciation and impairment	(5.3)	(131.0)	(136.3)	–	–	–
Net carrying amount	64.7	130.0	194.7	–	–	–
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	–	–	–

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 April 2010 is $18.8 million (2009: $17.7 million).

14 INTANGIBLE ASSETS AND GOODWILL

	METCASH GROUP						METCASH LIMITED
	SOFTWARE DEVELOPMENT COSTS $'m	CUSTOMER CONTRACTS $'m	GOODWILL $'m	TRADE NAMES $'m	OTHER $'m	TOTAL $'m	TOTAL $'m
Year ended 30 April 2010							
At 1 May 2009							
Net carrying amount	45.7	137.9	993.6	–	2.9	1,180.1	–
Additions	27.2	15.0	–	–	–	42.2	–
Acquisition from business combination (Refer Note 27)	–	9.9	39.2	27.2	–	76.3	–
Disposals	(0.1)	–	–	–	–	(0.1)	–
Amortisation	(9.7)	(6.5)	–	–	(0.3)	(16.5)	–
At 30 April 2010							
Net carrying amount	63.1	156.3	1,032.8	27.2	2.6	1,282.0	–
At 30 April 2010							
Cost (gross carrying amount)	150.2	183.9	1,032.8	27.2	3.0	1,397.1	–
Accumulated amortisation and impairment	(87.1)	(27.6)	–	–	(0.4)	(115.1)	–
Net carrying amount	63.1	156.3	1,032.8	27.2	2.6	1,282.0	–
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 27)	–	–	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 1 May 2008							
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	–

(a) DESCRIPTION OF THE GROUPS INTANGIBLE ASSETS & GOODWILL

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.

Customer Contracts

Customer contracts are acquired either through business combinations or through direct acquisition of contractual relationships. The carrying amount represents the costs less accumulated amortisation. Customer contracts are amortised over a 25 year period. The amortisation has been recognised in the statement of comprehensive income in the line item "Administrative Costs". If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is less than the carrying amount. No impairment loss was required to be recognised during the period.

During the period $9.9 million was converted from trade receivables to customer contracts as a result of the Cornetts acquisition of Stephens Duggans Group.

Trade Names

Trade Names have been acquired through business combinations and are carried at cost less any impairment losses. These intangible assets have been determined to have an indefinite useful life. Trade marks will be subjected to impairment testing on an annual basis or whenever there is an indication of impairment. Due to the timing of the acquisition of these assets in the current year, no impairment test has been carried out.

Other

The company entered into an Alliance Agreement with Lenards Pty Ltd in 2009 to offer customers the opportunity to purchase products under Lenards Franchise. The agreement fee will be amortised over 10 years, straight line. The intangible is carried at cost less accumulated amortisation.

14 **INTANGIBLE ASSETS AND GOODWILL (CONTINUED)**

(b) IMPAIRMENT TESTS FOR GOODWILL AND INTANGIBLES WITH INDEFINITE USEFUL LIVES

(i) Description of Cash Generating Units

Goodwill acquired through business combinations have been allocated to the lowest level within the entity at which the goodwill is monitored by management, being the four business pillars (IGA>D, CCC, ALM and Mitre 10), which are reportable segments. 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 February 2010 for the 3 existing pillars at that date. The group of cash generating units (CGU) used for impairment testing are as follows:

IGA Distribution, Campbells Wholesale and Australian Liquor Marketers.

The recoverable amount of the group of 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.

(ii) Key Assumptions used in valuations

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.

Discount Rates — The weighted average cost of capital for the Group based on risk free rates of return, the company's risk profile relative to the market, the marginal cost of borrowing for the company, its average level of gearing and a market risk premium.

Future growth — Driven by population growth, estimated food inflation and changes in market share.

The pre-tax discount rate applied to cash flow projections is 12.67% (2009: 12.26%) and cash flows beyond the five year period are extrapolated using a 2.5 % growth rate (2009: 2.5%) which is based on the historical population and applicable food inflation and liquor growth rates for each group of CGUs.

(iii) Sensitivity to changes in assumptions

The table below summarises the Goodwill attributed to each group of CGUs and potential impairment trigger point at the impairment testing date of February 2010:

GROUP OF CGUs	GOODWILL $'m	DISCOUNT RATE AT WHICH IMPAIRMENT IS TRIGGERED %
IGA Distribution	856.9	*
Campbells Wholesale	32.9	14.38%
Australian Liquor Marketers	89.1	13.88%

* Management believes 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.

(iv) Trade Names Valuation

Trade Names were valued on acquisition of the Mitre 10 business and represent the value of the various Trade Marks registered to the Mitre 10 Group of companies. At the date of acquisition, the Trade Names were valued on a Relief from Royalty basis. The following represent the key assumptions used:

Royalty Rate – An estimate based on similar royalty rates for similar types of franchising store formats in a similar industry from a global analysis.

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.

Discount Rates – The weighted average cost of capital for the Mitre 10 Group based on risk free rates of return, the company's risk profile relative to the market, the marginal cost of borrowing for the company, its average level of gearing and a market risk premium.

Future growth – Driven by population growth, estimated inflation and changes in market share.

The trade name valuation was completed as at 25 March 2010. As such, Metcash does not consider that any indicators of impairment have arisen between the date of valuation and balance date. The Trade Names will be subject to impairment testing in the 2011 financial year.

15 SHARE-BASED PAYMENTS

SHARE-BASED PAYMENT PLANS

During the year no options were issued to Executive Directors (2009: 1,000,000 options), as disclosed in note 25 (b).

The following table illustrates the number of options and exercise prices and movements during the year ended 30 April 2010 and 30 April 2009:

	2010 NUMBER	2010 EXERCISE PRICE	2009 NUMBER	2009 EXERCISE PRICE
Outstanding at the beginning of the year	32,202,323	–	13,523,106	–
Reinstated during the year	8,920	Various	21,325	Various
Granted during the year	–	–	21,091,806	4.267
Exercised during the year	–	–	(38,000)	1.870
	(340,000)	2.430	–	2.430
	(415,668)	3.925	(57,770)	3.925
Expired during the year	(1,220,551)	Various	(2,338,144)	Various
Outstanding at the end of the year	30,235,024	–	32,202,323	–

The outstanding balance as at 30 April 2010 is represented by:

- 3,800,000 options over ordinary shares with an exercise price of $4.0134 exercisable until 2 September 2011.
- 7,901,203 options over ordinary shares with an exercise price of $3.9251 exercisable until 2 September 2011.
- 18,533,821 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 nil (2009: $0.88).

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 2010 and 30 April 2009:

	2010	2009
Dividend yield (%)	–	5.0
Expected Volatility (%)	–	23.9
Risk free rate (%)	–	6.7
Expected Life of Options (years)	–	6.0
Option exercise price ($)	–	4.3
Weighted average share price ($)	–	4.2

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. An option may be exercised immediately in the event of:

- any party becoming entitled to acquire shares by way of a compulsory acquisition; or
- 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.

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

16 TRADE AND OTHER PAYABLES (CURRENT)

	METCASH GROUP 2010 $'m	METCASH GROUP 2009 $'m	METCASH LIMITED 2010 $'m	METCASH LIMITED 2009 $'m
Trade payables	1,110.1	989.0	–	–
Accrued GST/WET	42.2	50.2	–	–
Accrued marketing expenses	49.3	47.2	–	–
Accrued purchases and payroll expenses	78.9	83.9	–	–
Other payables	13.9	17.7	–	–
	1,294.4	1,188.0	–	–

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 2010 $'m	METCASH GROUP 2009 $'m	METCASH LIMITED 2010 $'m	METCASH LIMITED 2009 $'m
Current				
Loans from subsidiaries (iv)	–	–	3,194.3	–
Finance lease obligation (i)	7.8	6.9	–	–
	7.8	6.9	3,194.3	–
Non-current				
Finance lease obligation (i)	16.4	17.3	–	–
Bank loans (ii)	493.0	495.9	–	–
Debt securitisation (iii)	240.0	125.0	–	–
Loans from subsidiaries (iv)	–	–	–	3,019.7
	749.4	638.2	–	3,019.7

(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 8.71% (2009: 8.14%). 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, which expires 12 May 2012. The bank loans are covered by certain financial undertakings as follows:
The bank 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). 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.

(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) Post year end the loans from subsidiaries were renegoiated and are repayable on 12 October 2015, (from 12 October 2010) and attract a variable interest rate. The interest rate at 30 April 2010 was 7.74% (2009: 3.91%).

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

(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 22.

18 DERIVATIVE FINANCIAL INSTRUMENTS

	METCASH GROUP		METCASH LIMITED	
	2010 $'m	2009 $'m	2010 $'m	2009 $'m
Current				
Foreign currency forward contracts (i)	0.6	–	–	–
	0.6	–	–	–

(i) Derivatives that are designated and effective as hedging instruments are carried at fair value.

19 PROVISIONS

	METCASH GROUP		METCASH LIMITED	
	2010 $'m	2009 $'m	2010 $'m	2009 $'m
Current				
Employee entitlements	77.5	60.7	–	–
Rental subsidy (i)	6.8	9.3	–	–
Restructuring (ii)	14.8	2.3	–	–
Other	0.7	0.4	–	–
	99.8	72.7	–	–
Non-current				
Employee entitlements	30.0	25.8	–	–
Rental subsidy (i)	31.7	31.0	–	–
Other	–	2.3	–	–
	61.7	59.1	–	–
Total	161.5	131.8	–	–

(a) MOVEMENTS IN PROVISIONS (OTHER THAN EMPLOYEE ENTITLEMENTS)

	METCASH GROUP			
	RENTAL SUBSIDY $'m	RESTRUCTURING $'m	OTHER $'m	TOTAL $'m
1 May 2009	40.3	2.3	2.7	45.3
Arising during the year	1.7	15.4	0.8	17.9
Utilised	(3.5)	(2.1)	(2.4)	(8.0)
Unused amounts released	–	(0.8)	(0.4)	(1.2)
30 April 2010	38.5	14.8	0.7	54.0

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

(B) NATURE AND TIMING OF PROVISIONS

(i) Rental subsidy provision

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

(ii) Restructure provision

Restructure of Campbells Wholesale Branch Network to close 8 warehouses. Costs provided include employee termination costs, inventory markdowns, relocation costs and exit costs for leased premises.

20 **OTHER FINANCIAL LIABILITIES**

	METCASH GROUP 2010 $'m	METCASH GROUP 2009 $'m	METCASH LIMITED 2010 $'m	METCASH LIMITED 2009 $'m
Current				
Lease incentives	0.2	–	–	–
	0.2	–	–	–
Non-current				
Lease incentives	1.9	–	–	–
	1.9	–	–	–

21 **CONTRIBUTED EQUITY AND RESERVES**

	METCASH GROUP 2010	METCASH GROUP 2009	METCASH LIMITED 2010	METCASH LIMITED 2009
(a) Ordinary shares:				
Issued and fully paid	1,892.2	1,889.7	2,558.2	2,555.7
	1,892.2	1,889.7	2,558.2	2,555.7

	METCASH GROUP 2010 NUMBER OF SHARES	2010 $'m	2009 NUMBER OF SHARES	2009 $'m
Movements in ordinary shares on issue				
At 1 May	764,888,363	1,889.7	764,792,593	1,889.4
Issued during the year:				
– 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
– Exercise of employee options – 415,668 ordinary shares at 392.5 cents per share	415,668	1.7	–	–
– Exercise of employee options – 340,000 ordinary shares at 243.0 cents per share	340,000	0.8	–	–
At 30 April	765,644,031	1,892.2	764,888,363	1,889.7

	METCASH LIMITED 2010 NUMBER OF SHARES	2010 $'m	2009 NUMBER OF SHARES	2009 $'m
Movements in ordinary shares on issue				
At 1 May	764,888,363	2,555.7	764,792,593	2,555.4
Issued during the year:				
– 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
– Exercise of employee options – 415,668 ordinary shares at 392.5 cents per share	415,668	1.7	–	–
– Exercise of employee options – 340,000 ordinary shares at 243.0 cents per share	340,000	0.8	–	–
At 30 April	765,644,031	2,558.2	764,888,363	2,555.7

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

21 CONTRIBUTED EQUITY AND RESERVES (CONTINUED)

RESERVES

	METCASH GROUP					METCASH LIMITED	
	SHARE-BASED PAYMENTS $'m	CAPITAL PROFITS $'m	CASH FLOW HEDGE RESERVE $'m	FOREIGN CURRENCY TRANSLATION $'m	TOTAL $'m	SHARE-BASED PAYMENTS $'m	TOTAL $'m
At 1 May 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
Currency translation differences	–	–	–	(0.6)	(0.6)	–	–
Share-based payments	2.6	–	–	–	2.6	2.6	2.6
Movement in fair value of derivatives	–	–	(0.1)	–	(0.1)	–	–
At 30 April 2010	19.7	12.8	(0.1)	(6.6)	25.8	19.5	19.5

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.

Cash flow hedge reserve

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

RETAINED EARNINGS

	METCASH GROUP		METCASH LIMITED	
	2010	2009	2010	2009
At 1 May	129.7	95.5	107.1	91.8
Profit/(loss) for the period	227.6	202.5	199.1	183.6
Dividends	(191.3)	(168.3)	(191.3)	(168.3)
At 30 April	166.0	129.7	114.9	107.1
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.

22 **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, cash and short-term deposits and derivatives.

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 security.

The Group enters into a small number of derivative transactions from time to time principally to manage interest rate and foreign currency 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 derivatives designated to limit the Group's exposure to volatility in interest payments from time to time.

As at 30 April 2010, the Group has no interest rate derivative financial instruments.

On 9 June 2010, the Group entered into a number of Interest Rate Swap contracts with various major Australian Banks. The principal hedged is $300,000,000 with a weighted hedge maturity of 2 years and a weighted average interest rate of 5.059%. The Group considers that these derivatives will be effective hedges in accordance with AASB 139 Financial Instruments: Recognition and Measurement and will be accounted for as a cash flow hedge in accordance with the Company's stated accounting policies.

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

FINANCIAL INSTRUMENTS

	1 YEAR OR LESS		OVER 1 TO 5 YEARS		MORE THAN 5 YEARS		TOTAL CARRYING AMOUNT PER THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION		WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	
	2010 $'m	2009 $'m	2010 $'m	2009 $'m	2010 $'m	2009 $'m	2010 $'m	2009 $'m	2010 %	2009 %
(i) Financial assets										
Fixed rate										
Trade and other receivables	30.8	21.6	33.1	30.9	17.2	–	81.1	52.5	8.66	7.66
Floating rate										
Cash	210.6	148.6	–	–	–	–	210.6	148.6	4.25	3.00
Total financial assets	241.4	170.2	33.1	30.9	–	–	291.7	201.1	–	–
(ii) Financial liabilities										
Fixed rate										
Finance lease liability*	7.8	6.9	16.4	17.1	–	0.2	24.2	24.2	8.71	8.14
Weighted average interest rate	8.79%	8.19%	8.67%	8.13%	0.00%	6.42%	–	–	–	–
Floating rate										
Bank and other loans**	–	–	733.0	620.9	–	–	733.0	620.9	6.45	4.02
Non-interest bearing										
Trade and other payables	1,294.4	1,188.0	–	–	–	–	1,294.4	1,188.0	–	–
Total financial liabilities	1,302.2	1,194.9	749.4	638.0	–	0.2	2,051.6	1,833.1	–	–

* 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 8.71% (2009: 8.14%). Secured lease liabilities are secured by a charge over the leased asset.

** Refer to Note 17 for details of Bank and Other Loans

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.

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Sensitivity Analysis

The Group constantly analyses its interest rate exposure. Within this analysis, consideration is given to potential renewal of existing positions, alternative financing, alternative hedging positions and the mix of fixed and floating interest rates.

The table below shows the effect on post tax profit and other comprehensive income 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.

	METCASH GROUP PROFIT AFTER TAX HIGHER/(LOWER)		METCASH LIMITED PROFIT AFTER TAX HIGHER/(LOWER)	
	2010 $'m	2009 $'m	2010 $'m	2009 M
If interest rates were to increase by 0.50% (50 basis points) profit after tax (PAT) would increase/(decrease) by:	(3.7)	(3.1)	–	–
If interest rates were to decrease by 0.25% (25 basis points) profit after tax (PAT) would increase/(decrease) by:	1.9	1.6	–	–

The movements in profit are due to higher/lower interest costs from variable rate banking and other loans.

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 2010, 60.9% have been utilised.

Remaining contractual maturities

Remaining contractual liabilities consist of non-interest bearing liabilities amounting to $1,294.4 million for the Group and nil for the Parent and are due one year or less.

Maturity analysis of financial assets and 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 assets and liabilities. This is also the expected date of settlement.

	METCASH GROUP				METCASH LIMITED			
YEAR ENDED 30 APRIL 2010	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
Financial assets								
Cash and cash equivalents	210.6	–	–	210.6	–	–	–	–
Trade and other receivables	1,008.0	65.4	–	1,073.4	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–	–	–
	1,218.6	65.4	–	1,284.0	–	–	–	–
Financial liabilities								
Trade and other payables	1,294.4	–	–	1,294.4	–	–	–	–
Finance lease liability	9.6	18.6	–	28.2	–	–	–	–
Bank and other loans	47.6	792.5	–	840.1	–	–	–	–
Loans from subsidiaries	–	–	–	–	3,301.5	–	–	3,301.5
	1,351.6	811.1	–	2,162.7	3,301.5	–	–	3,301.5

22 **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

YEAR ENDED 30 APRIL 2009	METCASH GROUP 1 YEAR OR LESS $'m	METCASH GROUP 1–5 YEARS $'m	METCASH GROUP MORE THAN 5 YEARS $'m	METCASH GROUP TOTAL $'m	METCASH LIMITED 1 YEAR OR LESS $'m	METCASH LIMITED 1–5 YEARS $'m	METCASH LIMITED MORE THAN 5 YEARS $'m	METCASH LIMITED TOTAL $'m
Financial assets								
Cash and cash equivalents	148.6	–	–	148.6	–	–	–	–
Trade and other receivables	967.7	28.1	2.9	998.7	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–	–	–
	1,116.3	28.1	2.9	1,147.3	–	–	–	–
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 2015, at which point the amount due will be $3,301.5 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	240.0	–	160.0
Overdraft/Guarantees	150.0	21.9	–	128.1
	1,250.0	761.9	–	488.1
Cash and cash equivalents	–	–	210.6	210.6
	1,250.0	761.9	210.6	698.7

* During the period the senior facility loans were extended for an additional three years, which expires 12 May 2012.

Derivative financial liabilities

The table below details the liquidity risk arising from derivative liabilities held by the Group at the reporting date

METCASH GROUP	1–6 MTHS $'m	6–12 MTHS $'m	1–5 YEARS $'m	>5 YEARS $'m	TOTAL $'m
Year ended 30 April 2010					
Derivative liabilities – net settled	–	–	–	–	–
Derivative liabilities – gross settled	8.9	1.3	–	–	10.2
– Inflows	–	–	–	–	–
– Outflows	–	–	–	–	–
Net maturity	8.9	1.3	–	–	10.2

The Group held no derivatives at 30 April 2009. The Company held no derivatives at either 30 April 2009 or 30 April 2010.

Gross settled derivatives comprise forward exchange contracts that are used to hedge anticipated purchase commitments.

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, where a loan has been provided, the Group will seek to take security over certain assets of the customer wherever possible.

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 6 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 2.8% of the receivables balance, indicating that the balances are actively and effectively managed.

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

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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. The Group enters into forward foreign exchange contracts and foreign currency options to manage the risk associated with anticipated purchase commitments denominated in foreign currencies.

The amount of foreign exchange cover is based on anticipated future purchases in light of current conditions in foreign markets, commitments from customers and experience.

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 reinstituted at any time.

The Group provides benefits to employees (including executive directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The Group provides benefits to executive directors, senior executives and its employees in the form of the Employee Share Option Plan (ESOP). Details are disclosed in note15.

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

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

Management monitors capital through the gearing ratio (debt / total capital). The gearing ratios at 30 April 2010 and 2009 were 35.5% and 33.5% respectively. This is within an acceptable target range.

FAIR VALUE

The Group uses various methods in estimating the fair value of a financial instrument. The different methods have been defined as follows:

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

The table below analyses financial instruments carried at fair value, by valuation method:

YEAR ENDED 30 APRIL 2010	LEVEL 1 $'m	LEVEL 2 $'m	LEVEL 3 $'m	TOTAL $'m
Available for sale financial assets	–	–	–	–
Financial assets designated at fair value through profit or loss	–	–	–	–
Financial assets held for trading	–	–	–	–
Derivative financial assets	–	–	–	–
Derivative financial liabilities	–	0.6	–	0.6
	–	0.6	–	0.6

The Directors consider that the carrying amount of the financial assets and liabilities recorded in the financial statements approximates their fair value as at the reporting date.

23 **COMMITMENTS**

(a) OPERATING LEASE COMMITMENTS

The Group has entered into commercial leases on certain forklifts, land and buildings. These leases have an average lease term of five years and an implicit interest rate of 8.67%. 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	
	2010 $'m	2009 $'m	2010 $'m	2009 $'m
Within 1 year	148.7	138.1	–	–
After 1 year but not more than 5 years	481.2	455.6	–	–
More than 5 years	449.9	447.8	–	–
Aggregate lease expenditure contracted for at reporting date	1,079.8	1,041.5	–	–

(b) OPERATING LEASE RECEIVABLES

Certain properties under operating lease have been sublet to third parties. These leases have an average lease term of five years and an implicit interest rate of 8.67%. The future lease payments expected to be received at the reporting date are:

	METCASH GROUP		METCASH LIMITED	
	2010 $'m	2009 $'m	2010 $'m	2009 $'m
Within 1 year	58.5	62.3	–	–
After 1 year but not more than 5 years	201.3	199.2	–	–
More than 5 years	233.1	264.0	–	–
	492.9	525.5	–	–

(c) FINANCE LEASE COMMITMENTS

The Group has finance leases for various items of vehicles and equipment. The weighted average interest rate impact in the leases is 8.71% (2009: 8.14%). 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	
	2010 $'m	2009 $'m	2010 $'m	2009 $'m
Within 1 year	9.6	8.6	7.8	8.7
After 1 year but not more than 5 years	18.6	18.0	16.4	15.3
More than 5 years	–	1.8	–	0.2
	28.2	28.4	24.2	24.2
Less amounts representing finance charges	(4.0)	(4.2)	–	–
Present value of minimum lease payments	24.2	24.2	24.2	24.2

24 **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 2010 %	2009 %
A.C.N. 131 933 376 Pty Ltd	Australia	100	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
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
Garden Fresh Produce Pty Ltd	Australia	100	–
Garden Fresh Produce Trust	Australia	100	–
Gawler Supermarkets Pty. Ltd.	Australia	100	100
Global Liquor Wholesalers Pty. Limited (formerly Cotswrap Pty Limited)	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
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	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

NAME	COUNTRY OF INCORPORATION	PERCENTAGE OF EQUITY INTEREST HELD BY THE CONSOLIDATED ENTITY 2010 %	2009 %
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
Mittenmet Limited *	Australia	50.1	–
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	51
Nu Fruit Pty. Ltd.	Australia	51	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
Rainbow Unit Trust	Australia	100	100
Rainfresh Vic Pty. Ltd.	Australia	51	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 Exploitatiemaatschappij 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

24 RELATED PARTY DISCLOSURE (CONTINUED)

(b) ULTIMATE PARENT

Metcash Limited is the ultimate parent entity.

* Mittenmet Limited

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

NAME	COUNTRY OF INCORPORATION	PERCENTAGE OF EQUITY INTEREST HELD BY MITTENMET 2010 %	2009 %
ACN 001 259 570 Pty Ltd (In Liquidation)	Australia	100	–
ACN 007 702 721 (SA) Ltd (In Liquidation)	Australia	100	–
ACN 008 698 093 (WA) Ltd Ltd	Australia	99.44	–
Anzam (Aust.) Pty Ltd	Australia	100	–
Australian Hardware Support Services Pty Ltd	Australia	100	–
Chelsea Heights Operations Pty Limited	Australia	100	–
DIY Superannuation Pty Ltd	Australia	100	–
Handyman Stores Pty Ltd	Australia	100	–
Hardware Property Trust	Australia	100	–
Himaco Pty Ltd	Australia	100	–
Lilydale Operations Pty Limited	Australia	100	–
Mega Property Management Pty Ltd	Australia	100	–
Mitre 10 Limited	Australia	100	–
Mitre 10 Australia Ltd	Australia	100	–
Mitre 10 Mega Pty Ltd	Australia	100	–
Modbury Operations Pty Ltd (In Liquidation)	Australia	100	–
National Retail Support Services Pty Ltd	Australia	100	–
Ringwood Operations Pty Ltd (In Liquidation)	Australia	100	–
South Coast Operations Pty Ltd	Australia	100	–
South West Operations Pty Ltd	Australia	100	–
Sydney Importing Co Limited	Australia	97.65	–
Timber and Hardware Exchange Pty Ltd	Australia	52.00	–
WA Hardware Services Pty Ltd	Australia	100	–

24 RELATED PARTY DISCLOSURE (CONTINUED)

(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.

The Statement of Comprehensive Income and Statement of Financial Position of the entities that are members of the 'Closed Group' are as follows:

	CLOSED GROUP	
	2010 $'m	2009 $'m
(i) Statement of Comprehensive Income		
Profit before income tax	320.4	293.4
Income tax expense	(98.8)	(89.4)
Profit after tax	221.6	204.0
Net profit for the financial year	221.6	204.0
Retained profits at the beginning of the financial year	131.2	95.5
Dividends provided for or paid	(191.3)	(168.3)
Retained profits at the end of the financial year	161.5	131.2
(ii) Statement of Financial Position		
ASSETS		
Current Assets		
Cash and cash equivalents	177.3	135.3
Trade and other receivables	752.3	819.5
Inventories	755.3	680.5
Other	4.9	5.6
Total Current Assets	1,689.8	1,640.9
Non-Current Assets		
Receivables	65.4	40.1
Investments	2,450.4	2,439.7
Property, plant and equipment	127.0	104.8
Net Deferred tax assets	14.3	14.3
Intangible assets	1,036.8	1,017.2
Total Non-Current Assets	3,693.9	3,616.1
Total Assets	5,383.7	5,257.0
LIABILITIES		
Current Liabilities		
Trade and other payables	1,078.5	1,053.3
Interest-bearing loans and borrowings	5.1	5.0
Current tax liabilities	43.5	42.0
Provisions	32.8	26.7
Total Current Liabilities	1,159.9	1,127.0
Non-Current Liabilities		
Interest-bearing loans and borrowings	2,886.5	2,826.8
Provisions	17.2	18.5
Total Non-current Liabilities	2,903.7	2,845.3
Total Liabilities	4,063.6	3,972.3
NET ASSETS	1,320.1	1,284.7
EQUITY		
Contributed equity	1,892.2	1,889.7
Other equity	(765.9)	(765.9)
Reserves	32.3	29.7
Retained profits	161.5	131.2
TOTAL EQUITY	1,320.1	1,284.7

24 **RELATED PARTY DISCLOSURE (CONTINUED)**

(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	2010	1,224.5	–	–
	2009	1,188.3	–	–
Dividends received from associates	2010	–	–	2.0
	2009	–	–	1.3

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. The total level of purchases from both companies is less than 0.4% of Metcash's annual purchases and is not considered material.

Parent

Associates

There were no transactions between the parent and its associates during the year (2009: nil).

RELATED PARTY		SALES TO RELATED PARTIES $'m	PURCHASES FROM RELATED PARTIES $'m	OTHER TRANSACTIONS WITH RELATED PARTIES $'m
Subsidiaries				
Dividend received	2010	–	–	199.1
	2009	–	–	183.6
Current tax payable/ (receivable)	2010	–	–	43.6
assumed from wholly owned consolidated entities	2009	–	–	42.0
Management fees received	2010	–	–	177.3
	2009	–	–	207.2
Interest accrued	2010	–	–	174.7
	2009	–	–	202.7

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.

(e) AMOUNTS DUE FROM OR PAYABLE TO RELATED PARTIES

RELATED PARTY	2010 $'m	2009 $'m
CONSOLIDATED		
Associates		
Trade Accounts Receivable	105.9	127.1
Loans Receivable	46.2	23.5
PARENT		
Subsidiaries		
Loans receivable	1,314.4	1,125.3
Loans Payable	3,194.3	3,019.7

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 2010, the Group has not made any allowance for impairment loss relating to trade accounts receivable or loans due from associates.

25 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	**Silvestro Morabito**	CEO IGA Distribution (appointed 17 February 2010)
Lou Jardin*	Former CEO IGA Distribution	**Harry Rumpler**	CEO IGA Fresh
Richard A Longes	Non-executive Director		
V Dudley Rubin	Non-executive Director		

* Mr Jardin resigned from the Metcash Board on 9 February 2010 and was not considered a Key Management Personnel subsequent to this date.

Mr Mark Laidlaw was appointed CEO of Mitre 10 on 29 April 2010. Due to the timing of this appointment, he did not act as Key Management Personnel for the period. Mr Mark Burrowes, the former CEO of Mitre 10, is not considered to have acted as Key Management Personnel from the period of acquisition, 25 March 2010 to 29 April 2010 as he does not meet the definition of Key Management Personnel.

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 within the Directors' Report designated as audited.

(b) OPTION HOLDING OF KEY MANAGEMENT PERSONNEL

30 APRIL 2010	BALANCE AT BEGINNING OF PERIOD 1 MAY 2009	GRANTED AS REMUNERATION	OPTIONS EXERCISED	OTHER ADJUSTMENTS	BALANCE AT END OF PERIOD 30 APRIL 2010	VESTED AT 30 APRIL 2010 TOTAL	VESTED AT 30 APRIL 2010 EXERCISABLE
Directors							
C S dos Santos	–	–	–	–	–	–	–
P Barnes	–	–	–	–	–	–	–
M Butler	–	–	–	–	–	–	–
R Longes	–	–	–	–	–	–	–
D Rubin	–	–	–	–	–	–	–
A Reitzer	1,200,000	–	–	–	1,200,000	960,000	960,000
M Jablonski	650,000	–	–	–	650,000	520,000	520,000
E Jankelowitz	650,000	–	–	–	650,000	520,000	520,000
L Jardin*	650,000	–	–	–	650,000	520,000	520,000
Executives							
K Bean	400,000	–	–	–	400,000	320,000	320,000
F Collins	50,000	–	–	–	50,000	40,000	40,000
P Dubbelman	400,000	–	–	–	400,000	320,000	320,000
A Gratwicke	550,000	–	(7,000)	–	543,000	33,000	33,000
B Hale	990,000	–	(340,000)	–	650,000	520,000	520,000
D Johnston	400,000	–	–	–	400,000	320,000	320,000
S Morabito**	–	–	(300)	400,000	399,700	39,700	39,700
H Rumpler	550,000	–	–	–	550,000	40,000	40,000
Total	6,490,000	–	(347,300)	400,000	6,542,700	4,152,700	4,152,700

* Mr Jardin resigned from the Metcash Board on 9 February 2010 and ceased to be a key management personnel at this time. Mr Jardin can exercise his options until his employment ceases on 1 March 2011.

** Mr Morabito was appointed CEO IGA Distribution 17 February 2010. Mr Morabito held 400,000 options prior to his appointment, which are reflected as other adjustments.

25 DIRECTORS' AND EXECUTIVES' DISCLOSURES (CONTINUED)

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	*VESTED AT 30 APRIL 2009* 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

(c) SHAREHOLDING OF KEY MANAGEMENT PERSONNEL

30 APRIL 2010	BALANCE AT BEGINNING OF PERIOD 1 MAY 2009	GRANTED AS REMUNERATION	ON MARKET TRADE	OPTIONS EXERCISED	OTHER ADJUSTMENTS	BALANCE AT THE END OF THE PERIOD 30 APRIL 2010
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	–	–	20,000	–	–	20,000
M Jablonski	–	–	–	–	–	–
E Jankelowitz	520,000	–	(200,000)	–	–	320,000
L Jardin*	–	–	–	–	–	–
R Longes	128,154	–	–	–	–	128,154
D Rubin	15,000	–	–	–	–	15,000
Executives						
K Bean	–	–	–	–	–	–
F Collins	1,600	–	–	–	–	1,600
P Dubbelman	400,350	–	(350,000)	–	–	50,350
A Gratwicke	35,242	–	3,708	7,000	–	45,950
B Hale	270,000	–	–	340,000	–	610,000
D Johnston	80,000	–	–	–	–	80,000
S Morabito	–	–	–	300	5,400	5,700
H Rumpler	–	–	–	–	–	–
Total	3,481,529	–	(526,292)	347,300	5,400	3,307,937

* Mr Jardin resigned from the Metcash Board on 9 February 2010 and ceased to be a key management personnel at this time.

25 DIRECTORS' AND EXECUTIVES' DISCLOSURES (CONTINUED)

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 THE END OF THE 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

(d) COMPENSATION BY CATEGORY

	METCASH GROUP 2010 $'m	METCASH GROUP 2009 $'m
Short-Term	12.1	12.5
Long-Term	3.0	3.6
Post Employment	0.4	0.7
Termination Benefits	–	–
Share-Based Payments	0.4	1.1
Total	15.9	17.9

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.

26 AUDITOR'S REMUNERATION

	METCASH GROUP 2010 $	METCASH GROUP 2009 $	METCASH LIMITED 2010 $	METCASH LIMITED 2009 $
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	1,455,300	1,580,500	–	–
– tax compliance	1,237,065	683,041	–	–
– assurance related	311,255	17,800	–	–
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:				
– tax compliance	10,230	–	–	–
	3,013,850	2,281,341	–	–

27 BUSINESS COMBINATIONS

(a) THE METCASH GROUP ACQUIRED THE ASSETS OF THE FOLLOWING ENTITIES:

DATE OF ACQUISITION	ENTITY PURCHASED	% ACQUIRED
11 May 2009	Fresh Meat Markets (FMM)	100% (1)
1 July 2009	Produce Traders Trust – Citi Fruit (PTT)	60% (2)
25 March 2010	Mittenmet Limited Group – Mitre 10 Australia (M10)	50.1%
12 April 2010	Cellarbrations at Baulkham Hills New South Wales	100% (1)

(1) Acquisition of business assets.

(2) Acquisition of majority interest. Produce Traders Trust is now 100% owned.

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

	MITRE 10 $'m	OTHER $'m	TOTAL $'m
(b) Purchase consideration:			
Cash paid to date	55.2	11.5	66.7
Direct costs relating to the acquisition	3.4	1.1	4.5
Total purchase consideration	58.6	12.6	71.2
Less cash acquired	(10.9)	(0.3)	(11.2)
Net purchase consideration	47.7	12.3	60.0
Associate Investment	–	0.3	0.3
Fair value of net identifiable assets acquired (c)	(20.4)	(0.7)	(21.1)
Goodwill	27.3	11.9	39.2
(c) Assets and liabilities acquired			
The assets and liabilities arising from the acquisition are as follows:			
Accounts receivable	107.7	2.6	110.3
Prepayments	0.8	–	0.8
Assets held for sale	4.0	–	4.0
Property, plant and equipment	18.8	1.8	20.6
Inventory	28.3	0.5	28.8
Investment in associate	6.1	–	6.1
Trade names	27.2	–	27.2
Customer contracts	9.9	–	9.9
Deferred tax assets	5.9	–	5.9
Other non current assets	3.2	–	3.2
Fair Value of forward currency contracts	(0.6)	–	(0.6)
Creditors and employee benefits provision	(123.0)	(4.2)	(127.2)
Borrowings	(12.8)	–	(12.8)
Minority interest	(55.1)	–	(55.1)
Fair value of net identifiable assets acquired attributable to the parent	20.4	0.7	21.1

27 BUSINESS COMBINATIONS (CONTINUED)

The fair value of the identifiable assets and liabilities of FMM and PTT approximated their carrying values at the dates of acquisition.

The results of FMM and PTT from acquisition to 30 April 2010 have not been disclosed separately as they are not significant to the total Group results.

The revenue and results of the total Metcash Group for the period ended 30 April 2010, as though FMM and PTT had been acquired on 1 May 2009, would not be significantly different from the Group results as currently reported.

The accounting for the above business combinations is provisional as at 30 April 2010.

(d) In addition to the $60.0 million paid for business acquisition disclosed at (b) above, an amount of $2.0 million was paid in July 2009 in final settlement of the Market Garden Produce acquisition. An amount of $2.4 million was provided at 30 April 2009 for this settlement. The difference of $0.4 million has been taken against goodwill.

(e) The acquisition by Metcash of 50.1% of the Mitre 10 business was through the issue of ordinary shares in Mittenmet Limited, the immediate parent undertaking of Mitre 10 . The former shareholders of Mitre 10 were issued with Convertible Redeemable Preference Shares, representing the remaining 49.9% interest in Mittenmet Limited. Metcash paid $27.61 million for the equity, and advanced a further $27.61 million in the form of a loan. This loan will be converted to equity on 30 June 2010 at a rate dependent upon the result of Mitre 10 for the year then ended.

Metcash has the option to force the redemption of the preference shares as at 30 June 2012 or 2013 at a rate dependent up on the results to date. Otherwise, if they do not exercise that option, they will convert to ordinary shares at that date. Metcash has the option to force the redemption of the preference shares as at 30 June 2012 or 2013 at a rate dependent upon the results to date. Otherwise, if they do not exercise that option, they will convert to ordinary shares at that date. The purchase price accounting for the final consideration for Mitre 10 is based upon Management's judgement that EBITDA for the year ending 30 June 2010 falls within a specified range and no adjustment to the purchase consideration is required.

(f) The consolidated statement of comprehensive income includes sales revenue and profit after tax for the year ended 30 April 2010 of $61.6 million and $1.0 million respectively, as a result of the acquisition of 50.1% of Mitre 10 (M10). Had the acquisition of M10 occurred at the beginning of the reporting period, the consolidated statement of comprehensive income would have reported revenue and profit after tax of $12,375.8 million and $241.6 million respectively.

(g) In the prior period ended 30 April 2009, 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 GemFruitz (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. 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.

28 EARNINGS PER SHARE

	2010 $'m	2009 $'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	227.6	202.5
Adjustments:		
Earnings used in calculating basic and diluted earnings per share	227.6	202.5
	NUMBER	**NUMBER**
Weighted average number of ordinary shares used in calculating basic earnings per share	765,178,865	764,843,880
Effect of dilutive securities		
Share options	1,129,914	579,379
Weighted average number of ordinary shares used in calculating diluted earnings per share	766,308,779	765,423,259

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.

29 **CONTINGENT LIABILITIES**

	METCASH GROUP 2010 $'m	METCASH GROUP 2009 $'m	METCASH LIMITED 2010 $'m	METCASH LIMITED 2009 $'m
The Company and certain controlled entities have granted Bank guarantees to third parties in respect of property lease obligations to the value of	19.2	18.4	–	–
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	146.0	77.3	–	–
The Company and certain controlled entities have granted put options to third parties to the value of	13.3	13.6	–	–

FRANKLINS

Refer to Note 30 Subsequent events in respect of Franklins.

AMERICAN EXPRESS CHARGE CARD

On the 9th May 2007 Metcash Trading Limited entered into an agreement with American Express (Amex), due to expire on 31 July 2012, 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 options 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.

30 **SUBSEQUENT EVENTS**

On 9 June 2010, the Group entered into a number of Interest Rate Swap contracts with various major Australian Banks. The principal hedged is $300,000,000 with a weighted hedge maturity of 2 years and a weighted average interest rate of 5.059%. The Group considers that these derivatives will be effective hedges in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* and will be accounted for as a cash flow hedge in accordance with the Company's stated accounting policies.

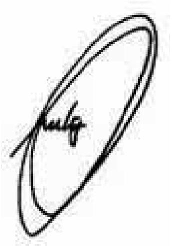
On 1 July 2010, the Group entered into an agreement with Pick n Pay Retailers (Pty) Limited (Pick n Pay) of South Africa to acquire the shares of Interfrank Group Holdings Pty Ltd, the company which owns the Franklins business (which consists of 85 Supermarkets, comprising 77 corporate stores plus supply to 8 franchised stores), from Pick n Pay for a consideration of approximately $215,000,000, to be paid on completion – expected by 30 September, 2010.

DIRECTORS' DECLARATION

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

1. In the opinion of the directors:
   (a) The financial statements, notes and the additional disclosures included in the directors' report designated as audited, of 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 2010 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 2010.
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 24 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, 9 July 2010

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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 year ended 30 April 2010, 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

Ernst & Young

Michael J Wright

Michael J Wright
Partner
Date: 9 July 2010

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Independent auditor's report to the members Metcash Limited

Report on the Financial Report

We have audited the accompanying financial report of Metcash Limited, which comprises the statement of financial position as at 30 April 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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.

Directors' Responsibility for the Financial Report

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

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.

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

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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 2010 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 pages 45 to 53 of the directors' report for the year ended 30 April 2010. 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 2010, complies with section 300A of the Corporations Act 2001.

Ernst & Young

Michael J Wright
Partner
Sydney
Date: 9 July 2010

ASX ADDITIONAL INFORMATION

Year ended 30 April 2010

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

The information is current as at 9 July 2010.

(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	8,202
1,001–5,000	21,313
5,001—10,000	6,265
10,001–100,000	4,037
100,001—9,999,999,999	153
Total	39,970

There were 376 shareholders holding less than a marketable parcel of Metcash ordinary shares.

(b) TWENTY LARGEST SHAREHOLDERS

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

NAME	NUMBER OF SHARES	PERCENTAGE OF ORDINARY SHARES
HSBC Custody Nominees (Australia) Limited	218,390,534	28.513
National Nominees Limited	104,108,952	13.592
J P Morgan Nominees Australia Limited	88,125,390	11.505
Citicorp Nominees Pty Limited	31,265,141	4.082
RBC Dexia Investor Services Australia Nominees Pty Limited <Bkcust A/C>	16,765,501	2.189
Cogent Nominees Pty Limited	11,719,055	1.530
ANZ Nominees Limited <Cash Income A/C>	8,564,426	1.118
RBC Dexia Investor Services Australianominees Pty Limited	6,610,020	0.863
AMP Life Limited	5,225,317	0.682
Australian Foundation Investment Company Limited	4,750,000	0.620
RBC Dexia Investor Services Australia Nominees Pty Limited <GSJBW A/C>	4,435,072	0.579
Citicorp Nominees Pty Limited <CFSIL Cwlth Aust Shs 1 A/C>	4,080,000	0.533
Australian Reward Investment Alliance	3,692,317	0.482
Milton Corporation Limited	2,721,060	0.355
UBS Nominees Pty Ltd	2,340,284	0.306
RBC Dexia Investor Services Australia Nominees Pty Limited <MLCI A/C>	2,034,321	0.266
Invia Custodian Pty Limited <GSJBW Managed A/C>	1,984,609	0.259
Mr Andrew Reitzer	1,750,000	0.228
Sandhurst Trustees Ltd <SISF A/C>	1,709,946	0.223
Brickworks Investment Company Limited	1,699,000	0.222
	521,970,945	68.147

(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
National Australia Bank Limited Group	46,569,493
Maple-Brown Abbott Limited	46,258,072

(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 Joblonski
Edwin M Jankelowitz
Richard A Longes
V Dudley Rubin

Company Secretary
John A Randall
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Auditor
Ernst & Young

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Australian Liquor Marketers Head Office
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