Annual Report
Collective 2011
STRENGTH

Metcash

Independent SPIRIT

Metcash Limited

Metcash is Australia's leading wholesale distribution and marketing company specialising in grocery, fresh produce, liquor, other fast moving consumer goods and hardware. We thank our diverse network of customers, suppliers, employees and the community for making Metcash the company it is today.

Busin

Australian Liquor Marketers (ALM)

ALM is a broad range liquor wholesaler supplying hotels, liquor stores, restaurants and other licensed premises throughout Australia and New Zealand. ALM also markets three major independent retail brands across Australia.

Warehouses & Distribution

Our operations are supported by world class distribution, logistics and warehousing capabilities. Our logistical excellence is achieved through strong relationships with our suppliers and investment in technology and infrastructure, enabling reduced costs and greater efficiencies.

IGA Distribution (IGA>D)

IGA>D provides independent retailers with the brand, marketing and buying scale necessary to compete in a highly concentrated retail market. From its six major distribution centres, IGA>D distributes grocery products and general merchandise across Australia. IGA Fresh distributes fresh produce from eight major facilities and meat from its 'state of the art' centre in Western Australia.

Campbells Wholesale

Campbells Wholesale is a multi-format distributor of grocery, general merchandise, confectionery, foodservice and liquor products. It services small business customers and retailers across Australia, leveraging its ability to offer a supply solution to nationally based customers.

LINKED TOGETHER IN THE SPIRIT OF THE INDEPENDENTS

- GIVING INDEPENDENT RETAILERS THE SUPPORT TO GROW.
- DEFENSIVE QUALITIES OF OUR BUSINESS AS WE SELL EVERYDAY NEEDS.
- RESILIENCE OF OUR BUSINESS MODEL AS WE PROVIDE WORLD CLASS LOGISTICS, BUYING STRENGTH, MARKETING & BRAND-BUILDING AND THE RETAILER PROVIDES ENTREPRENEURIAL SPIRIT.

ess Model

Mitre 10

In March 2010, Metcash acquired a 50.1% stake in the Mitre 10 Group. Mitre 10 is the second largest business in the Australian home improvement and hardware industry. It operates as a wholesale supplier to the independently owned Mitre 10 retailers who sell home improvement and hardware products.

Community

Key to our success is being part of the community and understanding what matters to local consumers. We support the communities in which we live through our engagement programs by giving back through donations and other support.

Our Customers

Our success is measured by the success of our customers – the independent retailers. For the most part, these are business owners operating stores in their local neighbourhoods – the face of the business and part of the community. We support our customers by providing a quality offering of products and services, including our own private labelled products, at competitive prices, allowing them to compete and grow their own businesses.

Our People

Our people are the bedrock of our organisation. Crucial to our ability to support our customers is the continuous development and support of our internal human resources. Our staff are supported through talent management, leadership development, employee engagement and workplace relations.

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Annual general meeting

01.09.2011
Ballroom 1 *Four Seasons Hotel*
2.30pm
199 George Street, Sydney, NSW

ABOUT METCASH

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

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

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

With the exception of Mitre 10, which is 50.1% owned, the business pillars are wholly owned by Metcash.

Through Australian Liquor Marketers, Metcash also operates in New Zealand.

Predominantly, Metcash's customers are independently owned grocery and liquor stores. After acquiring a majority interest in the Mitre 10 Group in March 2010, Metcash's customer range has been broadened to include independent hardware stores.

Metcash's **mission** is to be the 'champion of the independent retailer'. Metcash champions the interests of the independent grocery, liquor and hardware sectors through the leadership of our high calibre staff, partnership with our independent retailer network and our pioneering approach to warehousing and distribution logistics.

Our network of independent retailers provides us with the scale necessary to create competitive buying power. Our marketing and brand building capabilities provide a platform for independent retailers to operate under unified and distinct retail store brands. Our merchandising ability, distribution logistics and warehousing capabilities ensure that we allow our independent retail customers to meet the needs of their consumers.

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

- Ensuring our employees are empowered and committed to organisation goals through improved development programs and communication channels.
- Providing safe work environments for all employees, supported by relevant training and working with our employees to help maintain good work- life balance.
- Working to achieve consistently high service levels for our customers as we recognise that our success is critically dependent on the success of our independent retailer network.
- Working in partnership with our stakeholder network to ensure that we meet our shared and individual goals.

- CHAMPIONING THE CUSTOMER
- OUR STAKEHOLDERS ARE ENTITLED TO ADDED VALUE
- RESPONSIBILITY & PERSONAL ACCOUNTABILITY
- EMPOWERING OUR PEOPLE & SUPPORTING OUR COMMUNITIES

VALUES ARE NOTHING WITHOUT INTEGRITY

CORE VALUES

COMPANY PILLARS

IGA Distribution

IGA Distribution (IGA›D) is Australia's largest grocery wholesale distribution and marketing company supplying grocery products (dry, chilled, frozen and fresh) and general merchandise to independent businesses nationally.

IGA›D operates six major distribution centres and eight dedicated fresh produce warehouses across Australia.

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.

ALM operates 15 distribution centres in Australia and New Zealand.

Campbells Wholesale

Campbells Wholesale is a multi-format distributor of grocery, confectionery, tobacco, liquor, soft drinks, foodservice and general merchandising products.

Campbells Wholesale has three divisions tailored to specific customer segments:

- traditional convenience;
- modern petrol and convenience; and
- foodservice.

The business operates using a national network of over 30 branches.

Mitre 10

Mitre 10 is Australia's largest independent home improvement and hardware wholesaler with an iconic independent retail network of 420 Mitre 10 and True Value Hardware stores nationally.

Mitre 10 operates four warehouses across Australia.

CHAIRMAN & CEO'S REPORT

We are pleased to announce a full year dividend of 27 cents for this financial year.

The 2011 financial year was a successful one for Metcash with the company posting its twelfth successive record profit. This result was achieved in the face of difficult operating circumstances. Deflation again made trading difficult. However, the company performed strongly.

Despite the challenging retail environment, Metcash increased wholesale sales from core operations by 7.4% to $12.36 billion. Reported profit after tax rose 6.1% to $241 million, while EBITA increased 9.2% to $438 million. As a result, Metcash has increased its underlying(1) earnings per share to 33.4 cents. The fully franked total dividend for the year of 27 cents represents a payout ratio of 81%.

The cost of doing business continued to be well controlled in each of the business divisions through supply chain improvements and further technological innovation. Our balance sheet remains strong and all required borrowing facilities are in place.

The solid result was achieved through the steady performance and resilience of our independent retailer customers. This has seen Metcash and our customers continuing to invest in strengthening their operations and, as a result, maintaining their grocery market share.

All divisions within the Group remain focussed on improving operational efficiency in the prevailing deflationary environment and we continued our substantial investment in modernising the independent sector's support structures and supply chain. Construction of the mega distribution centre in New South Wales is well ahead of schedule; this heralds an exciting future for independent retailers in New South Wales and provides a sound basis for long term sustainable growth.

Championing the independent retailer remains the core of our business model. As a wholesale distribution and marketing company, we have continued to provide independent retailers with the means to compete effectively. Our buying power with suppliers, world-class logistics and extensive merchandising, marketing and operational support sets us apart from the competition and allows our independent retailers to compete effectively.

Our extensive distribution network was further strengthened this year giving our 'virtual' chain of independent retailers all the benefits of a major retail chain, without losing the ability to act and execute locally. The independent retailers are business owners operating stores in their local neighbourhoods. They are the face of the business and are very much part of the community engaging with consumers and employees on a daily basis. This approach continues to be an important point of differentiation and one we particularly focussed on this year; it is intrinsic to the success of the Metcash business model.

Our model depends on a close working relationship between the independent retailers and Metcash and, as such, each works together to ensure each store, and therefore the network, is strong. With our independent retailer network, we invested in developing 65 new stores with a total area of 56,925 square metres. Of these, 56 joined our flagship IGA brand. Out of a total of 26 conversions, 17 independent retailers converted from other store brands to the IGA brand. The high number of conversions underlines the appeal of Metcash's premier banner and the strength of its marketing and merchandising programs. In addition, there were 20 extensions to existing stores and 41 refurbishments completed in conjunction with store owners.

The Australian liquor market had a difficult year with a continued decline in the consumption of packaged liquor and the impact of severe weather conditions in many of our key markets. Despite these conditions, ALM achieved sales growth on a 'like for like'(1) basis of 2.7% and 'like for like'(1) EBITA growth of 20.4%.

Campbells Wholesale, our multi-format distributor of grocery, general merchandise, confectionery, foodservice and liquor product wholesaler, had a 4.7% sales increase on a 'like for like'(1) basis and EBITA uplift of 10%. Campbells Wholesale continues to evolve its offer of specialised supply solutions that saw the roll-out of a new in-store convenience concept.

Mitre 10 contributed strongly in its first full year of operations with sales of $797.6 million and EBITA of $20.7 million. The turnaround initiatives introduced after acquisition of the business in March 2010 are proving effective and Mitre 10 is attracting new retailers to the brand.

Metcash continued to support the success of independent retailers through ongoing investment in supply chain modernisation. The company has invested significantly in recent years to streamline processes through improved technology. This year,

(1) Refer to Additional Financial Information on page 40.

retailers benefited greatly from the mini-loader – an automated storage and retrieval system that incorporates a robotic crane picking system.

Another example of the way we are innovating to assist the independent retailers was the acquisition in June 2011 of Scanning Systems Australia, an advanced back office and point of sale system provider. This acquisition of improved in-store technology capabilities will enable us to better support our independent retailers to plan and deliver innovative operational and customer service improvements.

Corporate responsibility to the communities we serve is a prime focus for Metcash. Not only does our retail strategy require that we actively encourage our suppliers to commit to using local ingredients in our IGA Signature brands, but also that two cents from every IGA Signature product sold is donated to the local IGA Community Chest. We are very proud of this initiative. The IGA Community Chest and associated programs raised in excess of $55 million in the last 9 years. All funds raised have been donated to local community groups and not-for-profit organisations.

We would again like to thank all our shareholders for your continued support. The future continues to look bright for your company and we are confident that there are many new and exciting initiatives just around the corner. We would also like to thank our fellow Directors, employees, customers and suppliers for their hard work and support over the last 12 months.

Andrew Reitzer
(CEO Metcash Group of Companies)

Peter Barnes
(Chairman)

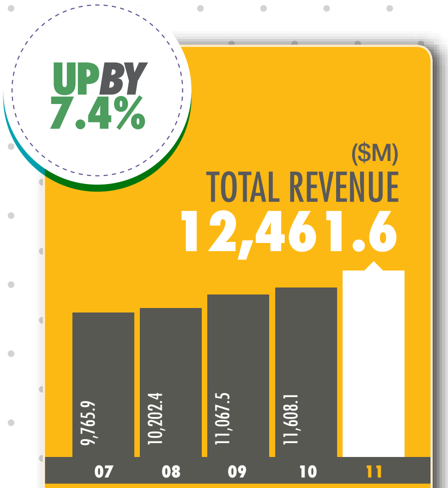
THANK YOU

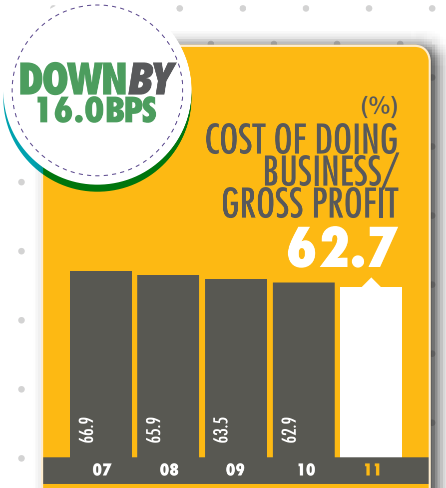
We would again like to thank all our shareholders for your continued support. The future continues to look bright for your company and we are confident that there are many new and exciting initiatives just around the corner.

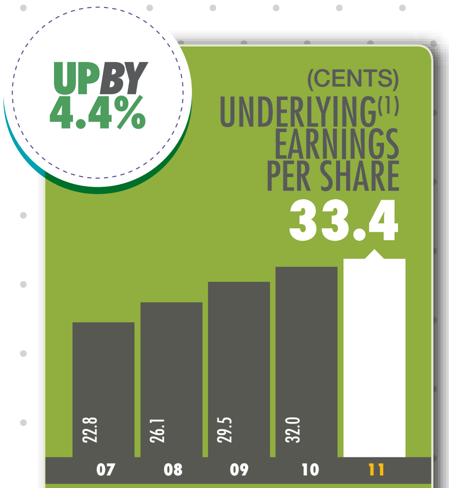
Andrew Reitzer (CEO Metcash Group of Companies)
Peter Barnes (Chairman)

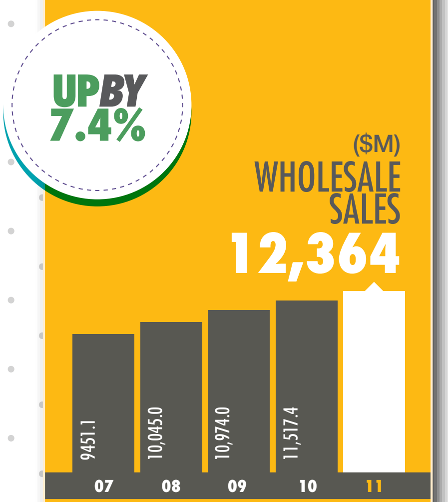
12TH SUCCESSIVE RECORD PROFIT

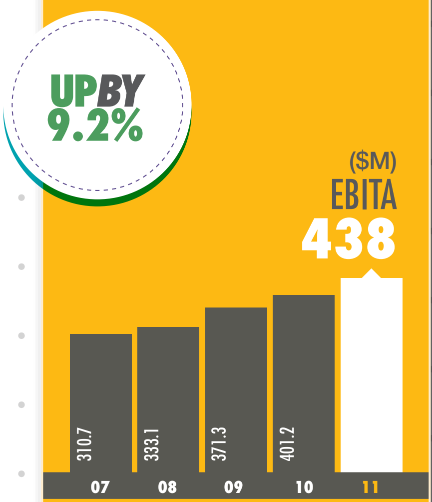
FINANCIAL REVIEW

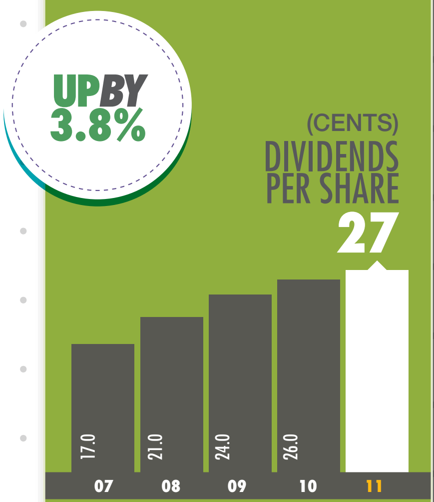


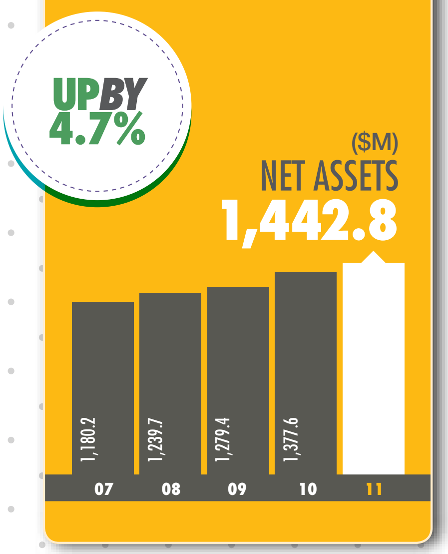


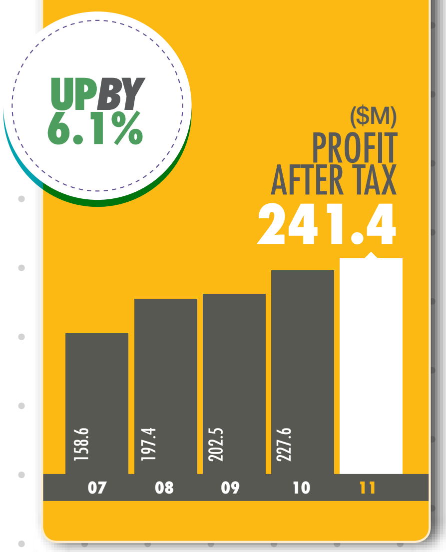












(1) Refer to Additional Financial Information on page 40.

TOTAL REVENUE *UP BY 7.4% TO* 12,462 MILLION DOLLARS

THE GROUP HAS PAID OUT 81% UNDERLYING[1] EARNINGS

HIGH DIVIDEND PAYOUT RATIO

The 2011 financial year of the Group has seen a continuation of the difficult economic conditions experienced in the post-GFC economy. The trading environment has been characterised by ongoing deflationary impacts in the sector, coupled with a more cautious and value driven consumer and a season of summer weather conditions across the country not witnessed for over 30 years.

In spite of these conditions, the Group has continued to record positive sales growth, with total sales growing by 7.4%. 'Like for like'[1] sales represented a 5.2% increase on the prior year. This clearly demonstrates the resilience of both the Metcash business model and the independent retailers.

On 1 July 2010, the Group announced its plan to acquire the Franklins supermarket business in NSW from the South African based retailer Pick n Pay. In November 2010, the Australian Competition & Consumer Commission announced that it would oppose the Group's planned acquisition and sought an injunction against the transaction proceeding. In conducting this action, and in its preliminary negotiations with Pick n Pay, the Group has incurred $6.9 million in costs in the current year. These costs have been disclosed as a non-recurring item in the current year's income statement.

All divisions within the Group remain focussed on improving operational efficiency in the prevailing deflationary environment. The Group has further reduced its Cost of Doing Business as a percentage of Gross Profit by 16 basis points in the current year, despite substantial increases experienced in utility costs such as electricity. The Group continues to focus on making substantial investment in modernising the independent sector's support structures and supply chain.

As a result of these factors, the Group was able to achieve its revised market guidance, reporting underlying[1] earnings per share of 33.4 cents, an increase of 4.4% on the prior year. A final dividend of 16 cents per share was declared bringing the total dividend declared for the 2011 financial year to 27 cents per share fully franked.

Financial Position

The Easter trading period is one of substantial business activity for the Group. The timing of the Easter trading period in late April 2011 coincided with the Group's balance date. This had the effect of requiring abnormally large inventory levels to be held for post Easter trading, thereby impacting on the overall working capital position. Net working capital increased by $178 million over the prior period, driven largely by the inventory levels, some what offset by increases in trade payables and also impacted by reductions in employee entitlements due to payments of long and short term incentives for 2010. Trade receivables showed an overall reduction of two days outstanding, due to good collection results and the continued growth in the American Express payment facility used by our customers.

The Group has drawn down an additional $136 million in net debt during the period, primarily due to the working capital increases noted above, but also to fund ongoing investment in the supply chain and to further strengthen the retailer network.

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

Cash Flow

Cash flow generation from operations continued to be strong at $303 million for the year. However, the temporary working capital requirements at balance date, as noted above, reduced the net cash flows for the period to $142.5 million.

Metcash maintains its focus on reinvestment and the modernising of the independents' support structures and supply chain, with a total of $82.3 million being invested in capital expenditure, business acquisition and loans to customers for expansion activities.

The Group has maintained its high dividend payout ratio of recent years by once again paying out in excess of 80% of underlying[1] earnings per share. Total dividend payments for the year amounted to $199.4 million.

(1) Refer to Additional Financial Information on page 40.

FIVE YEAR REVIEW

	11	10	09	08	Restated 07
Financial Performance					
Sales ($m)	**12,364.0**	11,517.4	10,981.7	10,116.1	9,694.8
Earnings before interest and taxation ($m)	**423.2**	379.3	340.5	333.4	282.9
Interest, net ($m)	**66.3**	49.3	49.8	49.1	57.2
Operating profit before tax ($m)	**356.9**	330.0	290.7	284.3	225.7
Profit after tax ($m)	**241.4**	227.6	202.5	197.4	158.6
Financial Position					
Metcash shareholder equity ($m)	**1,442.8**	1,377.6	1,279.4	1,239.7	1,180.2
Net tangible assets per share (cents)	**19.73**	12.49	12.98	16.16	8.65
Gearing (debt/debt+equity) (%)	**36.7**	35.5	33.5	33.2	34.1
Share Statistics					
Fully paid ordinary shares	**768,853,644**	765,644,031	764,888,363	764,792,593	762,405,655
Weighted average ordinary shares	**767,676,470**	765,178,865	764,843,880	763,484,392	753,116,068
Earnings per share (cents)	**31.5**	29.7	26.5	25.9	21.1
Underlying[1] earnings per share (cents)	**33.4**	32.0	29.5	26.1	22.8
Dividends declared per share (cents)	**27.0**	26.0	24.0	21.0	17.0
Other Statistics					
Number of employees (full-time equivalents)	**5,638**	5,773	5,358	5,056	5,855

REVIEW OF OPERATIONS

IGA Distribution

Major Activities

- Marketing and distribution specialists supplying IGA branded, FoodWorks and non-branded independent grocery stores in New South Wales, the Australian Capital Territory, Victoria, Queensland, South Australia and Western Australia.
- Operates out of six major distribution centres and eight dedicated fresh produce warehouses across Australia.
- Provides expertise tailored to independent retailers' requirements, with a range of marketing, merchandising, buying, operational and distribution services.

Significant Achievements

- Wholesale Sales up 6.0% to $7.6 billion.
- EBITA up 4.4% to $361.8 million.
- 'How the locals like it' – a cultural shift to focus on local consumer needs.
- Success of 'Locked Down Low Prices' program which continues to provide consumer savings and to keep independents competitive.

Future Direction

- Ensuring our promotional offer continues to provide value to our retailers' customers.
- Building IGA brand equity and ensuring three tier brand clarity.
- Growing the retail area through new stores, conversions and extensions.
- Buy-back and the resale of underperforming independent stores to proven IGA retailers.
- Investment in a new mega distribution centre in New South Wales to improve efficiency and reduce the cost of doing business at both wholesale and retail levels.

IGA Fresh

Major Activities

- Fresh food innovation and product development.
- Develop strategic supplier partnerships 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

- Invested in warehouse modernisation – Cairns Fresh warehouse and Canning Vale, WA facilities completed.
- Recovery from Queensland floods and cyclone.
- Continued rapid sales growth.
- Produce warehouses now fully integrated into Metcash systems.

Future Direction

- Innovative, differentiated service for both individual and multi-store owners.
- Drive profitable sales through improved produce platform.
- 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 in New Zealand.
- Australia's biggest liquor wholesaler, and through the independent liquor network operating under Independent Brands Australia, is the second largest liquor retailer in Australia.
- Operates out of 15 distribution centres throughout Australia and in 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

- 'Like for like'(1) sales growth up 2.7% and 'like for like'(1) EBITA growth up 20.4%.
- Independents Brands Australia (IBA) retail outlets grew sales with IGA Liquor performing strongly.
- Win-back strategy for the 'on-premise' market continuing to gain momentum.

Future Direction

- Continue to grow IBA and Liquor Alliance store numbers.
- Improve store standards and refurbish stores.
- Beer volume growth – one stop supply to the Independent channel.
- Make further progress to win back the 'on-premise' market.

(1) Refer to Additional Financial Information on page 40.

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.
- Campbells Wholesale has national service and distribution through 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, confectionery, tobacco, liquor, soft drinks, foodservice and general merchandising products.
- C-Store Distribution provides a total supply solution to the modern petrol and convenience sector.
- Two FoodLink Foodservice businesses in Western Australia and Queensland providing the leading distribution solution to the foodservice industry.

Significant Achievements

- 'Like for like'(1) sales up 4.7% to $1.71 billion.
- EBITA up 10.3% to $31.8 million.
- Successfully completed Project Streamline, rationalising its network of branches while maintaining high customer retention rates.
- Supply to 130 Mobil sites acquired by 7-Eleven.

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 450 by the end of FY 2012.
- Continued growth in confectionery markets.
- Continuing to expand the foodservice operations of the business.
- Format innovation – Lucky 7 Ezy format trial underway.

Mitre 10

Major Activities

- Independent home improvement and hardware wholesaler with an independent retail network of 420 Mitre 10 and True Value Hardware stores nationally.
- Operates out of four warehouses across Australia.
- Provides expertise tailored to independent retailers' requirements, with a range of marketing, merchandising, buying, operational and distribution services.

Significant Achievements

- Sales of $797.6 million.
- EBITA of $20.7 million.
- Management continued to work on executing the strategic plan developed early in the initial phase post-acquisition with the following results:
  - Stabilised store network;
  - Extended product ranges to meet customer needs;
  - Focused on brand essence of being 'Mighty Helpful';
  - Improved merchandise and marketing programs; and
  - Commenced supply chain modernisation.

Future Direction

- Grow the store network.
- Complete brand harmonisation.
- Improve store standards and execution at store level.
- Continue to modernise the supply chain.
- Continue to improve the merchandise strategies and range.
- Continue to grow the Mitre 10 brand.

IGA DISTRIBUTION

Doing business 'How the locals like it' has been instrumental in delivering sales growth despite the tough operating conditions.

IGA Distribution (IGA>D) performed strongly in the past year despite the challenging prevailing conditions. Sales rose by 6% and EBITA grew 4.4% in the face of persistent deflation across many grocery product categories and an increasingly value-oriented consumer. This result was underpinned by 4.5% comparative store sales growth.

IGA>D continued work to improve different facets of its operations to ensure its independent retailer customers receive quality products and services. Continued investment in improving the supply chain and strategies to restrict costs helped achieve the strong result.

How the Locals Like It

IGA>D and its independent retailers are committed to doing business *'How the locals like it'*. Launched in July 2010, the *'How the locals like it'* tagline has grown into the prevailing IGA culture. *'How the locals like it'* defines how independent retail stores operate and IGA>D works with its retailers to attain differentiated customer category management in each IGA store across Australia. Born out of our successful *'Local Heroes'* campaign, *'How the locals like it'* empowers IGA>D and IGA stores to deliver product ranges that are tailored to consumers within their community. Doing business *'How the locals like it'* has been instrumental in delivering sales growth despite the tough operating conditions.

Locked Down Low Prices

Our *'Locked Down Low Prices'* program has become entrenched in our national sales programs. We continue to maintain key product lines under the *'Locked Down Low Prices'* range to meet the needs of value-conscious consumers. *'Locked Down Low Prices'* signifies our commitment and reward to loyal consumers and assures them that we will continue to drive prices down and make shopping better value in our IGA stores.

Retail Business Development

The 2011 financial year again generated strong new independent store growth with 65 new stores adding 56,925 square metres to the independent store network. This represented an increase of 12 stores and nearly 20,000 square metres on the prior year. A further 26 stores, representing 17,115 square metres, were converted to branded stores from non-IGA related brands. Of these, 17 stores joined the IGA brand. The activity resulted in a total new stores count for the year of 91 sites. A further 61 sites were refurbished and / or extended during the year.

IGA>D also instigated a store 'buy-back' and 're-sale' program to accelerate the rate of refurbishment and store improvement across the network. This program encourages the transfer of store ownership to a new IGA retailer and promotes re-investment in stores to modernise the retail offer. During the year, 15 stores were transferred to new retailers and these stores showed post redevelopment uplift in retail and warehouse sales of more than 20%. Currently 80 sites are targeted across the country.

Project Lion

Project Lion (Leadership, Innovation, Ownership and Negotiation) has continued to yield results for the business. Project Lion was established in early 2008 to facilitate goal-sharing and communication between IGA>D and IGA independent retailers.

Retail analytics assists both IGA independent retailers and IGA>D to identify opportunities to generate sales growth. IGA>D's retail analytics process identified ranging gaps at retail level. Rectifying these gaps will increase retail turnover for our customers and in turn improve IGA>D sales.

The cost of doing business (CODB) program is in its second year and independent retailers continue to identify and implement strategies to reduce their CODB. The focus for the coming year is to increase the number of CODB retailer focus groups who work together to identify cost reduction opportunities for individual retailers or the collective.

Year two of the Lion rebate program, designed to reward retailer behaviour that protects and improves the IGA network, has seen an increase in participation by 39% on the prior year. The program is rewarding retailers for improved retail standards and compliance. These improvements result in increased retail sales for the IGA retailer and improved wholesale volume for IGA>D.

Retail Initiatives

As customers are increasingly reliant on web-enabled and digital technology, IGA>D continues to develop IGA's online presence and digital capabilities. IGA customers can now access store locations, catalogues and recipes and create shopping lists using iPhone and iPad applications. This heralds an exciting phase for the IGA family and its customers.

How the locals like it™

65 NEW STORES

ADDING **56,925 SQM** TO THE INDEPENDENT STORE NETWORK

IGAFRESH

In its third year of operation, IGA Fresh has continued to integrate and develop its service across all areas of fresh food to better support the independent retailers' local fresh food offer. Key successes include the full integration of the produce warehouses' IT systems, integration of the retail specialist team and further category innovation in the meat, delicatessen and bakery product ranges.

Full integration of the produce warehouses' IT systems, integration of the retail specialist team and further category innovation in the meat, delicatessen and bakery product ranges.

Produce

This was a challenging year with the continuation of a long-term deflationary cycle in the first half and a second half defined by floods that submerged the Rocklea produce warehouse and Cyclone Yasi decimating banana crops. These events led to a significant change in purchasing behaviour at store level across Australia with a short term price impact.

IGA Fresh in Queensland was able to respond rapidly to the flooding at Rocklea with an immediate move to a satellite warehouse resulting in almost no supply stoppages. Within four days, a replacement facility was operating and able to supply the total Queensland customer base. This rapid response mirrored the spectacular efforts of our retailers to support their communities, and highlighted to those retailers the support a Metcash-backed produce wholesaler can provide.

The integration of the produce warehouses into Metcash systems is now complete, with benefits including national buying opportunities and improved management reporting available to each site. With over 300 products available under our private label brand and a strong promotional program in place, retailers are well positioned to provide their consumers with quality products at competitive prices.

Meat

Meat operations had an excellent year, with strong sales growth and a range of improvements available to our retail customers. A key focus has been the development of a combined meat processing facility in Western Australia – merging our two existing facilities and providing a full service solution to IGA retailers using cutting edge production technology. The new meat processing facility was commissioned post year end. The private label meat range provides increased profitability to retailers with 182 products now available.

Delicatessen

Delicatessen sales continue to increase strongly year on year, with a great deal of product innovation through the year. A number of suppliers have moved from supplying direct to store to supplying via the IGA>D warehouse due to efficiencies offered by Metcash in consolidating deliveries to independent stores. This trend looks set to continue in 2012. The 'deli' team has also employed account specialists to provide specialised category management services to retailers.

IGA FRESH TEAMS ARE COMMITTED

TO DELIVERING AN **IMPROVED** COMPETITIVE OFFERING.

IGA>D and IGA Fresh management is committed to championing the independent retailers it serves.

What the Future Holds

IGA>D and IGA Fresh management is committed to championing the independent retailers it serves. While we expect the business environment to remain challenging, our core strengths and competencies – our people, logistics, commercial strength and business model – remain the backbone of our operations. These have and will continue to enable us to take on opportunities for value growth.

We recognise the contribution of our people and our commitment to staff is unwavering. We continue to up-skill our people at all levels of the organisation through in-house development and training. Where necessary, we use external specialists to provide the necessary skills and competencies. This continuous improvement process helps ensure we are well positioned to meet the challenges of the changing operating environment.

Logistical excellence continues to be a core business strength and underpins how we operate. Our national distribution centre (NDC) for 'slow moving' ranges located at our Laverton distribution centre in Victoria, was developed to improve our ranging options. A significant investment, the NDC is meeting our operational goals, enabling an improved width of range to our customers across Australia.

Our new meat processing facility in Western Australia will enable us to provide a full service solution to independent retailers.

IGA>D will continue to invest in strategies that protect independent retailers and ensure their growth. These initiatives include direct investments in developing 'greenfield' sites, facilitating the store 'buy-back' and 're-sale' program and maintaining our institutional advertising spend to further build the IGA brand.

AUSTRALIAN LIQUOR MARKETERS

Our focus on strong marketing, improving retail standards and continually improving support from our suppliers resulted in another strong year for IBA and ALM.

The 2011 financial year was another difficult trading period for the Australian liquor market. According to latest available market statistics, packaged liquor sales volumes continued to decline and this, coupled with severe weather conditions experienced in many of our key markets, impacted on overall growth. That said, by staying true to the Independent Brands Australia (IBA) retail model, sales in ALM showed continued growth despite this overall market decline.

ALM achieved sales growth on a 'like for like'(1) basis of 2.7% and 'like for like'(1) EBITA growth of 20.4%. Sales through our key retail brands continued to outperform the overall market. Our focus on strong marketing, improving retail standards and support from our suppliers resulted in another strong year for IBA and ALM.

Tasman Liquor, our New Zealand business, performed solidly during the year in what was a difficult environment and, following our restructure in 2010, the business performed above expectations.

Our strategy to win back sales to our 'on-premise' customers is showing strong growth against other competitors and this strategy will continue to be expanded during the first half of next financial year.

Independent Brands Australia (IBA)

IBA continued to lead the way for the independent banner groups in Australia. Management continued its strategy of working to lift the retail standards of the entire IBA network. This strategy resulted in a great improvement in the quality of stores over the last year.

ALM has a long history of supporting independent liquor retailers in Australia and with the continued success of IBA and our strong relationship with our external customer groups we see independent retailers continuing to perform strongly in what is likely to continue to be a very difficult trading environment.

Investment in Infrastructure to Support independent Retailers

During the year, ALM continued its investment in infrastructure to support independent liquor retailers in Australia with the opening of a purpose-built distribution centre in Perth, Western Australia. The second half of next year will see us move into the new distribution facility in Huntingwood, New South Wales reinforcing our commitment to invest in independent liquor retailers in Australia. We also continued the roll-out of a fit-for-purpose warehouse management software solution with our Cairns warehouse going live pre-Christmas 2010. Radio frequency receiving is now used across all our major Australian distribution centres and management is constantly seeking new initiatives to reduce our overall cost of doing business.

(1) Refer to Additional Financial Information on page 40.

INCREASED ALM LIKE FOR LIKE[1] SALES

SHOWED CONTINUED **GROWTH** DESPITE THE MARKET DECLINE

CAMPBELLS WHOLESALE

Despite a challenging retail sales environment, especially in the convenience sector, Campbells is expected to continue to deliver profitable growth.

Campbells Wholesale performed solidly, with sales increasing on a 'like for like'(1) basis by 4.7% to $1.71 billion and EBITA increasing by 10.3 % to $31.8 million.

During the year, under Project Streamline, management created the Campbells Wholesale Division by combining the previously distinct traditional cash and carry business with the wholesale distribution business. This initiative was required to ensure that Campbells could provide a unique and flexible service to its small business and convenience store operators. The process was managed effectively resulting in significant cost savings to the business. Service from existing outlets helped achieve good customer retention from the rationalised branches.

Campbells Wholesale now operates three divisions, each tailored to meet the respective service requirements of its consumer markets.

Our Divisions

Campbells Wholesale (Campbells) is the main division of the business, with 31 branches in major metropolitan and regional centres. Campbells operates a hybrid model combining cash and carry operations (self service) and a full pick, pack and delivery service.

Campbells has a diverse customer base represented by traditional independent convenience store owners, quick service restaurants and takeaway outlets and other hospitality focussed customers. Campbells offers a wide range of products in grocery, confectionery, tobacco, liquor, foodservice and general merchandise as a total supply solution to its customers. A major competitive advantage is the ability to deliver flexible and frequent deliveries to meet its customers' total range needs. The division continues to enjoy solid growth in confectionery and foodservice through its respective Sweetspot® and Catering Connection® strategies.

C-Store Distribution (CSD) consists of five branches in the major metropolitan cities. CSD specialises in servicing the organised convenience sector including modern petrol and convenience stores run by major petroleum companies in Australia.

During the year, CSD benefitted from increased trade with 7-Eleven following 7-Eleven's acquisition of Mobil service stations. 7-Eleven is in the process of rebranding the Mobil sites. Once the conversions are completed, CSD anticipates revenue uplift in the region of $140 million per annum.

The organised convenience sector derives major benefit from using the efficient supply chain CSD provides, which is unmatched in the industry. CSD combines unit picking and full case picking with a commitment to 24 or 48 hour turnaround depending on customer need. CSD's total supply solution means customers' requirements are met in a single delivery, in full and on time. This solution eradicates the inefficiencies associated with a customer having multiple deliveries from different vendors.

CSD continues to gain efficiencies through better logistics practices, while supply chain costs continue to be reduced through investment in logistics technology.

FoodLink is a specialist foodservice distributor in Perth (WA) and Brisbane (Qld). FoodLink supplies foodservice providers, mining sites, franchised quick service restaurants and the general 'free trade' (independent restaurants, takeaway operators, pubs and clubs) with all their catering needs. FoodLink prides itself on excellent service delivery to its diverse customer base.

As the resource sector has improved, FoodLink's growth improved and we anticipate good future growth.

'Lucky 7' Convenience Brand

Lucky 7 is an independent convenience store brand developed by Campbells Wholesale. Lucky 7 has 360 branded sites across Australia generating over $380 million in retail sales annually.

Stores operating under the Lucky 7 brand are independent stores, locally owned and operated. 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 450 in the next year.

Recently, Lucky 7 also launched Lucky 7 Ezy, a concept designed to benefit customers who have the available foot traffic to expose a core range of convenience products to their consumers.

(1) Refer to Additional Financial Information on page 40.

10.3% INCREASE IN CAMPBELLS' EBITA

TO A TOTAL OF **$31.8** MILLION

MITRE 10

Rebuilding the Mitre 10 brand has also been a key plank of our strategy in the 2011 financial year. We have focussed on brand harmonisation to ensure consistency in branding as well as marketing to improve brand awareness.

Mitre 10 made a strong contribution in its first full 12 months as part of the Metcash group, with sales of $797.6 million and EBITA of $20.7 million. Pleasingly, many of the initiatives in our two year turnaround strategy known as 'Change the Game' are now gaining traction.

Retain and Grow Store Network

Following a number of years of store losses, the Mitre 10 independent store network has been stabilised and now consists of 420 stores. Mitre 10 is attracting new retailers to the brand with 15 new stores joining the brand in the past six months.

Brand Harmonisation and Brand Awareness

Rebuilding the Mitre 10 brand has also been a key plank of our strategy in the 2011 financial year. We have focussed on brand harmonisation to ensure consistency in branding as well as marketing to improve brand awareness.

Branding compliance increased significantly, with 50% of independent retail stores now 'Blue & White' compliant up from 20%. Commitments have been obtained from store owners for 80% of stores to be compliant by the end of 2012.

Marketing awareness around our *'Mighty Helpful'* brand essence is growing due to two key broadcast initiatives. Our new TV campaign features a local TV personality and home improvement expert as the face of Mitre 10. Additionally, Mitre 10 is sponsoring a home improvement TV program which commenced in June 2011.

Supply Chain

Warehouse productivity for Mitre 10 will continue to improve in line with existing standards in other areas of Metcash. The process of introducing engineered standards into the four distribution centres and refining the existing IT platform continues.

Work on a National Distribution Centre (NDC) for slow moving stock is nearing completion. The NDC will enable us to free up space and drive greater efficiencies in our state distribution centres.

Merchandising

We launched our new merchandise program during the 2011 financial year. An expanded product range of 3,000 stock keeping units was rolled out to meet retailer and end-consumer needs.

A *'Locked Down Low Prices'* program was introduced in March 2011 and reflects our commitment to provide our retailer customers and consumers with competitive prices.

A new catalogue program commences in July 2011. The revamped catalogue aligns our Mitre 10 brand's *'Mighty Helpful'* tagline and local community focus with our catalogue promotions. Initial customer feedback has been extremely positive. The catalogues will also augment the *'Locked Down Low Prices'* program and promote our specialty hardware products. We are pleased to offer independent hardware retailers and consumers access to improved promotions.

We expect the hardware industry to go through significant change in the next 12 months and Mitre 10 is in great shape to take advantage of opportunities as they arise. We have enjoyed considerable success from our turnaround initiatives described previously. We will continue to focus on these turnaround initiatives, although areas of emphasis are likely to shift to suit the needs of our business and independent hardware retailers. We have an unwavering commitment to the independent hardware sector as the only true independent hardware retail network in Australia.

As a wholesaler to the industry, we will not compete directly with our own network. Management is working on strategies to keep Mitre 10 nimble and able to respond quickly and help to protect the independent retailer network and its members from competition.

An iconic Australian brand, Mitre 10 has entered an exciting new phase, and now has the foundation to successfully compete in the hardware industry.

Independence is worth fighting for.

3,000

PRODUCT RANGE EXPANSION

MEETING
RETAILER & CONSUMER
NEEDS

CORPORATE SOCIAL RESPONSIBILITY

Metcash strives to conduct business in a socially responsible manner. Our business success is linked to the way we operate sustainably. Social, economic, environmental and ethical considerations are embedded in all we do.

The Metcash Sustainability Committee, comprising the CEO and key senior management, has formally adopted a suite of policies and procedures to guide sustainability initiatives and improve planning.

Our people are the foundation of our organisation. Responsibility and personal accountability are core values that drive our people.

Our People

Our people are the foundation of our organisation. Responsibility and personal accountability are core values that drive our people. Our employees are supported through talent management, leadership development, employee engagement and workplace relations.

Talent Management

A key business priority is to attract, develop and retain high calibre staff. In 2010, Metcash introduced a mandatory online assessment tool to help improve the quality of candidates. Managers receive ongoing recruitment and selection training to ensure recruitment is conducted with consistency and fairness.

The Metcash Talent Management Framework, an evaluation and appraisal tool, was further strengthened this year. Competencies associated with different leadership levels were simplified to enhance the appraisal process and an internal 360 degree process was implemented to support senior management development.

Succession planning processes continue to identify top talent, with individual development plans designed for high potential employees.

Leadership Development

The company continues to develop current and future leadership capability. The Metcash Leadership Academy offers employees access to learning opportunities and programs at all leadership levels. Programs include the Diploma of Management, 'LIFT' Warehouse Leadership Program and three Senior Management programs that focus on managing operations, projects and people. In December 2010, a pilot program for the Advanced Diploma of Management was completed.

Staff across the company can participate in core level programs and e-learning solutions. Employees are also supported in completing accredited vocational and tertiary education through the Metcash Employee Vocational Education Sponsorship program (MEVES).

Employee Wellbeing

The Metcash Pro-fit programs, introduced in 2005, continue to support employee health and wellbeing through a number of initiatives including annual flu vaccinations, employee counselling, corporate gym membership and health assessments. Camp Metcash, a holiday program for the children of staff, is also available.

To help staff enhance their work-life balance, policies were introduced and we took flexible working arrangements into account. These included a compressed working week, purchase of additional annual leave and access to part time employment.

Diversity

Metcash actively seeks to provide fair and equal opportunities to all employees. Workplace diversity and an updated equal opportunity program are being finalised. A range of programs will be implemented in the 2012 financial year, specifically designed to identify and develop female talent.

Workplace Relations

During the 2011 financial year, 20 industrial agreements were negotiated or re-negotiated (including two within the new Mitre 10 business). There was no work lost through industrial activity. Metcash's high levels of customer service were maintained during negotiations.

Metcash continues to apply a fiscally responsible approach to wage movements by budgeting for increases the business can afford and negotiating for productivity improvements or reductions in the cost of doing business, in order to fund increases.

Health and Safety in Our Workplaces

Metcash is strongly committed to keeping its work environment safe and promoting staff health. We have a culture that is intolerant of workplace injuries.

Metcash achieved significant reductions in its key safety performance measures in the 2011 financial year. The Lost Time Injury Frequency Rate (LTIFR) and Lost Time Injuries (LTI), improved by 18% and 14% respectively, representing three years of sustained improvements. A major reduction of 21% in the number of workers compensation claims was also achieved. However, average workers compensation claim cost and hours lost rose, due mainly to ongoing claims inherited from new businesses. The company will continue to work to improve health, safety and injury management metrics for these new businesses.

Values are nothing without integrity

values

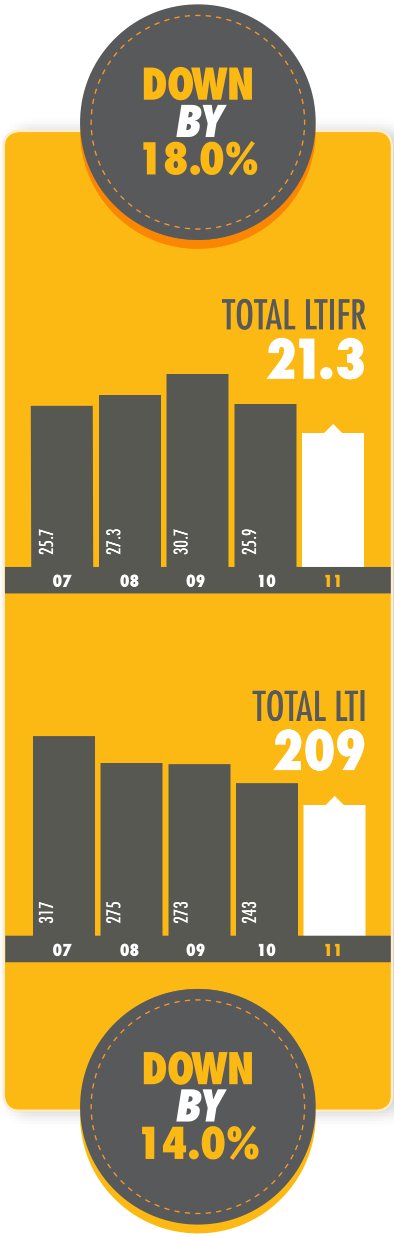
Five-year OHS Lag Indicators

	2011	2010	2009	2008	2007
People					
Lost time injury (LTI)	209	244	273	275	317
Lost time injury frequency rate (LTIFR)[1]	21.3	25.9	30.8	27.3	25.7
Severity rate[2]	531.6	456.4	883.3		

Key Health and Safety Achievements

Key achievements during the 2011 financial year were:

- Developing and implementing the Metcash Safety Excellence Program, an internal Occupational Health and Safety and Injury Management audit program that resulted in all Metcash sites being audited during the financial year;
- The introduction of a web-based incident notification system enabling timely reporting of workplace incidents and the identification of corrective actions to prevent the reoccurrence of similar incidents;
- The appointment of occupational health nurses at all major distribution centres resulting in improved pre-employment medicals for new employees and as part of our early intervention program providing timely injury management support at these sites;
- An increased focus on key risk areas targeting mobile plant and manual handling activities with site reviews conducted at all locations;
- A significant reduction of our workers compensation premiums in Victoria and a reduction in the bank guarantee for our self insurance licence in Western Australia due to improved OHS and injury management performance in these two states; and
- Developing risk assessments and safe operating procedures for our new IGA Fresh meat facility in Western Australia;



		2010	2009
Environment[3]			
CO_2 emission (Scope1&2)	tonnes	102,515	79,706
Waste to landfill	tonnes	47,347	93,647
Recycling	tonnes	5,102	5,735
Packaged food donated to Foodbank[4]	kg	254,630	N/A

Notes:

1. LTIFR is the number of lost time injuries per million hours worked.
2. Severity rate is the number of lost days per million hours worked.
3. Reporting period is the year to June.
4. Foodbank Australia is a not-for-profit, non-denominational organisation that seeks and distributes food and grocery industry donations to welfare agencies which feed the hungry. Foodbank is endorsed by the Australian Food and Grocery Council as the food industry's preferred means of disposal of surplus product.

Our Processes

Product Safety and Public Health

Metcash continues to implement systems that ensure its business pillars comply with food safety and food labeling legislation. Metcash assists its independent retail customers with training and implementation of retail food safety programs.

A national 'Approved Supplier Program' seeks to ensure all Metcash branded products are supplied under appropriate Supplied Quality Assurance certification schemes using safe and ethical methods. Private label products operate under product specification management and trade measurement monitoring systems, and are also subject to periodic physical, chemical and microbiological batch testing.

Food Safety Standards

Hazard Analysis and Critical Control Points (HACCP) based food safety programs are in place at all Metcash warehouses. These food safety programs are reviewed and certified to HACCP standards by third parties. All audits conducted during the past year confirmed that Metcash sites continue to operate within legislated food safety standards with no critical or major non-conformance.

Business Continuity Management

Robust Business Continuity Programs (BCP's) are in place at each site. Metcash continues to develop, review and test existing site BCP's as well as establishing 'Early Warning' network alerts. Response and recovery procedures were effective during the recent natural disasters experienced in Queensland.

Enterprise Risk Management

Metcash's approach to risk management is guided by the Australian/New Zealand risk management standard AS/NZ 4360 (currently being aligned to ISO 31000:2009) and other applicable international standards. The company's Risk Management Framework is integrated with day to day activities and is supported by a dedicated risk management team. The Metcash Risk Management Policy which is available on the Corporate Governance section of the Metcash website www.metcash.com, formalises and communicates the approach Metcash adopts to manage risk.

Ongoing risk management activities now include:

- Regular confirmation of key controls via site attestations;
- Reporting key risk incidents at site level in a centralised system;
- Recording and monitoring key risk indicators (monitoring of residual risk levels);
- Follow-up on risk treatment/action plans;
- Escalation of issues;
- A Business and Ethics Policy that empowers staff to 'blow the whistle' on fraud, corruption and illegal conducts using an independent Ethics Hotline; and
- Regular reporting to senior management and the Board.

Metcash has fully implemented its risk oversight and risk management reporting and compliance program based on Risk Management Standard AUS/NZ 4360.

The Environment

We strive to minimise our operational impact on the environment, improve business sustainability practices and realise tangible resource efficiencies.

In 2010, Metcash was recognised for its efforts by being listed on the Carbon Disclosure Project Leaders' Index with 30 other corporations.

Our Business Footprint

Energy and Water Conservation

Metcash's electricity and water consumption, and carbon emissions per employee increased in 2011 to 17,300 kWh, 20.3kL and 17.88 tonnes respectively. Last year's consumption per employee was 14,534 kWh of electricity, 14.87 tonnes of carbon and 19.3kL of water. The modest rise was due to the impact of the Mitre 10 acquisition.

Sustainable Workplaces and Consolidated Logistics

A new distribution centre under construction in Huntingwood, Western Sydney is designed to achieve a Four Green Star rating from the Green Building Council of Australia's Industrial Design & As-Built tools.

As part of our energy performance contract, installation of energy and water saving initiatives have commenced at our facility in South Australia. These works are guaranteed to reduce electricity consumption on the site by 122,000 kWh and reduce carbon emissions by 6% with a 6 year payback.

The company received a Federal Government grant to install a 16.3 kW solar photovoltaic (pv) system at its ALM Alice Springs facility. The solar pv system is expected to reduce electricity consumption onsite by 58% with a 5 year payback.

Landfill and Recycling

Metcash continues to work to improve recycling and reduce waste sent to landfill. Recycling is encouraged at all sites. The company donates usable but not saleable packaged foods in order of 250 tonnes to Foodbank Australia (covered in more detail under Community).

Staff Involvement

Metcash staff are encouraged to participate in voluntary work with site based 'Green Teams'. These teams meet regularly to identify and implement projects to help Metcash meet sustainability objectives.

FROM LEFT: LUKE WESTLEY (AUSSIE APPLES), TRACY BEVAN (MCGRATH FOUNDATION), TIM MANIC (IGA FRESH – QLD STATE PRODUCE MANAGER).

Our Suppliers and Products

We seek to encourage our suppliers to support sustainable business practices for food and packaging products. Wherever possible, we aim to supply products which are safe, healthy, easy to use and reduce our environmental impact.

Sustainable Business Practices

Metcash implemented a Sustainable Supply Chain Management Program based on world's best practice, to ensure suppliers meet our minimum safety and ethical standards.

We are working with suppliers on issues raised by consumers to ensure our private label products are of the highest quality.

Our supplier agreement and our new Sustainable Supply Chain Management Policy each require that no genetically modified ingredients be used in our private label products (eg: IGA Signature and Black & Gold brands) including food additives, processing aids and enzymes.

Better Products

To assess the sustainability of the packaging used on Metcash private label products, we have integrated the Australian Packaging Covenant's Sustainable Packaging Guidelines in our design and ranging stages.

Stakeholder Engagement

We are participating in a multi-stakeholder process to improve tuna traceability throughout the supply chain. Our IGA Signature and Black & Gold canned tuna products are made from the most sustainable tuna and skipjack. More details are available at www.iga.com.au. Metcash is a member of the Roundtable on Sustainable Palm Oil (RSPO), and has embraced the Principles and Criteria for Sustainable Palm Oil Production.

Our Customers

We are committed to meeting our obligations to customers and actively encouraging them to support sustainable business practices for food and packaging products.

Sustainability@Retail

Our Sustainability Team developed Sustainability@Retail, a support program specifically for IGA independent retailers. Program initiatives include carbon footprint measurement, encouraging reduced energy and water consumption, and encouraging the use of solar photovoltaic panels.

Many of the IGA independent retailers continue their involvement in Sustainability@Retail. More details of the Sustainability@Retail program can be found at www.iga.com.au. Over the years, many IGA retailers have independently decided to make their stores 'plastic bag free' and undertake environmentally beneficial refurbishments.

Metcash offers product ranges with an emphasis on 'fair trade' (fair work and trade) practices.

IGA HOW THE LOCALS LIKE IT
COMMUNITY SUPPORT

IGA>D WAREHOUSE STAFF LOAD EMERGENCY SUPPLIES ON TO A HELICOPTER AT THE HEIGHT OF THE QUEENSLAND FLOOD DISASTER. THE HELICOPTER WAS BOUND FOR AN INDIGENOUS COMMUNITY ISOLATED BY THE FLOODS.

IGA retailers have raised in excess of $55,000,000 over the past nine years through the IGA Community Chest and associated programs. Two cents from every sale of an IGA Signature product, and one cent from every Black & Gold product, has been collected and distributed to over 7,000 local community groups, not-for-profit organisations and other worthy causes.

Community

Metcash and our IGA independent retailers continue to support the communities in which we serve. Two cents from every IGA Signature product and one cent from every Black & Gold product sold goes to the IGA Community Chest. The IGA Community Chest has raised in excess of $55,000,000 over the past nine years. These funds have supported over 7,000 local community groups, not-for-profit organisations and other community causes.

Metcash staff support a number of different charitable events each year, including Pink Ribbon Day, Daffodil Day, World's Greatest Shave and Movember, a charity event with the aim of raising vital funds and awareness for men's health specifically prostate cancer and depression in men. This year, Metcash matched employees' contributions to Movember to the tune of $5,000.

Metcash donates usable but not saleable packaged foods to Foodbank Australia, a not-for-profit, non-denominational organisation that seeks and distributes food and grocery industry donations to welfare agencies. Donations of 254 tonnes were made in the last reporting period, helping reduce landfill waste, related fees and carbon emissions.

The IGA Spirit Overcoming Adversity

The natural disasters of late December 2010 and early 2011 devastated many local communities. Floods occurred in Queensland and Victoria, Cyclone Yasi affected Far North Queensland and bushfires affected WA.

During the Queensland floods, over 50 independent stores were flooded or closed. Metcash's IGA Fresh Queensland facility at Rocklea was also inundated by flood waters.

IGA Distribution (IGA>D) worked to assist retailers across the state to support their local communities. The business also worked closely with the Queensland government and other stakeholders to maintain supply of essential provisions to communities across the state. Army Hercules aircraft and helicopters were used to deliver stock to isolated communities.

Staff from various states volunteered to assist retailer in cleaning up. Over $714,000 was raised through the IGA Flood Relief Program. This together with donations and funds raised by Metcash and IGA independent retailers resulted in excess of $1 million being raised. Many independent retailers supported their communities with further donations, food and shelter.

Supporting the McGrath Foundation

Over the past 2 years, IGA has rolled out more than four campaigns raising over $120,000 to help fund two McGrath IGA Breast Care Nurse positions.

EXECUTIVE TEAM

Andrew Reitzer

B COMM MBL

CEO Metcash Group of Companies

Date of Appointment to Metcash Limited: 18 April 2005.

Andrew Reitzer has 33 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.

Adrian Gratwicke

BA (HONS), ACA, MBA

Chief Financial Officer

An experienced finance professional, Adrian Gratwicke brings over 23 years' commercial and industry experience to his recently appointed position as Chief Financial Officer. Since joining Metcash in April 1998, he has held several senior roles including National Accounting Manager, National Commercial Manager IGA Distribution, General Manager Mergers & Acquisitions, Risk and Investor Relations and General Manager Finance.

Silvestro Morabito

ASSOCIATE DIPLOMA IN FOOD RETAILING (FIT)
EXECUTIVE DIPLOMA IN RETAIL MANAGEMENT (ACFRS)

CEO IGA Distribution

Silvestro Morabito has over 31 years experience in grocery retailing both locally and internationally. During his 15 years with Safeway in Victoria, he held various senior positions in operations and IT. Silvestro was then recruited by Dairy Farm International and held senior management roles in New Zealand and Singapore.

In 2005 he was appointed CEO of Action Supermarkets overseeing the sale of the supermarkets and the consolidation of the FAL retail brands. He was then appointed General Manager, WA, IGA Distribution. In February of 2010 Silvestro was appointed CEO of IGA Distribution.

Peter Dubbelman

MBA (MELB)

CEO Campbells Wholesale

Appointed CEO of Campbells Wholesale in June 1998, Peter Dubbelman has over 28 years' experience in fast moving consumer goods distribution primarily in multi-site general management.

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.

Fergus Collins

B COMM (HONS) (DUBLIN), B SC MGMT (IRELAND),
MBA (UNIVERSITY OF QUEENSLAND)

CEO Australian Liquor Marketers

Fergus Collins joined ALM in December 2001 as Commercial Manager Queensland and was promoted to General Manager Queensland in May 2004. He became General Manager, Independent Brands Australia in July 2006. In February 2007, he was appointed Chief Executive Officer and is a graduate of the Metcash Executive Leadership Program.

Harry Rumpler

CEO IGA Fresh

Harry Rumpler has been involved in the retail industry for 34 years, holding various positions with both chain groups and suppliers. Over this period Harry held positions within store operations and buying, as well as merchandising and marketing roles. Harry joined the Company in November 1997 as National Fresh Food Manager for Merchandise and in 2005 was appointed to General Manager IGAD Queensland. He was then appointed to head up the new area of IGA Fresh as CEO in November 2007.

Ken Bean

MBA, GRAD DIP BUS, DIP ACC

Chief Executive, Group Logistics and Corporate Development

Ken Bean has over 40 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.

Bernard J Hale

B TH (CAN)

Chief Information Officer

Bernard Hale was formerly a Director of Metro Cash and Carry Limited, South Africa. Bernard has 36 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 in 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

Mike Jablonski has 39 years' experience in the food industry. Previous positions include Merchandise Executive Foods of OK Bazaars; Merchandise and Marketing Director of Score Food Holdings Ltd; Deputy Group Merchandise Director of Metro Cash and Carry Limited; Director of Distribution and Retail Development of Metro Cash and Carry Limited.

Mike is the Group Merchandise Director and is responsible for the Group's Merchandise, Supplier relationships, and the income derived thereof.

David Johnston

M BUS (EMPLOYMENT RELATIONS), FAHRI, JP

Chief Human Resources Officer

David Johnston joined Metcash in December 2001. With over 33 years experience in all facets of Human Resources Management gained from some of Australia's and the world's leading FMCG organisations, David is responsible for enhancing the human capital of Metcash through cultural, leadership and people development.

Greg Watson

LLM, DIP LAW

General Counsel and Company Secretary

Greg Watson joined Metcash in April 2005 as Legal Counsel and was promoted to General Counsel in February 2008. He was appointed Company Secretary in December 2010.

Greg has 21 years professional and industry experience initially in private legal practice, followed by corporate legal counsel roles with multinational FMCG organisations. Greg is a graduate of the Metcash Executive Leadership Program.

BOARD OF DIRECTORS

Peter L Barnes

B COMMERCE (HONS), MBA

Non-executive Chairman

Date of Appointment to Metcash Limited: **18 April 2005**
Member of the Remuneration & Nomination Committee

Peter Barnes is Chairman of Ansell Ltd, a Director of News Corporation and Chairman of Samuel Smith & Sons Pty Ltd. He also serves as Chairman of the Melbourne Business School. Mr Barnes was formerly an executive with Philip Morris International Inc. and held several senior management positions both here in Australia and overseas.

Peter was appointed Chairman of Metcash Limited on 2 September 2010 and has been involved with the Metcash business as a director since November 1999.

Carlos S Dos Santos

CA (SA)

Non-executive Chairman (Retired)

Date of Appointment to Metcash Limited: **18 April 2005**
Member of the Remuneration & Nomination Committee

Mr dos Santos retired as a director of Metcash Limited on 2 September 2010

Carlos dos Santos is a chartered accountant and a director of various companies trading in Africa and the Far East. He has had 42 years' industry experience and has been involved with the Metcash business as a director since May 1998.

Andrew Reitzer

B COMM MBL

CEO Metcash Group of Companies

Date of Appointment to Metcash Limited: **18 April 2005**

Andrew Reitzer has 33 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.

Fiona Balfour

BA (HONS), MBA, GRAD DIP INFORMATION MANAGEMENT, FAICD

Non-executive Director

Date of Appointment to Metcash Limited: **16 November 2010**
Member of the Remuneration & Nomination Committee

Fiona Balfour is a former Chief Information Officer and Member of the Qantas Executive Committee with responsibilities for information technology, procurement, property and human resource services for Qantas worldwide. Fiona was subsequently Chief Information Officer of Telstra and executive advisor at each of Medibank Private and Link Market Services.

Fiona is an Independent Non-executive Director of Salmat Limited, an Independent Non-executive Director of TAL Australia, a Member of the Information Technology Faculty Advisory Board of Monash University and a Councillor of Knox Grammar School. She is a Member and former Councillor of Chief Executive Women; a former Non-executive director of Societe Internationale of Télécommunications Aéronautiques (SITA SC) – Geneva, Switzerland; and former Trustee of the National Breast Cancer Foundation.

Michael R Butler

B SC, MBA

Non-executive Director

Date of Appointment to Metcash Limited: 8 February 2007
Member of the Audit Risk & Compliance Committee

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 currently a director of N. M. Superannuation Pty Ltd and AMP Superannuation Limited. He was previously a Non-executive Director and Chairman of various public and private companies.

Neil D Hamilton

LLB (UWA)

Non-executive Director

Date of Appointment to Metcash Limited: **7 February 2008**
Chairman of the Remuneration & Nomination Committee

Neil Hamilton is based in Perth and Sydney and has over 28 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.

Neil is Chairman of OZ Minerals Ltd and Miclyn Express Offshore Limited. He was appointed Chairman of the Remuneration & Nomination Committee on 1 September 2010.

Mike Jablonski

Group Merchandise Director (Retired from Board)

Date of Appointment to Metcash Limited: **18 April 2005**

Mike Jablonski has 39 years' experience in the food industry. Previous positions include Merchandise Executive Foods of OK Bazaars; Merchandise and Marketing Director of Score Food Holdings Ltd; Deputy Group Merchandise Director of Metro Cash and Carry Limited; Director of Distribution and Retail Development of Metro Cash and Carry Limited.

Mike is the Group Merchandise Director of Metcash Limited and is responsible for the Group's Merchandise, Supplier relationships, and the income derived thereof. He retired as a director of Metcash Limited on 2 September 2010.

Edwin Jankelowitz

B COMM, CA (SA)

Non-executive Director

Date of Appointment to Metcash Limited: **18 April 2005**

Edwin Jankelowitz qualified as a Chartered Accountant (SA) in 1966 and spent 12 years with Adcock Ingram Ltd – promoted over time to Group Company Secretary and Finance Director.

After consulting in business management and tax for three years, Edwin spent 14 years with Caxton Ltd progressing from Finance Director to Managing Director and Chairman before joining Metcash. He has spent over 37 years in corporate offices of listed companies and was a member of the Income Tax Special Court in South Africa for 20 years.

Edwin was CFO of Metcash until January 2011 and became a Non-executive Director on 1 April 2011.

Richard A Longes

BA, LLB, MBA

Non-executive Director

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

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.

Richard 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.

V. Dudley Rubin

CA (SA), H DIP BDP, MBA

Non-executive Director

Date of Appointment to Metcash Limited: **18 April 2005**
Member of the Audit Committee

Dudley Rubin is a chartered accountant and is a director of various companies trading in Africa. He has had 28 years' industry experience and has been involved with the Metcash business as a director since May 1998.

Greg Watson

LLM, DIP LAW

General Counsel and Company Secretary

Greg Watson joined Metcash in April 2005 as Legal Counsel and was promoted to General Counsel in February 2008. He was appointed Company Secretary in December 2010.

Greg has 21 years professional and industry experience initially in private legal practice, followed by corporate legal counsel roles with multinational FMCG organisations. Greg is a graduate of the Metcash Executive Leadership Program.

CORPORATE GOVERNANCE STATEMENT

The Directors of Metcash Limited (**Metcash** or **the 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**).

CHANGES TO CORPORATE GOVERNANCE PRINCIPLES

The Company notes that a number of changes to the Principles take effect from the first financial year commencing after 1 January 2011. While compliance with those Principles is not obligatory for this financial year, the Company is implementing changes to ensure compliance at the earliest opportunity with the ASX Corporate Governance Council's recommendations to transition to the new Principles.

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	
	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: › the practices necessary to maintain confidence in the Company's integrity; › the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; › the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Website www.metcash.com
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	N/A	Systems and processes are in place to ensure compliance when these recommendations take effect next financial year
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board and in accordance with the diversity policy and progress towards achieving them.	N/A	
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and on the Board.	N/A	
3.5	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 36
4.2	The Audit Committee should be structured so that it: › consists only of Non-executive Directors; › consists of a majority of Independent Directors; › is chaired by an Independent Chair, who is not Chair of the Board; › has at least three members.	Yes	Page 36
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 www.metcash.com
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 www.metcash.com
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	The Remuneration Committee should be structured so that it: › consists of a majority of Independent Directors; › is chaired by an Independent Chair › has at least three members.		
8.3	Companies should clearly distinguish the structure of Non-executive Directors' remuneration from that of Executive Directors and senior executives.	Yes	Refer to Remuneration Report
8.4	Companies should provide the information indicated in the guide to reporting on Principle 8.	Yes	

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

PRINCIPLE 1: **LAY SOLID FOUNDATION FOR MANAGEMENT AND OVERSIGHT**

RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

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

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

The principal functions of the Board include:

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

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

EVALUATING THE PERFORMANCE OF SENIOR EXECUTIVES

On an annual basis, the Remuneration & Nomination Committee reviews the performance of the Chief Executive Officer against qualitative and quantitative criteria, which include profit performance, other financial measures and achievement of the Company's strategic objectives. During the 2011 financial year, the Chief Executive Officer's performance was reviewed in accordance with the process specified above.

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 2011 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 its decision to the Board.

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

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 & Compliance and Remuneration & Nomination. They provide an external perspective and checks and balances for the interests of all shareholders.

The Board's six Non-executive Directors (at the date of this report), Mr Barnes, Mr Butler, Mr Hamilton, Mr Longes, Mr Rubin and Mrs Balfour 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 following reasons.

› None of the six Non-executive Directors are substantial shareholders of the Company or associated with a substantial shareholder of the Company (holding 5% or more of the Company's issued shares).
› Messrs Barnes, Butler, Hamilton and Longes and Mrs Balfour are not employed by, nor have they previously been employed by, the Company or another group member. Mr Rubin was 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 Rubin remained as a Metcash Director. 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 his role as a Metoz employee did not put him in a position of authority, responsibility, and/or directing the activities of Metcash itself and, that this fact, combined with the six year elapsed period are important factors in determining his capacity to bring independent judgement to bear on Metcash Board deliberations. At all times, he has been a Non-executive Director of Metcash. Given the specific facts of his situation, this test does not preclude him from being considered independent.
› The Board considered all relevant factors and concluded that Mr Rubin is an Independent Director.
› 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. Mrs Balfour is a director of Salmat Limited. All these organisations are suppliers to the Company under normal commercial terms and conditions. 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.

Non-executive Director

Mr Edwin Jankelowitz retired as an Executive Director of the Company on 31 March 2011 and remains a director of the Company from that date. The Board considers Mr Jankelowitz to be a Non-executive Director and not an Independent Director.

Executive Directors

The Board has one Executive Director, Mr Andrew Reitzer. Mr Reitzer is the Company's Chief Executive Officer.

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 Directors from seeking 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 Peter Barnes is considered by the Board to be an Independent Director.

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

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

THE BOARD SHOULD ESTABLISH A NOMINATION COMMITTEE

The Board has a Remuneration & Nomination Committee.

Remuneration & Nomination Committee

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

MEMBER	***QUALIFICATIONS***	***MEETINGS ELIGIBLE TO ATTEND DURING 2011 FINANCIAL YEAR***	***MEETINGS ATTENDED DURING 2011 FINANCIAL YEAR***
N D Hamilton (c)	LLB	4	4
P L Barnes(1)	BComm (Hons), MBA	4	4
C S dos Santos(2)	CA (SA)	2	2
F E Balfour(3)	BA (Hons), MBA, Grad Dip IM FAICD	2	2

(c) Denotes the chairman of the committee

1 P L Barnes was Chairman of the Remuneration & Nomination Committee until 2 September 2010, when he assumed chairmanship of the Board of Directors. N D Hamilton assumed committee chairmanship from that date.

2 C dos Santos retired from the Metcash Board on 2 September 2010.

3 F E Balfour was appointed to Metcash Board on 16 November 2010 and thereafter appointed to the Remuneration & Nomination Committee.

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;
- administer the Metcash Employees Option Plan, the Metcash Performance Rights Plan, and exercise the Board's discretionary power when required;
- advise the Board on directorship and Board Committee appointments, Board succession planning and performance of the CEO; and
- implement processes to assess the effectiveness of the Board and its Committees.

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

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

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

Annual reviews of the Board, its Committees and Directors are performed using a self-evaluation questionnaire, with an independent review conducted each third year using a recognised external Board Performance Consultant. This process was first adopted in 2008.

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

The 2011 evaluation process is being managed by an external Board Performance Consultant on a confidential basis. Results of the externally produced questionnaire and interviews with all Directors and several key management personnel will be provided by way of report to the Board in August 2011. The Board expects to respond to the findings of the review during the second half of the 2011 calendar year.

The Directors agreed 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 are operating at a level that has surpassed the high level identified in the 2010 evaluation and that 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 functions and related 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 has a Business Conduct and Ethics Policy that seeks to encourage all staff and non employees to report any person suspected of poor business conduct and ethical practices including fraud and corrupt conduct. 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'.

PRINCIPLE 4: **SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

THE BOARD SHOULD ESTABLISH AN AUDIT COMMITTEE

The Board has an Audit, Risk & Compliance Committee which reports regularly to the Board.

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

MEMBER	QUALIFICATIONS	MEETINGS HELD DURING 2011 FINANCIAL YEAR	MEETINGS ATTENDED DURING 2011 FINANCIAL YEAR
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 function of the Audit Risk & Compliance Committee is to advise on the establishment and maintenance of a framework of internal control, effective management of financial and other risks, compliance with laws and regulations and appropriate ethical standards for the management of the Company. 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 & 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.

The Audit Risk & Compliance Committee acts to ensure that operational, financial and compliance risks are managed in accordance with the Board's risk tolerance. The Company has implemented a Risk Management Framework which is supported by specialised risk management teams (refer Principle 7 – Recognise and Manage Risk). The Committee has obtained assurance regarding the effectiveness of the overall system of risk management through various means. These means have included direct enquiry of management, internal and external audit reports and the monitoring of financial and operational results. The Committee meets regularly, in private, with the Lead External Audit Partner and the Chief Audit Executive.

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

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

PRINCIPLE 5 **– MAKE TIMELY AND BALANCED DISCLOSURE**

COMPLIANCE WITH ASX LISTING RULE DISCLOSURE REQUIREMENTS

The Metcash Market Disclosure Policy is designed to ensure that:

- there is full and timely disclosure of the Company's activities to shareholders and the market, in accordance with the Company'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 the Company.

The policy reflects the Company'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

The Company 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 the Company 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**

The Company 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 continues to encourage electronic communication with shareholders to facilitate the speedy and inexpensive dissemination of information. This is being done through a program to obtain and update 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 'Investor Centre'. Provision has also been made for electronic proxy voting.

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 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 Audit Risk & Compliance Committee (AR&CC), a committee of the Board, implement a continuous process of communication with 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 parameters within which risks must be managed.

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'.

The Company'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 (currently being aligned to ISO 31000:2009) 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; and
- Recording the risk management process.

Roles and responsibilities

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

The Audit Risk & Compliance Committee (AR&CC) is responsible for monitoring management's risk processes other than corporate strategy, the oversight of which is a Board responsibility. On behalf of the Board, the AR&CC monitors those risk events that could prevent the achievement of the Company'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. These employees are also required to advise 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 (currently being aligned to ISO 31000:2009). This system is used to profile all potential risks by identifying, prioritising and managing such risks across the Company.

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 (monitoring of residual risk levels);
- follow-up on risk treatment/action plans;
- escalation of issues; and
- regular reporting processes to all levels of management.

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

The risk management and internal control system provides regular 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 & events, risk profiles for each pillar/business, business/functional objectives, critical success factors, processes, compliance data, 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 in planning, strategy and company culture. The Board and the AR&RC 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.

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER DECLARATION

The Chief Executive Officer and the Chief Financial Officer 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 Chief Financial Officer 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 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.

ADDITIONAL FINANCIAL INFORMATION

The following 'Like for Like' and 'Underlying' analyses are presented to explain the Group's performance excluding the effects of material changes in business structure and excluding non-recurring items and certain intangible amortisation respectively. The 'Like for Like' and 'Underlying' results are not the statutory results of the Group. The 'Reported' or statutory results are presented in the attached financial statements from page 56.

	2011 $'m	2010 $'m
'Like for Like' – Sales Revenue		
Group Sales Revenue	**12,364.0**	11,517.4
Less:		
Loss of ALH Volume	**(41.3)**	(444.7)
Campbells Wholesale Branch Closures	**–**	(51.7)
Mitre 10 Acquisition	**(797.6)**	(61.6)
'Like for Like' Sales Revenue	**11,525.1**	**10,959.4**
'Like for Like' – EBITA		
Group EBITA	**438.0**	401.2
Less:		
Loss of ALH Volume	**–**	(11.1)
Mitre 10 Acquisition	**(20.7)**	(1.5)
'Like for Like' EBITA	**417.3**	**388.6**
'Underlying' – Profit and EPS		
'Reported' Profit after Tax	**241.4**	227.6
Add back:		
Amortisation of Customer Relationships and Licence Agreements	**7.9**	6.5
Significant Items after Tax	**6.9**	10.8
'Underlying' Profit after Tax	**256.2**	**244.9**
Earnings per Share (basic) (cps)		
'Reported'	**31.5**	29.7
'Underlying'	**33.4**	32.0

FINANCIAL REPORT CONTENTS

DIRECTORS' REPORT

Year ended 30 April 2011

Your Directors submit their report for the year ended 30 April 2011

DIRECTORS

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

Carlos S dos Santos (retired as Chairman on 2 September 2010)
Peter L Barnes (Chairman)
Andrew Reitzer (CEO)
Fiona E Balfour (appointed 16 November 2010)
Michael R Butler
Neil D Hamilton
Michael R Jablonski (retired 2 September 2010)
Edwin M Jankelowitz
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

Greg Watson (appointed 24 December 2010)
John Randall (retired 24 December 2010)

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
Peter L Barnes	177,083	—
Andrew Reitzer	1,750,000	1,200,000*
Fiona E Balfour	13,600	—
Michael R Butler	50,000	—
Neil D Hamilton	20,000	—
Edwin M Jankelowitz	320,000	130,000*
Richard A Longes	128,154	—
V Dudley Rubin	15,000	—

* Final 20% of the options granted in 2005 failed to meet the performance hurdle and did not vest. Options will be cancelled from the register on 2 September 2011

EARNINGS PER SHARE

	CENTS
Basic earnings per share	31.46
Diluted earnings per share	31.41

DIVIDENDS ON ORDINARY SHARES

	CENTS	$'m
Final dividend for 2011 recommended	16.0	123.0
Dividends paid in the year:		
Interim for the 2011 year — paid in December 2010	11.0	84.6
Final for the 2010 year recommended in the 2010 financial report	15.0	114.8
Total dividends paid in the year		199.4
Total 2011 dividends declared per share	27.0	

CORPORATE INFORMATION

Corporate structure

The principal activities of the Group during the year 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:

	2011	
	REVENUES $'m	PROFIT BEFORE TAX $'m
Business segments		
Food Distribution	7,559.9	361.8
Cash & Carry Distribution	1,709.9	31.8
Liquor Distribution	2,296.6	30.1
Hardware Distribution	797.6	20.7
	12,364.0	444.4
Group adjustments/(unallocated amounts)	97.6	(87.5)
Group revenues and profit from continuing operations before income tax expense	12,461.6	356.9

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There have been no significant events subsequent to balance date.

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:	10	4	5
Number of meetings attended:			
Carlos S dos Santos (i)	4	2	—
Peter L Barnes	10	4	—
Andrew Reitzer	10	—	—
Fiona E Balfour (ii)	6	2	—
Michael R Butler	8	—	4
Neil D Hamilton	9	4	—
Michael R Jablonski (i)	4	—	—
Edwin M Jankelowitz (iii)	10	—	—
Richard A Longes	9	—	5
V Dudley Rubin	10	—	5

(i) Mr dos Santos and Mr Jablonski retired from the Metcash Board on 2 September 2010.
(ii) Mrs Balfour was appointed to the Metcash Board on 16 November 2010.
(iii) Mr Jankelowitz became a non-executive director on 1 April 2011.

All Directors were eligible to attend all meetings held except for Mr dos Santos, who was eligible to attend 4 Directors' meetings, Mr Jablonski who was eligible to attend 4 Directors' meetings and Mrs Balfour who was eligible to attend 6 Directors' meetings.

Committee membership

As at the date of this report, the Company had an Audit Risk & Compliance Committee and a Remuneration & Nomination Committee.

Members acting on the committees of the Board during the year were:

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

(c) Denotes the chairman of the committee.

* Mr dos Santos was a member of the Remuneration & Nomination Committee until his retirement on 2 September 2010. Mr Hamilton was appointed on 1 September 2010 as chairman of the Remuneration & Nomination Committee upon Mr Barnes being appointed chairman of the Metcash Board on 2 September 2010.

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, Joao Louis Jardim (Lou Jardin), C dos Santos and M Jablonski 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.

	YEAR ENDED 30 APRIL				
	2011	2010	2009	2008	2007
Earnings per share before non-recurring items (cents)	32.4	31.2	28.7	25.3	21.8
Basic earnings per share (cents)	31.5	29.7	26.5	25.9	21.1
Dividends declared per share (cents)	27.0	26.0	24.0	21.0	17.0
Dividend payout ratio on basic earnings per share (%)	85.8	87.4	90.7	81.2	80.6
Return on equity (%)	17.2	17.3	17.2	15.6	14.2
Share price (30 April) ($)	4.08	4.15	4.12	4.22	5.24
Dividend yield (%)	6.6	6.3	5.8	5.0	3.2

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 consolidated 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)

Executive Summary

Metcash is the "third force" in the grocery and liquor industries. Its efforts are concentrated in the supply (supply chain and logistics), marketing, promotion and retailing of goods through its network of Independent Retailers.

As such Metcash competes directly and through the Independent sector with the with self supplied chains and all other "non independent" organisations in these sectors.

The competition Metcash faces is not restricted to those factors outlined above. On a daily basis each of the competitors seeks to enhance their advantage through the attraction, retention and development of high calibre people charged with decision making and successful implementation of various strategies to maximise their shareholders' investment.

For Metcash this is a "war for talent" and as such the competition for high calibre people is as intense as the drive for profitability. This requires Metcash to provide financial incentives within a limited market to attract and retain the best qualified people to be able to deliver on its strategies.

Metcash has been able to differentiate itself from its other competitors, in relation to remuneration, by paying base salaries at a level sufficient to remain market competitive but then to place a significant proportion of total remuneration "at risk". This is achieved by providing short and long term incentives designed to extract superior performance which in turn drives profitability and enhances shareholder value.

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

Remuneration and Nomination Committee

Role

The Remuneration and 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 management staff, Directors' and Executives' retirement, pension and superannuation schemes, and employee participation schemes, including executive share and share option plans and employee share plans;
- administer the Metcash Employees Option Plan, the Metcash Performance Rights 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 and Nomination Committee assesses the appropriateness of the nature and amount of remuneration of Directors and Senior Executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team.

Compensation structure

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

Non-executive Director compensation

Aggregate Non-executive Directors' remuneration is determined from time to time by members at a general meeting. The current limit, $1,300,000, was agreed by members at the 2 September 2010 Annual General Meeting.

Non-executive Directors are paid an annual fee which is periodically reviewed. The Remuneration and 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. 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	$115,000	$172,500	$11,500	$15,199	$314,199
Chairman Remuneration and Nomination Committee	$115,000	$23,000	—	$12,420	150,420
Chairman, Audit Risk and Compliance Committee	$115,000	$28,000	—	$12,870	155,870
Directors (3)	$345,000	—	$34,500	$34,155	$413,655
Directors (1)	$115,000	—	—	$10,350	$125,350
	$805,000	$223,500	$46,000	$84,994	$1,159,494

Non-executive Directors do not receive bonuses and are not entitled to participate in any of the Company's short or long term incentive schemes. The Options held by E M Jankelowitz are for past service as an Executive Director. No new options will be issued.

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 at the time, 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 Board and the Remuneration and 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;
- select Key Performance Indicators (KPIs) and performance hurdles that will encourage results across the Group and have a significant portion of total reward "at risk";
- link rewards to executives to the creation of value to shareholders;
- assess and reward executives using financial and non-financial measures of performance;
- ensure remuneration arrangements between executives are equitable and facilitate the deployment of human resources around the Group; and
- limit severance payments on termination to pre-established contractual arrangements that do not commit the Group to making unjustified payments in the event of non-performance.

Advisers

The Chief Executive Officer and the Chief Human Resources Officer have assisted the Remuneration and Nominations 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.

New service contracts entered into post the Productivity Commission's Report on Executive Remuneration 2010, contain similar elements to other executives' service contracts and comply with the Federal Government's law on executive contracts limiting any termination payments to a maximum amount of twelve months of base salary.

Executives who resign or whose employment is terminated for cause and whose short term or long term incentives are unvested at the time, forfeit their entitlements to those unvested incentives. Executives who are retrenched or who retire from full time work before vesting of short or long term incentives or who die whilst employed by the Company, may be allowed (or their Estate may be allowed) to keep all or part of those unvested incentives, at the discretion of the Board.

In some circumstances surrounding termination of employment, the company may require individuals to enter into non-compete arrangements with the company, to protect the company's rights. These non compete arrangements may require a payment to the individual in consideration of these arrangements.

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 of Total Employment Cost (TEC). 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.

At risk remuneration

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

Metcash's policy strictly prohibits all Key Management Personnel from hedging any equity-based incentive remuneration.

Short-term incentives (STI)

Within the Group each Business Pillar and the Corporate Team have separate STI schemes, designed to align each executive's incentives to the financial objectives of the pillar or team concerned and which aggregate to overall group objectives. Two KPIs are utilised, being — sales revenue and profit. From this a matrix is formed to measure performance, usually with the previous year's sales revenue 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.

STI's are paid in cash, historically 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 2011 year, due to the economic volatility brought on by floods, cyclones and fire, the first half STI payment was deferred to the end of the year.

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

STI eligibility criteria

The STI scheme is designed so that only those employees whose decisions and actions make a significant contribution to the achievement of the Company's financial objectives are eligible to participate. The level of a participant's STI is determined as follows:

1. Participants eligible for STI at 75% of fixed remuneration (Executive management STI scheme) *(Number of participants: 57)*

The STI component is to a maximum of 75% of fixed remuneration and is at risk against achievement of sales revenue and Earnings Before Interest and Tax/ Profit After Tax (EBIT/PAT) targets. These participants have a high level/critical accountability that directly impacts on the company's performance.

These are employees who hold a position that:

- 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 a direct impact on profitability.

2. Participants eligible for STI at 50% fixed remuneration (Management STI scheme) *(Number of participants: 124)*

The STI component is to a maximum of 50% of fixed remuneration and is at risk against achievement of sales revenue and EBIT/PAT targets. These participants 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.

These are employees who hold a position that:

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

3. Participants eligible for STI at 25% of fixed remuneration (Metcash STI scheme) *(Number of participants: 214)*

The STI component is to a maximum of 25% of fixed remuneration and is at risk against achievement of sales revenue and EBIT/PAT targets. These participants hold positions that are generally compliance and/or process driven.

These are employees who hold a position that:

- 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.

Other incentive schemes

Metcash does not restrict stretch targets to the senior ranks of the organisation only. Its philosophy of providing incentives for superior performance flows through most parts of the organisation where it is appropriate and desirable to do so. To achieve this, other incentive schemes are also in operation. Those parts of the organisation include warehouse supervisors where we strive for world class efficiencies, re-buyers, stock controllers, merchandisers and other specialist key roles which are focussed on reductions in the cost of doing business and are based on achievement of internal KPI's such as; reductions in cost per case, reductions in time to fill customer orders, increases in customer service levels etc.

Hurdles

Achievement of all long term incentives granted by the company are subject to hurdles being met. These hurdles have objectives that must be achieved on a prolonged basis — usually 3–5 years — and which directly improve the value of the Company. This is expressed as an increase in earnings per share. To provide an accurate and consistent basis of measuring this growth in value, a calculation is used to determine "underlying" earnings per share. This is defined as reported earnings per share excluding amortisation and non-recurring items and best reflect 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 Governance 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.

At the time these grants were made, it was considered that a cash plan would be the most appropriate kind of incentive. The reasoning behind this was that Share Option schemes were being questioned by many top ASX 100 Companies as the most effective incentive scheme and work on possible new incentive schemes to closer align management and shareholder interests, was at the time, "work in progress". A new long term incentive scheme, The Metcash Performance Rights Plan, was introduced in 2010 as the Company's long term incentive scheme.

August 2006 Grant

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. This plan concluded 30th April 2010 and the audited results showed an achievement of 92.98% of target. In accordance with the rules of the Plan, the participants were paid a sum equal to 92.98% of the target as reported in the 2010 Annual Report.

April 2007 Grant

A further long term retention incentive of $1 million was granted to each of the Chief Executive Officer Campbell's Wholesale, Chief Executive Officer, Logistics and Corporate Development, Chief Executive Officer ALM and the Chief Human Resources Officer. The vesting of these grants is subject to achievement of hurdles over a five-year period (a compounding 10% increase in underlying 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 performance hurdles described above in 2012, and
- if the Executive is still employed by the Company at that time.

If the compound annual growth achieved by the Company from the base year is:

- equal to or greater than the target, then the maximum amount ($1 million) will be payable;
- less than 40% of the target at the end of the five-year period, no payment will be made or;
- 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.

May 2009 Grant

A long term retention payment of $1 million was granted in May 2009 to each of the Chief Executive Officer of IGA Fresh and the General Manager, Finance (appointed Chief Financial Officer on 17 January 2011). The vesting of the long term incentive grant is subject to achievement of the performance hurdles over a five year period (a compounding 8% increase in underlying earnings per share based on 2009 underlying earnings per share adjusted for material changes to the number of shares issued) and only payable:

- on successful achievement of the performance hurdles described above 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 achieved by the Company from the base year is;

- equal to or greater than the target, then the maximum amount ($1 million) will be paid;
- less than 40% of the target at the end of the five year period, no payment will be made or;
- 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.

Prior to this grant the Chief Executive Officer of IGA Fresh and the General Manager Finance (now CFO) were not previously included in the Plan, however they have now been included 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 (see discussion under "Options" section below) , and as these 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 Plan, as part of the long term incentive granted to them, 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. Therefore 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.

May 2010 Grant

In May 2010 a three year retention incentive was granted to the Chief Executive Officer, commencing at the expiration of the five year retention incentive granted to him in August 2006.

The performance period for this grant commenced on 1 May 2010 and concludes on 30 April 2013. This grant will be subject to a growth in underlying earnings per share performance hurdle and tested at the end of the performance period.

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

No Performance Rights or Share Options have been granted to the CEO since 2005.

Long Term Retention Grants going forward

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

Options

Options issued to company staff other than Executive Directors, the CEO and the Executive Team do not have performance hurdles applied to them.

Options issued to Executive Directors

The performance hurdle for options issued to Executive Directors in 2005, as agreed by shareholders 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 these options are exercised by Executive Directors, agreement is obtained from the Remuneration and Nomination Committee, which verifies that the hurdle has been achieved with confirmation obtained from the Company's external auditor.

The Remuneration and 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.

The final tranche of the 2005 options (20%) failed to meet the performance hurdle and as a consequence these options did not vest and will lapse in September 2011.

Options Issued to the Executive Team

Options were issued in 2005 to members of the Executive Team (excluding the CEO IGA Fresh and the General Manager Finance (now CFO) who were not members of the Executive Team at the time). A performance hurdle applies to these options being a compounding 10% increase in underlying earnings per share.

The Remuneration and Nominations Committee has reviewed the hurdles for all three tranches of the 2005 options issue and concluded that the hurdles have been met and all of those options can be exercised. Unexercised options will lapse in September 2011.

Options Issued to Chief Executive Officer, IGA Fresh and General Manager Finance (now CFO)

Options were issued in February 2008 to the Chief Executive Officer, IGA Fresh and the General Manager, Finance (now CFO) 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 8% increase in underlying earnings per share based on earnings per share for the 2007 financial year is to be achieved in the financial year prior to the financial year in which a tranche of options becomes able to be exercised.

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

Performance Rights

As of June 2010, Performance Rights (the Rights Plan) replaced Share Options as the Company's long term incentive scheme. Under the Rights Plan, the top 60 (approximately) Metcash Executives and Senior Managers (with "direct sight" to the bottom line growth of the Company) will be offered Performance Rights. Hurdle rates are reviewed annually by the Board which will determine earnings per share targets for each new grant based on factors including business plans and strategies, analyst consensus and expectations and other financially critical matters.

The essential elements of the Rights Plan are as follows:

- each Performance Right is an entitlement to receive a fully paid ordinary share in the Company on terms and conditions determined by the Board, including vesting conditions linked to service and performance over a 3 year period;
- performance Rights are offered at no cost to the Senior Executive/Senior Manager and as such, significantly fewer Performance Rights are offered than was the case with options;
- performance Rights are offered annually with vesting after 3 years subject to achievement of hurdle rates. For the 2011 financial year this was set at between 5% and 10% compound underlying earnings per share growth. (i.e. 5% underlying earnings per share growth earns 50% of the Performance Rights allocation and 10% underlying earnings per share growth earns 100% of the allocation). Pro rata payments are to be made for achievements between 5% and 10%. If the vesting conditions are satisfied, the Performance Rights vest and shares will be delivered to the Executive or Senior Manager;
- underlying earnings per share is calculated on the company's underlying profit, adjusted for non-recurring and significant items such as goodwill impairment or amortisation, or other non cash accounting items;
- persons offered Performance Rights will not be offered options or any other form of long term incentive;
- performance Rights do not carry voting or dividend rights, however shares allocated upon vesting of Performance Rights will carry the same rights as other ordinary shares;
- the number of Performance Rights granted is determined by dividing the value of an Executive's/Senior Manager's long term incentive entitlement by the Company's share price at the time of issue.

The number of Executives and Senior Managers granted Performance Rights in financial year 2011 was 59.

Employee Share Trust (EST)

In April 2010 the Board approved the establishment of an Employee Share Trust, 'The Metcash Employee Share Trust' (EST). The EST functions as an administrative vehicle through which employee options and Performance Rights (and any other form of long term incentive, other than cash incentives) 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 Performance Rights are held by the Trust in the name of the employee and the Trust acts 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 Performance Rights and 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 Performance Rights through the Trust; and
- reports on an annual basis on its activities throughout the financial year.

Company Performance

The 2011 financial year's results showed an increase in wholesale sales over the prior year of 7.4% and an increase in EBITA before significant items over the prior year of 9.2%. This translates into a reported EPS of 6.1% growth over the prior year. Underlying profit after tax for the year increased by 4.6%.

In the same period salaries were increased by an average 2.5% and Enterprise Bargaining Agreements (EBA's) made during the year were also held at 2.5% unfunded and any increase beyond that, fully funded through productivity increases.

STI's for the same period were paid at an average of approximately 60% of maximum.

As reported earlier in this section the 3rd and final tranche of the 2005 Share Options for Executive Directors, which had a hurdle of 12.5% compound increase in EPS from the 2005 EPS result, failed to meet the performance hurdle and the options did not vest. The performance hurdle on the 2005 Share Options granted to Senior Executives with a hurdle rate of 10% compound increase in EPS from the 2005 EPS result, has been met and these Options are now exercisable.

Details of Key Management Personnel

DIRECTORS		EXECUTIVES	
Carlos S dos Santos (i)	Former Non-executive Chairman	Ken Bean	CEO Group Logistics and Corporate Development
Peter L Barnes	Non-executive Chairman	Fergus Collins	CEO Australian Liquor Marketers
Andrew Reitzer	Chief Executive Officer	Peter Dubbelman	CEO Campbells Wholesale
Fiona E Balfour (ii)	Non-executive Director	Adrian Gratwicke (iv)	Chief Financial Officer
Michael R Butler	Non-executive Director	Bernard Hale	Chief Information Officer
Neil D Hamilton	Non-executive Director	Michael R Jablonski (v)	Group Merchandise Director
Edwin M Jankelowitz (iii)	Non-executive Director	David Johnston	Chief Human Resources Officer
Richard A Longes	Non-executive Director	Mark Laidlaw	CEO Mitre 10
V Dudley Rubin	Non-executive Director	Silvestro Morabito	CEO IGA Distribution
		Harry Rumpler	CEO IGA Fresh
		Greg Watson (vi)	General Counsel and Company Secretary

(i) Mr dos Santos retired from the Metcash Board on 2 September 2010.
(ii) Mrs Balfour appointed to the Metcash Board on 16 November 2010.
(iii) Mr Jankelowitz retired as Finance Director on 31 March 2011 and became a non-executive Director on 1 April 2011.
(iv) Mr Gratwicke appointed Chief Financial Officer on 17 January 2011.
(v) Mr Jablonski retired from the Metcash Board on 2 September 2010 and continues in his Executive role as Group Merchandise Director.
(vi) Mr Watson appointed General Counsel and Company Secretary on 24 December 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 2011

	SHORT-TERM			POST EMPLOYMENT	LONG TERM	TERMINATION BENEFITS	SHARE-BASED PAYMENTS	TOTAL	TOTAL PERFORMANCE RELATED	SHARE BASED PAYMENTS
	SALARY AND FEES $	BONUS $	OTHER BENEFITS $	SUPER-ANNUATION $	BONUS AND LEAVE $	TERMINATION BENEFITS $	EXPENSE $	$	%	%
Directors										
C S dos Santos (i)	190,546	—	—	11,632	—	—	—	202,178	—	0.00%
P Barnes	248,493	—	—	15,015	—	—	—	263,508	—	0.00%
A Reitzer	1,937,856	900,000	3,321	15,076	1,732,945	—	26,111	4,615,309	56.18%	0.57%
F Balfour (ii)	47,518	—	—	4,277	—	—	—	51,795	—	0.00%
M Butler	121,917	—	—	10,973	—	—	—	132,890	—	0.00%
N Hamilton	128,625	—	—	11,576	—	—	—	140,201	—	0.00%
E Jankelowitz (iv)	677,137	306,142	—	13,809	—	556,622	2,829	1,556,539	19.85%	0.18%
R Longes	138,104	—	—	12,429	—	—	—	150,533	—	0.00%
D Rubin	121,917	—	—	10,973	—	—	—	132,890	—	0.00%
Executives										
K Bean	603,374	274,140	—	15,076	213,125	—	25,301	1,131,016	44.16%	2.24%
S Morabito	702,593	325,476	—	15,076	71,182	—	55,130	1,169,457	32.55%	4.71%
F Collins	543,742	254,172	14,000	15,076	211,786	—	19,214	1,057,990	44.74%	1.82%
P Dubbelman	541,630	228,410	23,000	15,076	212,790	—	18,756	1,039,662	43.01%	1.80%
A Gratwicke (vi)	690,726	295,780	—	15,076	258,791	—	64,263	1,324,636	42.28%	4.85%
B Hale	602,248	273,641	—	15,076	12,376	—	34,117	937,458	32.83%	3.64%
D Johnston	471,225	215,546	—	15,076	209,994	—	16,791	928,632	46.56%	1.81%
H Rumpler	466,478	177,984	27,500	15,076	210,102	—	58,843	955,983	45.69%	6.16%
M Jablonski (iii)	691,582	330,763	23,000	15,076	15,277	—	26,971	1,102,669	32.44%	2.45%
M Laidlaw	509,721	183,333	—	15,076	41,180	—	48,073	797,383	29.02%	6.03%
G Watson (v)	122,754	51,952	—	5,251	5,283	—	12,928	198,168	32.74%	6.52%
	9,558,186	3,817,339	90,821	261,771	3,194,831	556,622	409,327	17,888,897	39.65%	2.29%

(i) Mr dos Santos retired from the Metcash Board on 2 September 2010.
(ii) Mrs Balfour appointed to the Metcash Board on 16 November 2010.
(iii) Mr Jablonski retired from the Metcash Board on 2 September 2010 and continues in his Executive role as Group Merchandise Director.
(iv) Mr Jankelowitz retired as Finance Director on 31 March 2011 and became a non-executive Director on 1 April 2011. An amount equal to nine months salary has been paid to Mr Jankelowitz, following his termination as Finance Director. This amount was stipulated in his contract of appointment.
(v) Mr Watson appointed General Counsel and Company Secretary on 24 December 2010.
(vi) Mr Gratwicke appointed Chief Financial Officer on 17 January 2011.

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	SHARE BASED PAYMENTS
	SALARY AND FEES $	BONUS $	OTHER BENEFITS $	SUPER-ANNUATION $	BONUS AND LEAVE $	TERMINATION BENEFITS $	EXPENSE $	$	%	%
Directors										
C S dos Santos (iv)	272,463	—	—	10,846	—	—	—	283,309	—	0.00%
P Barnes (iv)	177,963	—	—	12,931	—	—	—	190,894	—	0.00%
A Reitzer	1,759,620	978,526	3,837	14,342	686,588	—	76,695	3,519,608	48.42%	2.18%
M Butler	115,500	—	—	10,395	—	—	—	125,895	—	0.00%
N Hamilton	115,500	—	—	10,395	—	—	—	125,895	—	0.00%
M Jablonski	674,688	392,490	23,000	14,342	273,961	—	41,543	1,420,024	48.85%	2.93%
E Jankelowitz	706,086	396,301	—	14,342	274,467	—	41,543	1,432,739	48.68%	2.90%
L Jardin (i)	494,603	287,484	17,250	10,756	203,391		31,157	1,044,641	55.35%	2.98%
R Longes	131,250	—	—	11,813	—	—	—	143,063	—	0.00%
D Rubin	115,500	—	—	10,395	—	—	—	125,895	—	0.00%
Executives										
K Bean	577,115	325,301	—	14,342	212,035	—	15,541	1,144,334	47.26%	1.36%
S Morabito (ii)	105,435	58,208	—	334	—	—	—	163,977	35.50%	0.00%
F Collins	519,914	219,350	14,000	14,342	210,841	—	1,943	980,390	42.97%	0.20%
P Dubbelman	517,051	189,418	23,000	14,342	211,677	—	15,541	971,029	41.70%	1.60%
A Gratwicke	499,825	280,500	—	14,342	222,808	—	50,800	1,068,275	49.73%	4.76%
B Hale	576,038	324,709	—	14,342	271,018	—	55,171	1,241,278	51.52%	4.44%
D Johnston	450,697	255,771	—	14,342	209,196	—	15,541	945,547	49.85%	1.64%
H Rumpler	388,255	226,800	30,000	14,342	222,484	—	50,800	932,681	51.21%	5.45%
	8,197,503	3,934,858	111,087	221,285	2,998,466	—	396,275	15,859,474	45.52%	2.50%

(i) Mr Jardin resigned from the Metcash Board on 9 February 2010 and ceased to be a Key Management Personnel at this time. Mr Jardin served a notice period until 25 October 2010, receiving 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 2010 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) 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.

(vi) Post employment superannuation has been reclassified to exclude salary sacrifice superannuation payments which has been added to salary and fees, leaving only the superannuation guarantee contribution payment.

Options exercised and share rights granted as part of remuneration for the year ended 2010 and 2011

Value of Options exercised during the year

	2011 $	2010 $
A Reitzer	—	—
M Jablonski	181,932	—
E Jankelowitz	237,432	—
K Bean	—	—
F Collins	—	—
P Dubbelman	217,960	—
A Gratwicke	16,202	1,924
B Hale	—	669,800
D Johnston	126,368	—
S Morabito	4,234	97
H Rumpler	—	—
M Laidlaw	—	—
G Watson	—	—

There were no options issued to Key Management Personnel during the current year (2010: nil). Refer to Note 27 Directors' and Executive Disclosures of Key Management Personnel (b) Option Holdings

Number of Performance Rights granted during the year

	2011 NUMBER
A Reitzer	—
M Jablonski	70,171
E Jankelowitz	—
K Bean	58,159
F Collins	53,923
P Dubbelman	54,514
A Gratwicke	59,770
B Hale	58,053
D Johnston	45,728
S Morabito	70,171
H Rumpler	42,479
M Laidlaw	49,166
G Watson	23,628

The performance rights were granted 3 December 2010 with a fair value at grant date of $3.62.

Details of short term incentive bonus provided for in year ended 30 April 2011

	POTENTIAL BONUS $	BONUS PAYABLE $	BONUS FORFEITED $
Directors			
C S dos Santos (i)	—	—	—
P Barnes	—	—	—
A Reitzer	1,500,000	900,000	600,000
F Balfour (ii)	—	—	—
M Butler	—	—	—
N Hamilton	—	—	—
E Jankelowitz (iii)	556,622	306,142	250,480
R Longes	—	—	—
D Rubin	—	—	—
Executives			
K Bean	456,901	274,140	182,761
S Morabito	513,909	325,476	188,433
F Collins	423,620	254,172	169,448
P Dubbelman	428,269	228,410	199,859
A Gratwicke (iv)	492,968	295,780	197,188
B Hale	456,069	273,641	182,428
D Johnston	359,243	215,546	143,697
H Rumpler	333,720	177,984	155,736
M Jablonski (v)	551,271	330,763	220,508
M Laidlaw	257,500	183,333	74,167
G Watson (vi)	86,587	51,952	34,635

All bonuses for the year ended 30 April 2011 were paid in June 2011.

(i) Mr dos Santos resigned from the Metcash Board on 2 September 2010.
(ii) Mrs Balfour appointed to the Metcash Board on 16 November 2010.
(iii) Mr Jankelowitz retired as Finance Director on 31 March 2011 and became a non-executive Director on 1 April 2011.
(iv) Mr Gratwicke appointed Chief Financial Officer 17 January 2011.
(v) Mr Jablonski resigned from the Metcash Board on 2 September 2010 and continues in his Executive role as Group Merchandise Director.
(vi) Mr Watson appointed General Counsel and Company Secretary 24 December 2010.

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.

SHARE OPTIONS & PERFORMANCE RIGHTS

Unissued shares

As at the date of this report, there were 23,985,713 unissued ordinary shares under option (24,126,321 at the reporting date). Refer to Note 27 of the financial statements for further details of the options outstanding.

As at the date of this report, there were 1,399,385 unissued ordinary shares under performance rights (1,399,385 at the reporting date). Refer to Note 27 of the financial statements for further details of the performance rights outstanding.

Shares issued as a result of options

During the financial year, employees and executives have exercised options to acquire 3,209,613 fully paid ordinary shares in Metcash Limited at a weighted average exercise price of $3.97 per share. Since the end of the financial year, a further 75,280 options have been exercised, at a weighted average exercise price of $3.93 per share.

CEO AND CFO DECLARATION

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

(a) With regard to the integrity of the financial report of Metcash Limited (the Company) and the consolidated entity for the period to 30 April 2011, after having made appropriate enquiries, in our opinion:

  (i) The financial statements and associated notes comply with the accounting standards and regulations as required by Section 296 of the *Corporations Act 2001*;

  (ii) The financial statements and associated notes give a true and fair view of the financial position as at 30 April 2011 and performance of the Company and the consolidated entity for the period then ended as required by Section 297 of the *Corporations Act 2001*;

  (iii) As at the date of this declaration, 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 and the consolidated entity for the period ended 30 April 2011:

  (i) The financial records of the Company and the consolidated entity have been properly maintained in accordance with Section 286 of the *Corporations Act 2001*;

  (ii) The statements made in (a) and (b)(i) above are founded on a sound system of risk management and internal compliance and control which is operating effectively, in all material respects, in relation to financial reporting risks;

  (iii) The risk management and internal compliance and control systems of the Company and consolidated entity relating to financial reporting, compliance and operations objectives are operating efficiently and effectively, in all material respects. Management has reported to the Board as to the effectiveness of the company's management of its material business risks.

  (iv) Subsequent to 30 April 2011, 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 2011 has been received and is included on page 97.

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 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

The amount payable to Ernst & Young in tax compliance should be seen in the context of the tax audit which the company has under gone and the significant work which was required in responding to the Australian Taxation Office queries.

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

Tax compliance	$1,651,971
Assurance-related	$129,900

Signed in accordance with a resolution of the Directors.

Andrew Reitzer
Director

Sydney, 7 July 2011

STATEMENT OF *COMPREHENSIVE INCOME*

For the Year ended 30 April 2011

	NOTES	2011 $'m	2010 $'m
Revenue	4(a)	12,461.6	11,608.1
Cost of sales		(11,186.9)	(10,435.3)
Gross profit		1,274.7	1,172.8
Distribution costs		(423.8)	(405.8)
Administrative costs		(407.9)	(364.4)
Share of (loss)/profit of associates	12	(1.7)	0.3
Significant Items			
Franklins acquisition costs	4(f)	(6.9)	—
Restructure of Campbells Wholesale branch network	4(f)	—	(15.4)
Finance costs	4(g)	(77.5)	(57.5)
Profit from continuing operations before income tax		356.9	330.0
Income tax expense	5	(106.1)	(99.7)
Net profit for the period		250.8	230.3
Other comprehensive income			
Foreign currency translation adjustments		(0.3)	(0.6)
Cash flow hedge adjustment		—	(0.1)
Income tax benefit/(expense) on items of other comprehensive income		0.1	—
Other comprehensive income for the period, net of tax		(0.2)	(0.7)
Total comprehensive income for the period		250.6	229.6
Profit for the period is attributable to:			
Equity holders of the parent		241.4	227.6
Non controlling interests		9.4	2.7
		250.8	230.3
Total comprehensive income for the period is attributable to:			
Equity holders of the parent		241.2	226.9
Non controlling interests		9.4	2.7
		250.6	229.6
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
— basic earnings per share (cents)	30	31.46	29.74
— diluted earnings per share (cents)	30	31.41	29.69
Dividends per share (fully franked) (cents)	6	27.00	26.00

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

STATEMENT OF *FINANCIAL POSITION*

As at 30 April 2011

	NOTES	2011 $'m	2010 $'m
ASSETS			
Current assets			
Cash and cash equivalents	7	152.9	210.6
Trade and other receivables	8	1,007.3	1,008.0
Inventories	9	954.9	747.2
Assets held for sale		9.9	4.0
Derivative financial instruments	10	0.9	—
Prepayments and other		5.8	4.9
Total current assets		2,131.7	1,974.7
Trade and other receivables	11	80.6	65.4
Investments in associates accounted for using the equity method	12	92.1	94.8
Other financial assets	14	0.2	0.2
Property, plant and equipment	15	197.6	194.7
Net deferred tax assets	5	6.6	27.2
Intangible assets and goodwill	16	1,291.1	1,282.0
Total non current assets		1,668.2	1,664.3
TOTAL ASSETS		3,799.9	3,639.0
LIABILITIES			
Current liabilities			
Trade and other payables	18	1,376.5	1,294.4
Interest bearing loans and borrowings	19	8.6	7.8
Derivative financial instruments	20	1.4	0.6
Provisions	21	73.4	99.8
Income tax payable		14.3	45.6
Other financial liabilities	22	0.2	0.2
Total current liabilities		1,474.4	1,448.4
Non current liabilities			
Interest bearing loans and borrowings	19	826.7	749.4
Provisions	21	54.2	61.7
Other financial liabilities	22	1.8	1.9
Total non current liabilities		882.7	813.0
TOTAL LIABILITIES		2,357.1	2,261.4
NET ASSETS		1,442.8	1,377.6
EQUITY			
Contributed equity	23	1,904.9	1,892.2
Other equity	23	(765.9)	(765.9)
Reserves	23	28.2	25.8
Retained earnings	23	208.0	166.0
Parent Interest		1,375.2	1,318.1
Non controlling interests		67.6	59.5
TOTAL EQUITY		1,442.8	1,377.6

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

STATEMENT OF *CHANGES IN EQUITY*

Year ended 30 April 2011

	CONTRIBUTED EQUITY $'m	OTHER EQUITY $'m	SHARE-BASED PAYMENTS $'m	RETAINED EARNINGS $'m	CAPITAL PROFITS $'m	FOREIGN CURRENCY TRANSLATION RESERVE $'m	CASH FLOW HEDGE RESERVE $'m	OWNERS OF THE PARENT $'m	NON-CONTROLLING INTEREST $'m	TOTAL EQUITY $'m
At 1 May 2010	1,892.2	(765.9)	19.7	166.0	12.8	(6.6)	(0.1)	1,318.1	59.5	1,377.6
Total comprehensive income, net of tax	—	—	—	241.4	—	(0.3)	0.1	241.2	9.4	250.6
Transactions with owners in their capacity as owners:										
Exercise of options	12.7	—	—	—	—	—	—	12.7	—	12.7
Share-based payment	—	—	2.6	—	—	—	—	2.6	—	2.6
Dividends paid	—	—	—	(199.4)	—	—	—	(199.4)	(1.3)	(200.7)
At 30 April 2011	1,904.9	(765.9)	22.3	208.0	12.8	(6.9)	—	1,375.2	67.6	1,442.8
At 1 May 2009	1,889.7	(765.9)	17.1	129.7	12.8	(6.0)	—	1,277.4	2.0	1,279.4
Total comprehensive income, net of tax	—	—	—	227.6	—	(0.6)	(0.1)	226.9	2.7	229.6
Transactions with owners in their capacity as owners:										
Exercise of options	2.5	—	—	—	—	—	—	2.5	—	2.5
Non controlling interests on acquisition	—	—	—	—	—	—	—	—	55.1	55.1
Share-based payment	—	—	2.6	—	—	—	—	2.6	—	2.6
Dividends paid	—	—	—	(191.3)	—	—	—	(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)	1,318.1	59.5	1,377.6

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

STATEMENT OF *CASH FLOWS*

Year ended 30 April 2011

	NOTES	2011 $'m	2010 $'m
Cash flows from operating activities:			
Receipts from customers		13,222.6	12,440.4
Payments to suppliers and employees		(12,772.2)	(11,862.7)
Dividends received		1.6	2.0
Interest received		9.7	8.2
Finance costs		(72.3)	(54.2)
Income tax paid		(116.8)	(101.6)
Goods and services tax paid		(130.1)	(137.4)
Net cash flows from operating activities	7	142.5	294.7
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment		0.9	1.2
Purchase of property, plant and equipment		(34.7)	(39.3)
Payments for intangibles		(21.6)	(30.9)
Proceeds from sale of retail stores		—	0.1
Proceeds from loans repaid by other entities		15.5	16.6
Loans to other entities		(27.0)	(21.0)
Payment on acquisition of businesses	29 (a)	(14.9)	(62.0)
Payment on acquisition of associates		(0.5)	(0.9)
Net cash flows used in investing activities		(82.3)	(136.2)
Cash flows from financing activities:			
Proceeds from the issue of ordinary shares	23	12.7	2.5
Payment of refinancing costs		(1.5)	(6.1)
Proceeds from borrowings – other		500.0	795.0
Repayments of borrowings – other		(420.0)	(688.7)
Payment of dividends on ordinary shares	6	(199.4)	(191.3)
Payment of dividends to non controlling interests		(1.3)	(0.3)
Repayment of finance lease principal		(8.3)	(7.5)
Net cash flows used in financing activities		(117.8)	(96.4)
Net (decrease)/increase in cash and cash equivalents		(57.6)	62.1
Add opening cash brought forward		210.6	148.6
Effect of exchange rate changes on cash		(0.1)	(0.1)
Cash and cash equivalents at end of period	7	152.9	210.6

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

NOTES TO THE *FINANCIAL STATEMENTS*

Year ended 30 April 2011

1 CORPORATE INFORMATION

The financial report of Metcash Limited (the Company) for the year ended 30 April 2011 was authorised for issue in accordance with a resolution of the Directors on 7 July 2011.

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 and share rights which have been valued on a binomial basis.

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.

The financial statements present the results of the current year, which comprised the 53 week period that commenced on 26 April 2010 and ended on 1 May 2011. The prior period results comprise the 52 week period that commenced on 27 April 2009 and ended on 25 April 2010.

(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 2010, the Group has adopted a number of Australian Accounting Standards and Interpretations which are mandatory for annual periods beginning on or after 1 May 2010. Adoption of these Standards and Interpretations has not had any material effect on the financial position or performance of the Metcash group.

The main standards adopted since 1 May 2010 were the revised AASB 3 'Business Combinations', amended AASB 127 'Consolidated and Separate Financial Statements' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'. These revised standards introduce significant changes to accounting for business combinations and consolidation. The major impacts include the requirement for acquisition costs to be expensed at the time they are incurred; and, upon gaining control of an entity, revaluation of any pre-existing interests in that entity to fair value. The changes only impact business combination transactions which occurred on or after 1 May 2010.

The following amendments to standards have been adopted from 1 May 2010 and did not have a material impact on the financial statements for the year:

— AASB 2008-3 – Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127
— AASB 2009-4 – Amendments to Australian Accounting Standards arising from the Annual Improvements Project – AASB 2009-7 – Amendments to Australian Accounting Standards arising from the Annual Improvements Project
— AASB 2008-6 – Amendments to Australian Accounting Standards
— AASB 2009-8 – Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions

The Group has prepared the financial statements in compliance with recent amendments to the Corporation Act (2001) in June 2010 which remove the requirement for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the reduced parent entity disclosure in Note 13.

Australian Accounting Standards issued but not yet effective/Early adoption of Australian Accounting Standards

A number of new accounting standards have been issued but are not yet effective during the year ending 30 April 2011. The Group has not elected to early adopt any of these new standards or amendments in this Financial Report. The new standard, when applied in future periods, which is expected to have a material impact on the financial statements, is the following:

— AASB 9 'Financial instruments: Classification and measurement': This standard makes significant changes to the way that financial assets are classified for the purpose of determining their measurement basis and also to the amounts relating to fair value changes which are to be taken directly to equity. AASB 9 is mandatory for adoption by the Metcash group in the year ending 30 April 2014. The financial impact to the Metcash group of adopting this standard has not yet been quantified.

The following accounting standards and amendments to accounting standards, when applied in future periods, which are not expected to have a material impact on the financial statements, include the following:

— AASB 124 (Revised) – Related Party Disclosures (December 2009)
— AASB 2009-11 – Amendments to Australian Accounting Standards arising from AASB 9
— AASB 2010-3 – Amendments to Australian Accounting Standards arising from the Annual Improvements Project
— AASB 2010-4 – Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project
— AASB 2010-5 – Amendments to Australian Accounting Standards
— AASB 2010-6 – Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets
— AASB 2010-7 – Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)

On 12 May 2011, the IASB issued the following standards:

— IFRS 10 – Consolidated Financial Statements
— IFRS 11 – Joint Arrangements
— IFRS 12 – Disclosure of Interests in Other Entities
— IFRS 13 – Fair Value Measurement

These standards have not yet been adopted by the AASB. Management are in the process of assessing the expected financial impacts of these standards which are effective in 2014.

(iii) BASIS OF CONSOLIDATION

The financial statements comprise the consolidated financial statements of Metcash Limited and its subsidiaries as at 30 April 2011.

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.

Non-controlling 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(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 16.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(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:

	2011	2010
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 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.

(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 groups of cash-generating unit 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 to ten 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.

(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 Metcash Employee Option Plan (MEOP) and the Metcash Executive and Senior Managers Performance Rights Plan (Rights Plan).

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 an appropriate valuation model, further details of which are given in Note 17.

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 and performance rights are reflected as additional share dilution in the computation of earnings per share.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(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.

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) FINANCE COSTS

Finance costs are recognised as an expense when incurred, except finance costs that are capitalised for acquisition of qualifying assets.

(xxix) RECLASSIFICATION OF PRIOR YEAR COMPARATIVES

The comparative figures for Administrative costs in the prior year have been reclassified in the amount of $14.2 million being the merchant fee expense under the American Express charge card program which was previously classified as Finance Costs.

3 SEGMENT INFORMATION

IDENTIFICATION 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.

During the next financial year, the Group intends to perform a review of the segment categories in light of a project that envisages the consolidation of food and liquor activities within single state-based distribution centres.

Segment products and locations

The group 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 group.

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 group.

Major Customers

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

BUSINESS SEGMENTS	FOOD DISTRIBUTION		CASH AND CARRY DISTRIBUTION		LIQUOR DISTRIBUTION		HARDWARE DISTRIBUTION		CONSOLIDATED	
	2011 $'m	2010 $'m	2011 $'m	2010 $'m	2011 $'m	2010 $'m	2011 $'m	2010 $'m	2011 $'m	2010 $'m
Segment Revenue										
Sales to external customers	7,559.9	7,129.9	1,709.9	1,685.3	2,296.6	2,640.6	797.6	61.6	12,364.0	11,517.4
Inter-segment revenues	834.3	772.6	—	—	92.4	102.1	—	—	926.7	874.7
Total segment revenue	8,394.2	7,902.5	1,709.9	1,685.3	2,389.0	2,742.7	797.6	61.6	13,290.7	12,392.1
Segment profit before tax	361.8	346.6	31.8	28.8	30.1	36.1	20.7	1.5	444.4	413.0

i) Segment revenue reconciliation to the statement of comprehensive income

	2011 $'m	2010 $'m
Total segment revenue	13,290.7	12,392.1
Inter-segment revenues elimination	(926.7)	(874.7)
Rent	86.4	82.5
Interest from other persons/corporations	11.2	8.2
Total revenue	12,461.6	11,608.1

ii) Segment result reconciliation to the statement of comprehensive income

	2011 $'m	2010 $'m
Segment result	444.4	413.0
Net finance costs *	(66.3)	(49.3)
Rent income	86.4	82.5
Rent expense	(86.4)	(82.5)
Share based payments	(2.6)	(2.6)
Restructure of Campbells Wholesale branch network	—	(15.4)
Franklins acquisition costs	(6.9)	—
Amortisation of customer relationships and license agreements	(7.9)	(6.5)
Other	(3.8)	(9.2)
Total profit from continuing operations before income tax	356.9	330.0

* Refer to Note 2 for prior period reclassification

4 REVENUE AND EXPENSES

	2011 $'m	2010 $'m
(a) Revenue		
Sale of goods	12,364.0	11,517.4
Rent	86.4	82.5
Interest from other persons/corporations	11.2	8.2
	12,461.6	11,608.1
(b) Other income		
Net profit/(loss) from disposal of property, plant and equipment	0.3	(0.3)
(c) Other expenses		
Depreciation/ amortisation of property, plant and equipment	34.1	30.2
Amortisation of software and other intangibles	11.3	10.0
Amortisation of customer relationships and license agreements	7.9	6.5
Loss from disposal of associate	—	1.3
Impairment of trade receivables	13.6	12.1
Inventories net realisable value provision	5.1	7.3
(d) Operating lease rental		
Minimum lease payments – warehouse and other	94.5	90.8
Minimum lease payments – stores	86.4	82.5
(e) Employee benefits expense		
Wages and salaries	402.6	382.2
Defined contribution plan expense	31.7	31.5
Workers compensation costs	10.5	9.5
Share-based payments	2.6	2.6
Other employee benefits costs	4.7	4.5
(f) Significant items		
Franklins acquisitions costs *	6.9	—
Restructure of Campbells Wholesale Branch network (see Note 21)	—	15.4
(g) Finance costs		
Interest expense	73.9	54.1
Deferred borrowing costs	3.6	3.4
	77.5	57.5

* On 29 November 2010, the Australian Competition and Consumer Commission (ACCC) commenced proceedings in the Federal Court seeking an injunction against Metcash's proceeding with the acquisition of the shares of Interfrank Group Holdings Pty Ltd, the owner of the Franklins chain of supermarkets, from Pick n Pay Retailers (Pty) Ltd. The Federal Court Hearing concluded on 27 April 2011. Either party has 21 calendar days to file an Appeal after Judgement. During the current period, Metcash has incurred $6.9 million in relation to the potential acquisition of Franklins. These costs predominantly comprise legal fees and have been disclosed as a significant item. Refer also to Note 31.

5 INCOME TAX

	2011 $'m	2010 $'m
The major components of income tax expense are:		
Current income tax		
Current income tax charge	88.5	105.1
Adjustments in respect of current income tax of previous years	(3.0)	(0.3)
Deferred income tax relating to origination and reversal of temporary differences	20.6	(5.1)
Income tax expense reported in the Statement of Comprehensive Income	106.1	99.7
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	356.9	330.0
At the Group's statutory income tax rate of 30% (2010: 30%)	107.1	99.0
Expenditure not allowable for income tax purposes	2.9	1.0
Research and development deduction	(0.9)	—
Adjustments in respect of current income tax of previous years	(3.0)	(0.3)
Income tax expense reported in the Statement of Comprehensive Income at an effective tax rate of 30% (2010: 30%)	106.1	99.7

	STATEMENT OF FINANCIAL POSITION	
	2011 $'m	2010 $'m
Deferred income tax		
Deferred income tax of the Group at 30 April relates to the following:		
Deferred tax liabilities		
Accelerated depreciation for tax purposes	3.2	2.9
Intangibles	45.4	46.6
Other	0.7	—
Set off of deferred tax assets	(49.3)	(49.5)
	—	—
Deferred tax assets		
Provisions	53.1	61.1
Other	0.4	12.4
Unutilised tax losses	2.4	3.2
Set off of deferred tax liabilities	(49.3)	(49.5)
	6.6	27.2
Recognised net deferred tax assets		
Opening balance	27.2	16.2
(Charged)/credited to Statement of Comprehensive Income	(20.6)	5.1
Acquisitions/disposals	—	5.9
Closing balance	6.6	27.2

At 30 April 2011, there is no recognised or unrecognised deferred income tax liability (2010: $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 $20 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.

TAX EFFECT ACCOUNTING BY MEMBERS OF THE TAX CONSOLIDATED GROUP

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

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

Refer to Note 31 Contingent Liabilities in respect to amended assessments received by Metcash Limited from the Australian Taxation Office in respect of prior year transactions.

6 DIVIDENDS PAID AND PROPOSED

	METCASH GROUP		METCASH LIMITED	
	2011 $'m	2010 $'m	2011 $'m	2010 $'m
(a) Dividends paid on ordinary shares during the year				
(i) Final fully franked dividend for 2010: 15.0c (2009: 14.0c)	114.8	107.1	114.8	107.1
(ii) Interim fully franked dividend for 2011: 11.0c (2010: 11.0c)	84.6	84.2	84.6	84.2
	199.4	191.3	199.4	191.3
Dividends declared (not recognised as a liability as at 30 April 2011)				
Final franked dividend for 2011: 16.0c (2010: 15.0c)	123.0	114.8	123.0	114.8
(b) Franking credit balance of Metcash Limited				
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% (2010: 30%)			128.6	97.0
— franking credits that will arise from the payment of income tax payable as at the end of the financial year			14.3	21.8
— amount of franking credit of dividends declared but not recognised as a distribution to shareholders during the period			(52.7)	(49.2)
			90.2	69.6

(c) Tax rates

The tax rate at which paid dividends have been fully franked is 30% (2010: 30%).

Dividends declared have been fully franked at the rate of 30% (2010: 30%).

7 CASH AND CASH EQUIVALENTS

	2011 $'m	2010 $'m
Cash at bank and on hand	152.9	210.6
	152.9	210.6
(a) Reconciliation of net profit after tax to net cash flows from operations		
Net profit for the period	250.8	230.3
Adjustments for:		
Depreciation	34.1	30.2
Amortisation	19.2	16.5
Net (profit)/loss on disposal of property, plant and equipment	(0.3)	0.3
Share of associates' net loss/(profit)	1.7	(0.3)
Dividends received from associates	1.6	2.0
Deferred borrowing costs	3.6	3.4
Share based payments	2.6	2.6
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	(3.1)	37.0
(Increase)/decrease in other current assets	(0.9)	1.5
(Increase)/decrease in inventories	(203.3)	(38.0)
(Increase)/decrease in deferred tax assets	20.6	(5.1)
(Decrease)/increase in payables and provisions	47.2	9.7
(Decrease)/increase in tax payable	(31.3)	3.3
Net cash from operating activities	142.5	294.7
(b) Non-cash financing and investing activities		
Acquisition of assets by means of finance lease	4.1	3.2
Capitalisation of debtor to investment in associate	—	7.1

8 TRADE AND OTHER RECEIVABLES (CURRENT)

	2011 $'m	2010 $'m
Trade receivables — Securitised (i) (ii)	694.8	689.3
Trade receivables — Non-securitised (ii)	181.3	198.7
Allowance for impairment loss	(20.4)	(24.4)
	855.7	863.6
Customer loans (iii)	32.0	34.8
Allowance for impairment loss	(3.5)	—
	884.2	898.4
Marketing debtors (iv)	41.2	39.4
Other receivables (iv)	81.9	70.2
	1,007.3	1,008.0

(i) The group has securitised certain trade receivables 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 group as a consequence of securitisation. At the end of the financial year (refer to Note 19iii) trade receivables of $694.8 million (2010: $689.3 million) had been securitised as disclosed above, with $320.0 million (2010: $240.0 million) of funds received. The resultant security margin exceeded the minimum required at that date.

(ii) Trade receivables are non-interest bearing and repayment terms vary by business unit. At 30 April 2011, 92.8% of trade receivables are required to be settled within 30 days and 7.2% of trade receivables have terms extending from 30 days to 84 days. The amount of the allowance for 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. $0.4 million (2010: $4.0 million) of loans are non-interest-bearing. $31.6 million (2010: $30.8) of loans have a weighted average annual interest rate of 7.95% (2010: 8.13%).

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

IMPAIRED TRADE RECEIVABLES AND OTHER RECEIVABLES

During the year ended 30 April 2011 receivables to the value of $14.1 million (2010: $19.2 million) were considered non-recoverable and written off. As at 30 April 2011 trade receivables and other receivables with a notional value of $23.9 million (2010: $24.4 million) were provided for as impaired. Movement in the allowance for impairment loss:

	2011 $'m	2010 $'m
As at 1 May	(24.4)	(22.8)
Charge for the year	(13.6)	(12.1)
Accounts written off as non recoverable	14.1	19.2
Increase due to business acquisition	—	(8.7)
As at 30 April	(23.9)	(24.4)

DEBTORS AGEING

As at 30 April 2011, the analysis of trade receivables for the 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
2011	654.4	136.1	12.3	12.4	7.2	33.3	855.7
	76.5%	15.9%	1.4%	1.4%	0.8%	3.9%	100.0%
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%

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

CUSTOMER LOANS AGEING

As at 30 April 2011, the analysis of customer loans receivable for the 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
2011	87.7	0.0	0.3	0.3	1.0	13.2	102.5
	85.5%	0.0%	0.3%	0.3%	1.0%	13.0%	100.0%
2010	72.5	0.5	0.6	1.5	0.4	16.9	92.4
	78.6%	0.5%	0.6%	1.6%	0.4%	18.3%	100.0%

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

8 TRADE AND OTHER RECEIVABLES (CURRENT) CONTINUED

OTHER RECEIVABLES AGEING

As at 30 April 2011, the analysis of other receivables for the 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
2011	126.0	2.5	1.1	0.0	0.0	0.1	129.7
	97.1%	1.9%	0.8%	0.0%	0.0%	0.1%	100.0%
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%

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

CUSTOMER LOAN SECURITY

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

	2011 $'m	2010 $'m
Current loans	28.5	34.8
Non current loans	74.0	57.6
	102.5	92.4

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 2011 was $30.7 million (2010: $27.1 million)

9 INVENTORIES

	2011 $'m	2010 $'m
Total Finished goods inventories at the lower of cost and net realisable value	954.9	747.2

Inventory write-downs recognised as an expense totalled $5.1 million (2010: $7.3 million) for the Group. The expense is included in the cost of sales line item as a cost of inventory.

10 DERIVATIVE FINANCIAL INSTRUMENTS

	2011 $'m	2010 $'m
Current		
Interest rate forward contracts (i)	0.9	—
	0.9	—

(i) Derivatives are carried at fair value.

11 RECEIVABLES (NON-CURRENT)

Customer loans (i)	74.0	57.6
Other receivables (ii)	6.6	7.8
Total	80.6	65.4

(i) Customer loans receivable are non-current and have repayment terms of greater than 12 months. $6.4 million (2010: $7.3 million) of loans are non-interest bearing. $67.6 million (2010: $50.3 million) of loans have a weighted average annual interest rate of 8.34% (2010: 8.99%). 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 Group are as follows:

	CARRYING AMOUNT 2011 $'m	CARRYING AMOUNT 2010 $'m	FAIR VALUE 2011 $'m	FAIR VALUE 2010 $'m
Customer loans	74.0	57.6	76.0	58.8
Other receivables	6.6	7.8	6.6	7.8
Total	80.6	65.4	82.6	66.6

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

12 INVESTMENTS IN ASSOCIATES

	2011 $'m	2010 $'m
Investments in associates	92.1	94.8

INTEREST IN ASSOCIATES

	PRINCIPAL ACTIVITIES	BALANCE DATE	OWNERSHIP INTEREST 2011 %	OWNERSHIP INTEREST 2010 %
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
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	45.0	45.0
Metfood Pty Ltd	Merchandise services for Metcash and Foodstuffs	30 April	50.0	50.0
Progressive Trading Pty Ltd (Progressive) (i)	Grocery retailing	30 June	55.4	55.4
Sunshine Hardware Pty Ltd	Hardware retailing	30 June	49.0	49.0
Northern Hardware Pty Ltd	Hardware retailing	30 June	49.9	—

(i) 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:

	2011 $'m	2010 $'m
Profit/(loss) before income tax	(2.4)	0.4
Income tax benefit/ (expense)	0.7	(0.1)
Profit/(loss) after income tax	(1.7)	0.3
Share of associates' Statement of Financial Position:		
Current assets	86.7	61.6
Non-current assets	150.4	134.4
Total assets	237.1	196.0
Current liabilities	(130.4)	(82.7)
Non-current liabilities	(46.2)	(55.8)
Total liabilities	(176.6)	(138.5)
Net assets	60.5	57.5

13 INFORMATION RELATING TO METCASH LIMITED (THE PARENT ENTITY)

In accordance with the amendment to the *Corporations Act 2001*, the company has replaced the separate parent entity financial statements with the following note.

	METCASH LIMITED 2011 $'m	METCASH LIMITED 2010 $'m
Current assets	1,562.4	1,314.4
Total assets	6,178.5	5,930.5
Current liabilities	3,462.6	3,237.9
Total liabilities	3,462.6	3,237.9
Net assets	2,715.9	2,692.6
Contributed equity	2,570.9	2,558.2
Retained earnings	123.0	114.9
Share based payments reserve	22.0	19.5
Total equity	2,715.9	2,692.6
Net profit for the period	207.5	199.1
Total comprehensive income for the year, net of tax	207.5	199.1

Metcash Limited has provided guarantees as part of the Closed Group arrangements as disclosed in Note 26 (c)

14 OTHER FINANCIAL ASSETS (NON-CURRENT)

	2011 $'m	2010 $'m
Investment in shares (unlisted)	0.2	0.2
	0.2	0.2

15 PROPERTY, PLANT AND EQUIPMENT

	LAND AND BUILDINGS $'m	PLANT AND EQUIPMENT $'m	TOTAL $'m
Year ended 30 April 2011			
At 1 May 2010,			
net of accumulated depreciation and impairment	64.7	130.0	194.7
Additions	12.1	26.0	38.1
Acquisition from business combination (Refer Note 29)	—	1.3	1.3
Disposals	—	(2.3)	(2.3)
Exchange differences	—	(0.1)	(0.1)
Depreciation and impairment charge for the year	(1.5)	(32.6)	(34.1)
At 30 April 2011,			
net of accumulated depreciation and impairment	75.3	122.3	197.6
At 1 May 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
At 30 April 2011,			
Cost or fair value	82.1	279.0	361.1
Accumulated depreciation and impairment	(6.8)	(156.7)	(163.5)
Net carrying amount	75.3	122.3	197.6

15 PROPERTY, PLANT AND EQUIPMENT CONTINUED

	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	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

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 April 2011 is $15.8 million (2010: $18.8 million).

16 INTANGIBLE ASSETS AND GOODWILL

	SOFTWARE DEVELOPMENT COSTS $'m	CUSTOMER CONTRACTS $'m	GOODWILL $'m	TRADE NAMES $'m	OTHER $'m	TOTAL $'m
Year ended 30 April 2011						
At 1 May 2010						
Net carrying amount	63.1	156.3	1,032.8	27.2	2.6	1,282.0
Additions	18.4	2.4	—	—	—	20.8
Acquisition from business combination (Refer Note 29)	—	—	7.8	—	—	7.8
Exchange differences	—	—	(0.3)	—	—	(0.3)
Amortisation	(11.3)	(7.6)	—	—	(0.3)	(19.2)
At 30 April 2011						
Net carrying amount	70.2	151.1	1,040.3	27.2	2.3	1,291.1
At 30 April 2011						
Cost (gross carrying amount)	168.6	186.3	1,040.3	27.2	3.0	1,425.4
Accumulated amortisation and impairment	(98.4)	(35.2)	—	—	(0.7)	(134.3)
Net carrying amount	70.2	151.1	1,040.3	27.2	2.3	1,291.1
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	—	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

16 INTANGIBLE ASSETS AND GOODWILL CONTINUED

(a) DESCRIPTION OF THE GROUP'S 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. Useful lives range from five to ten years. Software development costs are tested for impairment where an indicator of impairment exists. Useful lifes 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.

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 names will be subjected to impairment testing on an annual basis or whenever there is an indication of impairment. Impairment testing has been carried out in February 2011. No impairment loss was required to be recognised during the period.

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 is being amortised over 10 years, straight line. The intangible is carried at cost less accumulated amortisation.

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

Goodwill

(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 (Food Distribution, Cash and Carry Distribution, Liquor Distribution and Hardware Distribution). 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. Impairment testing was conducted in February 2011. The group of cash generating units (CGU) used for impairment testing are as follows:

IGA Distribution, Campbells Wholesale, Australian Liquor Marketers and Mitre 10.

The recoverable amount of the group of CGUs has been determined based on value in use calculation using cash flow projections based on financial projections covering a five year period.

(ii) Key assumptions used in valuations

The Group has applied the following key assumptions in its cash flow projections:

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 and hardware inflation and changes in market share.

The pre-tax discount rate applied to cash flow projections is 12.93% (2010: 12.67%) and cash flows beyond the five year period are extrapolated using a 2.5% growth rate (2010: 2.5%) which is based on the historical population and applicable product inflation and growth rates for each group of CGU's.

(iii) Sensitivity to changes in assumptions

The table below summarises the Goodwill attributed to each group of CGU's and potential impairment trigger point at the impairment testing date of February 2011:

GROUP OF CGU'S	GOODWILL $'m	DISCOUNT RATE AT WHICH IMPAIRMENT IS TRIGGERED %
IGA Distribution	885.1	*
Campbells Wholesale	32.9	14.39%
Australian Liquor Marketers	88.9	13.26%
Mitre 10	27.8	17.30%

* 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

Trade Names

(i) Trade names only arise in the Mitre 10 segment as in the Mitre 10 segment as a result the acquisitions during financial year 2010.

16 INTANGIBLE ASSETS AND GOODWILL CONTINUED

(ii) Key assumptions used in valuations

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.

(iii) Sensitivity to changes in assumptions

No reasonably possible change in any of the above key assumptions would cause the carrying value of the trade names to materially exceed its recoverable amount.

17 SHARE-BASED PAYMENTS

(a) TYPES OF SHARE-BASED PAYMENT PLANS

The Group has two share-based incentive plans for employees and executive directors of the Group: the Metcash Employees Option Plan (MEOP) and the Metcash Executives and Senior Managers Performance Rights Plan (Rights Plan). Fully paid ordinary shares issued under these plans rank equally with all other existing fully paid ordinary shares, in respect of voting and dividends rights.

Metcash Employee Option Plan (MEOP)

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 reorganisation of the share capital of the Company.

Metcash Executives and Senior Managers Performance Rights Plan (Rights Plan)

The Rights Plan provides selected employees with the opportunity to be rewarded with fully paid ordinary shares as an incentive to create long term growth in value for Metcash shareholders. The plan is administered by a trustee who may acquire (and hold in trust) shares for the benefit of participants. These shares are purchased on market or issued to the trustee once the performance rights vest.

The essential elements of the Rights Plan are as follows:

- each Performance Right is an entitlement to receive a fully paid ordinary share in the Company on terms and conditions determined by the Board, including vesting conditions linked to service and performance over a 3 year period;
- Performance Rights are offered at no cost to the Senior Executive/Senior Manager and as such, significantly fewer Performance Rights are offered than was the case with options;
- Performance Rights are offered annually with vesting after 3 years subject to achievement of hurdle rates. For the 2011 financial year this was set between 5% and 10% compound underlying earnings per share growth. (i.e. 5% underlying earnings per share growth earns 50% of the Performance Rights allocation and 10% underlying earnings per share growth earns 100% of the allocation). Pro rata payments are to be made for achievements between 5% and 10%. If the vesting conditions are satisfied, the Performance Rights vest and shares will be issued to the Executive or Senior Manager;
- underlying earnings per share is calculated on the company's underlying profit, adjusted for non-recurring and significant items such as goodwill impairment or amortisation, or other non cash accounting items;
- persons offered Performance Rights will not be offered options under the MEOP or any other form of long term incentive;
- Performance Rights do not carry voting or dividend rights, however shares issued upon vesting of Performance Rights will carry the same rights as other ordinary shares;
- the number of Performance Rights granted is determined by dividing the value of an Executive's/Senior Manager's long term incentive entitlement by the Company's share price at the time of issue.

17 SHARE-BASED PAYMENTS CONTINUED

(b) SUMMARY OF OPTIONS AND RIGHTS GRANTED

MEOP

During the year no options were issued to Executive Directors (2010: nil), as disclosed in Note 27 (b).

The following table illustrates the number of options and exercise prices and movements during the year ended 30 April 2011 and 30 April 2010:

	2011 NUMBER	2011 EXERCISE PRICE $	2010 NUMBER	2010 EXERCISE PRICE $
Outstanding at the beginning of the year	30,235,024		32,202,323	
Reinstated during the year	17,700	Various	8,920	Various
Exercised during the year:				
	—	—	(340,000)	2.430
	(1,649,613)	3.925	(415,668)	3.925
	(1,560,000)	4.013	—	—
Expired during the year	(2,916,790)	Various	(1,220,551)	Various
Outstanding at the end of the year	24,126,321	—	30,235,024	—

The outstanding balance as at 30 April 2011 is represented by:

EXPIRY DATE	EXERCISE PRICE	NUMBER	EXERCISABLE	REMAINING CONTRACTUAL LIFE (YEARS)
2 September 2011	$4.013	2,110,000	1,480,000	0.3
2 September 2011	$3.925	5,721,078	5,721,078	0.3
7 February 2014	$4.267	16,295,243	9,777,146	2.8

Rights Plan

The following table illustrates the movement in the number of Performance Rights during the year ended 30 April 2011:

	2011 NUMBER
Outstanding at the beginning of the year	—
Granted during the year	1,415,137
Vested during the year	—
Expired/forfeited during the year	(15,752)
Outstanding at the end of the year	1,399,385

The Performance Rights all expire on 30 June 2013 at which point they either convert or lapse, as per the terms of the Rights Plan.

The Performance Rights have a remaining contractual life of 2.2 years.

(c) Weighted average fair value

The weighted average fair value of Performance Rights granted during the year was $3.62 per Performance Right (2010: nil).

(d) Option pricing model

The Performance Rights issued have been valued using the Black Scholes option pricing model.

The following table lists the inputs to the valuation model for the year ending 30 April 2011:

	2011
Dividend yield	6.19%
Risk free rate	5.36%
Expected volatility	16.63%
Life of Performance Rights	940 days
Exercise price	—
Share price at measurement date	$4.20

18 TRADE AND OTHER PAYABLES (CURRENT)

	2011 $'m	2010 $'m
Trade payables	1,205.4	1,110.1
Accrued GST/Wine equalisation tax	25.8	42.2
Accrued marketing expenses	52.2	49.3
Accrued purchases and payroll expense	81.6	78.9
Other payables	11.5	13.9
	1,376.5	1,294.4

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 approximates their fair value.

19 INTEREST BEARING LOANS AND BORROWINGS

	2011 $'m	2010 $'m
Current		
Finance lease obligation (i)	8.6	7.8
	8.6	7.8
Non-current		
Finance lease obligation (i)	11.5	16.4
Bank loans — syndicated (ii)	500.0	500.0
Debt securitisation (iii)	320.0	240.0
Deferred borrowing costs	(5.0)	(7.0)
	826.5	749.4

(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 9.47% (2010: 8.71%). 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 31 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 Net Rent (EBITDAR) divided by Total Net Interest plus Net 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 quarterly. The applicable margin is dependent upon an escalation matrix linked to the senior leverage ratio achieved.

(iii) The securitisation facility is evergreen in nature, subject to the periodic renewal of liquidity support. The facility 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.

(a) FAIR VALUE

The carrying amount of the Group's current and non-current borrowings approximate their fair value. The weighted average effective interest rate on bank loans and debt securitisation for the year was 6.18% (2010: 6.45%).

(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 are disclosed in Note 24.

20 DERIVATIVE FINANCIAL INSTRUMENTS

	2011 $'m	2010 $'m
Current		
Foreign currency forward contracts (i)	1.4	0.6
	1.4	0.6

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

21 PROVISIONS

	2011 $'m	2010 $'m
Current		
Employee entitlements	60.5	77.5
Rental subsidy (i)	8.9	6.8
Restructuring (ii)	3.7	14.8
Other	0.3	0.7
	73.4	99.8
Non-current		
Employee entitlements	28.7	30.0
Rental subsidy (i)	25.5	31.7
	54.2	61.7
Total	127.6	161.5

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

	RENTAL SUBSIDY $'m	RESTRUCTURING $'m	OTHER $'m	TOTAL $'m
1 May 2010	38.5	14.8	0.7	54.0
Arising during the year	2.0	1.5	—	3.5
Utilised	(5.3)	(12.6)	(0.4)	(18.3)
Unused amounts released	(0.8)	—	—	(0.8)
30 April 2011	34.4	3.7	0.3	38.4

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.

22 OTHER FINANCIAL LIABILITIES

	2011 $'m	2010 $'m
Current		
Lease incentives	0.2	0.2
	0.2	0.2
Non-current		
Lease incentives	1.8	1.9
	1.8	1.9

23 CONTRIBUTED EQUITY AND RESERVES

	2011 $'m	2010 $'m
a) Ordinary shares:		
Issued and fully paid	1,904.9	1,892.2
	1,904.9	1,892.2

	2011		2010	
	NUMBER OF SHARES	$'m	NUMBER OF SHARES	$'m
Movements in ordinary shares on issue				
At 1 May	765,644,031	1,892.2	764,888,363	1,889.7
Issued during the year:				
– Exercise of employee options – At 392.5 cents per share	1,649,613	6.4	415,668	1.7
– Exercise of employee options – At 243.0 cents per share	—	—	340,000	0.8
– Exercise of employee options – At 401.3 cents per share	1,560,000	6.3	—	—
At 30 April	768,853,644	1,904.9	765,644,031	1,892.2

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

RESERVES

	SHARE-BASED PAYMENTS $'m	CAPITAL PROFITS $'m	CASH FLOW HEDGE RESERVE $'m	FOREIGN CURRENCY TRANSLATION $'m	TOTAL $'m
At 1 May 2009	17.1	12.8	—	(6.0)	23.9
Foreign currency translation adjustments	—	—	—	(0.6)	(0.6)
Share-based payments	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
Foreign currency translation adjustments	—	—	—	(0.3)	(0.3)
Share-based payments	2.6	—	—	—	2.6
Movement in fair value of derivatives	—	—	0.1	—	0.1
At 30 April 2011	22.3	12.8	—	(6.9)	28.2

Nature and purpose of reserves

Share-based payments reserve

This reserve is used to record the value of equity benefits provided to employees and executive directors as part of their remuneration. Refer to Note 17 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.

	2011 $'m	2010 $'m
Retained earnings		
At 1 May	166.0	129.7
Profit for the period	241.4	227.6
Dividends	(199.4)	(191.3)
At 30 April	208.0	166.0
Other equity		
At 30 April	(765.9)	(765.9)

The other equity account is used to record the reverse acquisition adjustment on application of AASB 3 Business Combinations in 2005. Refer also Note 2(a)(iv).

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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.

On 9 June 2010, the Group has entered into a number of interest rate swap contracts with various major Australian banks. The principal hedged is $300 million with a weighted hedge maturity of 2 years and a weighted average interest rate of 5.13%. The Group considers that these derivatives are effective hedges in accordance with AASB 139 Financial Instruments: Recognition and Measurement and therefore accounted for as cash flow hedges in accordance with the Group's stated accounting policies.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that, except as indicated, are not designated in cash flow hedges:

	2011 $'m	2010 $'m
Financial assets		
Cash and cash equivalents	152.9	210.6
	152.9	210.6
Financial liabilities		
Bank loans	(500.0)	(500.0)
Debt securitisation	(320.0)	(240.0)
Less: Interest rate swaps notional principal value — designated as cash flow hedges	300.0	—
	(520.0)	(740.0)
Net exposure	(367.1)	(529.4)

Refer to Note 19 for details of bank loans and debt securitisation.

The Group's treasury policy requires that core debt is hedged between a minimum and maximum range over certain maturity periods.

Core debt is defined as the minimum level of drawn debt which is expected to occur over the year.

As at 30 April 2011, the interest rate swap hedges of $300 million fell within the required range.

The interest rate swap contracts noted above have a fair value of $0.9 million (2010: nil) and are exposed to fair value movements if interest rates change.

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, given the current economic climate and the current levels of short and long term Australian interest rates. It is assumed within this calculation that all other variables have been held constant and that the borrowings are in Australian dollars. It also includes the impact any interest rate derivatives that the company may have in place.

	PROFIT AFTER TAX HIGHER/(LOWER)		OTHER COMPREHENSIVE INCOME HIGHER/(LOWER)	
	2011 $'m	2011 $'m	2010 $'m	2010 $'m
If interest rates were to increase by 0.50% (50 basis points)	(1.3)	(1.9)	2.9	—
If interest rates were to decrease by 0.25% (25 basis points)	0.6	0.9	(1.5)	—

The movements in profit are due to higher/lower interest costs from variable rate banking and other loans. The movement in other comprehensive income is due to cashflow hedge fair value adjustments on interest rate swap contracts.

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

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 four different sources of debt funding, of which 64.0% have been utilised at 30 April 2011.

Remaining contractual maturities

Remaining contractual liabilities consist of non-interest bearing trade and other payables amounting to $1,376.5 million for the Group and are due in 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.

YEAR ENDED 30 APRIL 2011	1 YEAR OR LESS $'m	1–5 YEARS $'m	MORE THAN 5 YEARS $'m	TOTAL $'m
Financial assets				
Cash and cash equivalents	152.9	—	—	152.9
Trade and other receivables	1,007.3	80.6	—	1,087.9
Derivative financial instruments	—	0.9	—	0.9
	1,160.2	81.5	—	1,241.7
Financial liabilities				
Trade and other payables	1,376.5	—	—	1,376.5
Finance lease liability	8.9	14.2	—	23.1
Bank and other loans	50.1	819.5	—	869.6
	1,435.5	833.7	—	2,269.2

YEAR ENDED 30 APRIL 2010	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
	1,351.6	811.1	—	2,162.7

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	GUARANTEES AND OTHER USAGE $'m	CASH $'m	FACILITY AVAILABLE $'m
Syndicated facility	700.0	500.0	—	—	200.0
Securitisation facility	400.0	320.0	—	—	80.0
Working capital/guarantees	150.0	—	28.6	—	121.4
Working capital	75.0	—	—	—	75.0
	1,325.0	820.0	28.6	—	476.4
Cash and cash equivalents	—	—	—	152.9	152.9
	1,325.0	820.0	28.6	152.9	629.3

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

Derivative financial liabilities

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

	1–6 MTHS $'m	6–12 MTHS $'m	1–5 YEARS $'m	>5 YEARS $'m	TOTAL $'m
Year ended 30 April 2011					
Derivative liabilities — net settled	—	—	—	—	—
Derivative liabilities — gross settled					
— Inflows	11.0	3.2	—	—	14.2
— Outflows	(12.0)	(3.6)	—	—	(15.6)
Net maturity	(1.0)	(0.4)	—	—	(1.4)
Year ended 30 April 2010					
Derivative liabilities — net settled	—	—	—	—	—
Derivative liabilities — gross settled					
— Inflows	8.3	1.3	—	—	9.6
— Outflows	(8.9)	(1.3)	—	—	(10.2)
Net maturity	(0.6)	—	—	—	(0.6)

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 2.1% of the receivables balance, indicating that the balances are actively and effectively managed.

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

FOREIGN CURRENCY RISK

The Groups exposure to foreign exchange fluctuations relates to transactions and balances in New Zealand dollars. The operations denominated in New Zealand dollars represent less than 5% of total sales and total profit after tax, and as such exposure is minimal.

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 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 these benefits in the form of the Metcash Employee Option Plan (MEOP) and the Metcash Executive and Senior Managers Performance Rights Plan (Rights Plan). Details are disclosed in Note 17.

The Board and management set out to achieve and maintain Statement of Financial Position ratios that would satisfy an investment grade rating. Certain 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 monitor capital through the gearing ratio (debt / total capital). The gearing ratios at 30 April 2011 and 2010 were 36.7% and 35.5% respectively. This is within an acceptable target range.

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

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 2011	LEVEL 1 $'m	LEVEL 2 $'m	LEVEL 3 $'m	TOTAL $'m
Derivative financial assets	—	0.9	—	0.9
Derivative financial liabilities	—	(1.4)	—	(1.4)
	—	(0.5)	—	(0.5)

YEAR ENDED 30 APRIL 2010	LEVEL 1 $'m	LEVEL 2 $'m	LEVEL 3 $'m	TOTAL $'m
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.

25 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 8.41%. 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:

	2011 $'m	2010 $'m
Within 1 year	158.5	148.7
After 1 year but not more than 5 years	552.6	481.2
More than 5 years	389.8	449.9
Aggregate lease expenditure contracted for at reporting date	1,100.9	1,079.8

(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 8.41%. The future lease payments expected to be received at the reporting date are:

	2011 $'m	2010 $'m
Within 1 year	73.8	58.5
After 1 year but not more than 5 years	283.7	201.3
More than 5 years	257.5	233.1
	615.0	492.9

(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 9.47% (2010: 8.71%). 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	
	2011 $'m	2010 $'m	2011 $'m	2010 $'m
Within 1 year	8.9	9.6	8.6	7.8
After 1 year but not more than 5 years	14.2	18.6	11.5	16.4
More than 5 years	—	—	—	—
	23.1	28.2	20.1	24.2
Less amounts representing finance charges	(3.0)	(4.0)	—	—
Present value of minimum lease payments	20.1	24.2	20.1	24.2

26 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 2011 %	2010 %
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
Cornerstone Retail Pty Ltd (formerly NZ Holdco Limited) (ii)	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	100
Garden Fresh Produce Trust	Australia	100	100
Gawler Supermarkets Pty. Ltd.	Australia	100	100
Global Liquor Wholesalers 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	100
IGA Pacific Pty Limited	Australia	100	100
IGA Retail Network Limited (ii)	Australia	100	100
IGA Retail Services Pty Limited	Australia	100	100
Independent Brands Australia Pty Limited (ii)	Australia	100	100
Jewel Food Stores Pty. Ltd.	Australia	100	100

26 RELATED PARTY DISCLOSURE CONTINUED

NAME	COUNTRY OF INCORPORATION	PERCENTAGE OF EQUITY INTEREST HELD BY THE CONSOLIDATED ENTITY	
		2011 %	2010 %
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	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
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

26 RELATED PARTY DISCLOSURE CONTINUED

* 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 LTD	
		2011 %	2010 %
ACN 008 698 093 (WA) Ltd Ltd	Australia	99.44	99.44
Anzam (Aust.) Pty Ltd	Australia	100	100
Australian Hardware Support Services Pty Ltd	Australia	100	100
Chelsea Heights Operations Pty Limited	Australia	100	100
DIY Superannuation Pty Ltd	Australia	100	100
Echuca Hardware Pty Ltd	Australia	100	100
Handyman Stores Pty Ltd	Australia	100	100
Hardware Property Trust	Australia	100	100
Himaco Pty Ltd	Australia	100	100
Lilydale Operations Pty Limited	Australia	100	100
Mega Property Management Pty Ltd	Australia	100	100
Mitre 10 Pty Ltd (formerly Mitre10 Limited)	Australia	100	100
Mitre 10 Australia Pty Ltd (formerly Mitre10 Australia Ltd)	Australia	100	100
Mitre 10 Mega Pty Ltd	Australia	100	100
Narellan Hardware Pty Ltd	Australia	100	100
National Retail Support Services Pty Ltd	Australia	100	100
South Coast Operations Pty Ltd	Australia	100	100
South West Operations Pty Ltd	Australia	100	100
Sydney Importing Co Limited (In Liquidation)	Australia	97.65	97.65
Timber and Hardware Exchange Pty Ltd	Australia	52.00	52.00
WA Hardware Services Pty Ltd	Australia	100	100

(b) ULTIMATE PARENT

Metcash Limited is the ultimate parent entity.

(c) ENTITIES SUBJECT TO CLASS ORDER RELIEF

Pursuant to an order from ASIC under section 340(1) of the Corporations Act dated 26 April 2006 which is based on Class Order 98/1418 (Order), relief has been granted to certain controlled entities of Metcash Limited, being those marked (i), from the Corporations Act requirements for preparation, audit and lodgment of their financial reports. As a condition of the Order, Metcash Limited and the controlled entities, being those marked as (i) (the Closed Group) entered into a Deed of Cross Guarantee on 27 April 2006 or assumption deed on 17 January 2007. The entities marked (ii) are also party to the Deed of Cross Guarantee, but are not eligible for inclusion in the financial reporting relief. The effect of the deed is that Metcash Limited has guaranteed to pay any deficiency in the event of winding up of these controlled entities. These controlled entities have also given similar guarantees in the event that Metcash Limited is wound up.

26 RELATED PARTY DISCLOSURE CONTINUED

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 2011 $'m	CLOSED GROUP 2010 $'m
(i) Statement of Comprehensive Income		
Profit before income tax	314.5	320.4
Income tax expense	(94.3)	(98.8)
Net profit for the period	220.2	221.6
Retained profits at the beginning of the financial year	161.5	131.2
Dividends provided for or paid	(199.4)	(191.3)
Retained profits at the end of the financial year	182.3	161.5
(ii) Statement of Financial Position		
ASSETS		
Current assets		
Cash and cash equivalents	116.9	177.3
Trade and other receivables	829.2	752.3
Inventories	907.8	755.3
Other	7.2	4.9
Total current assets	1,861.1	1,689.8
Non-current assets		
Receivables	80.6	65.4
Investments	2,547.5	2,450.4
Property, plant and equipment	92.9	127.0
Net deferred tax assets	17.8	14.3
Intangible assets and goodwill	1,045.9	1,036.8
Total non-current assets	3,784.7	3,693.9
Total assets	5,645.8	5,383.7
LIABILITIES		
Current liabilities		
Trade and other payables	1,101.9	1,078.5
Interest-bearing loans and borrowings	6.6	5.1
Income tax payable	12.0	43.5
Provisions	31.6	32.8
Total current liabilities	1,152.1	1,159.9
Non-current liabilities		
Interest-bearing loans and borrowings	3,117.0	2,886.5
Provisions	20.3	17.2
Total non-current liabilities	3,137.3	2,903.7
Total liabilities	4,289.4	4,063.6
NET ASSETS	1,356.4	1,320.1
EQUITY		
Contributed equity	1,904.9	1,892.2
Other equity	(765.9)	(765.9)
Reserves	35.1	32.3
Retained profits	182.3	161.5
TOTAL EQUITY	1,356.4	1,320.1

(d) TRANSACTIONS WITH RELATED PARTIES

RELATED PARTY		SALES TO RELATED PARTIES $'m	PURCHASES FROM RELATED PARTIES $'m	OTHER TRANSACTIONS WITH RELATED PARTIES $'m
Group				
Associates				
Sales to associates	2011	1,236.5	—	—
	2010	1,224.5	—	—
Dividends received from associates	2011	—	—	1.6
	2010	—	—	2.0

Other transactions with Key Management Personnel

Mr Barnes is Chairman of Samuel Smith and Sons Pty Ltd and a Director of Ansell. Mrs Balfour is a director of Salmat Limited. All organisations are suppliers to the Group under normal commercial terms and conditions. The total level of purchases from all 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 (2010: nil).

Subsidiaries

Dividend received	2011	—	—	—
	2010	—	—	199.1
Current tax payable/ (receivable)	2011	—	—	16.9
assumed from wholly owned consolidated entities	2010	—	—	43.6
Management fees received	2011	—	—	461.3
	2010	—	—	177.3
Interest accrued	2011	—	—	251.1
	2010	—	—	174.7

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 agreement are set out in Note 5.

(e) AMOUNTS DUE FROM OR PAYABLE TO RELATED PARTIES

RELATED PARTY	2011 $'m	2010 $'m
Group		
Associates		
Trade receivables	139.7	105.9
Loans receivable	56.3	46.2
Parent		
Subsidiaries		
Loans receivable	1,562.4	1,314.4
Loans payable	3,445.7	3,194.3

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

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

For the year ending 30 April 2011, the Group has not made any allowance for impairment loss relating to trade receivables or loans due from associates.

27 DIRECTORS' AND EXECUTIVES' DISCLOSURES

(a) Details of Key Management Personnel

DIRECTORS		EXECUTIVES	
Carlos S dos Santos (i)	Former Non-executive Chairman	Ken Bean	CEO Group Logistics and Corporate Development
Peter L Barnes	Non-executive Chairman	Fergus Collins	CEO Australian Liquor Marketers
Andrew Reitzer	Chief Executive Officer	Peter Dubbelman	CEO Campbells Wholesale
Fiona E Balfour (ii)	Non-executive Director	Adrian Gratwicke (iv)	Chief Financial Officer
Michael R Butler	Non-executive Director	Bernard Hale	Chief Information Officer
Neil D Hamilton	Non-executive Director	Michael Jablonski (v)	Group Merchandise Director
Edwin M Jankelowitz (iii)	Non-executive Director	David Johnston	Chief Human Resources Officer
Richard A Longes	Non-executive Director	Mark Laidlaw	CEO Mitre10
V Dudley Rubin	Non-executive Director	Silvestro Morabito	CEO IGA Distribution
		Harry Rumpler	CEO IGA Fresh
		Greg Watson (vi)	General Counsel and Company Secretary

(i) Mr dos Santos retired from the Metcash Board on 2 September 2010 and was not considered a Key Management Personnel subsequent to this date.
(ii) Mrs Balfour was appointed to the Metcash Board on 16 November 2010.
(iii) Mr Jankelowitz retired as Finance Director on 31 March 2011 and became a non-executive Director on 1 April 2011
(iv) Mr Gratwicke appointed Chief Financial Officer on 17 January 2011
(v) Mr Jablonski retired from the Metcash Board on 2 September 2010 and continues in his Executive role as Group Merchandise Director.
(vi) Mr Watson appointed General Counsel and Company Secretary on 24 December 2010

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) (i) OPTION HOLDING OF KEY MANAGEMENT PERSONNEL (MEOP)

30 APRIL 2011	BALANCE AT BEGINNING OF PERIOD 1 MAY 2010	GRANTED AS REMUNERATION	OPTIONS EXERCISED	OTHER ADJUSTMENTS	BALANCE AT END OF PERIOD 30 APRIL 2011	VESTED AT 30 APRIL 2011 TOTAL	VESTED AT 30 APRIL 2011 EXERCISABLE
Directors							
C S dos Santos (i)	—	—	—	—	—	—	—
P Barnes	—	—	—	—	—	—	—
M Butler	—	—	—	—	—	—	—
F Balfour	—	—	—	—	—	—	—
R Longes	—	—	—	—	—	—	—
D Rubin	—	—	—	—	—	—	—
A Reitzer	1,200,000	—	—	—	1,200,000	1,200,000	960,000 [1]
M Jablonski (ii)	650,000	—	(520,000)	—	130,000	130,000	— [1]
E Jankelowitz (iii)	650,000	—	(520,000)	—	130,000	130,000	— [1]
Executives							
K Bean	400,000	—	—	—	400,000	400,000	400,000
F Collins	50,000	—	—	—	50,000	50,000	50,000
P Dubbelman	400,000	—	(400,000)	—	—	—	—
A Gratwicke	543,000	—	(33,000)	—	510,000	310,000	310,000
B Hale	650,000	—	—	—	650,000	650,000	520,000 [1]
M Laidlaw (iv)	—	—	—	400,000	400,000	260,000	260,000
D Johnston	400,000	—	(320,000)	—	80,000	80,000	80,000
S Morabito	399,700	—	(12,575)	—	387,125	247,125	247,125
H Rumpler	550,000	—	—	—	550,000	350,000	350,000
G Watson (iv)	—	—	—	362,000	362,000	222,000	222,000
Total	5,892,700	—	(1,805,575)	762,000	4,849,125	4,029,125	3,399,125

(i) Mr dos Santos retired from the Metcash Board on 2 September 2010.
(ii) Mr Jablonski retired from the Metcash Board on 2 September 2010 and continues in his Executive role as Group Merchandise Director.
(iii) Mr Jankelowitz retired as Finance Director on 31 March 2011 and was appointed Non-Executive Director on 1 April 2011.
(iv) Mr Laidlaw and Mr Watson were appointed to key management personnel roles during the year. Their option holdings at the time of appointment are shown as other adjustments.
1 Final 20% of the options granted in 2005 did not meet the performance hurdle and did not vest. These options will be cancelled from the register on 2 September 2011.

27 DIRECTORS' AND EXECUTIVES' DISCLOSURES CONTINUED

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	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 (i)	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 (ii)	—	—	(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

(i) Mr Jardin resigned from the Metcash Board on 9 February 2010 and ceased to be a key management person at this time.
(ii) Mr Morabito was appointed CEO IGA Distribution 17 February 2010. Mr Morabito held 400,000 options prior to his appointment, these are reflected as other adjustments.

(b) (ii) PERFORMANCE RIGHTS HOLDING OF KEY MANAGEMENT PERSONNEL

30 APRIL 2011	BALANCE AT BEGINNING OF PERIOD 1 MAY 2010	GRANTED AS REMUNERATION	BALANCE AT END OF PERIOD 30 APRIL 2011
Directors			
P Barnes	—	—	—
M Butler	—	—	—
F Balfour	—	—	—
R Longes	—	—	—
D Rubin	—	—	—
A Reitzer	—	—	—
M Jablonski (i)	—	70,171	70,171
E Jankelowitz (ii)	—	—	—
Executives			
K Bean	—	58,159	58,159
F Collins	—	53,923	53,923
P Dubbelman	—	54,514	54,514
A Gratwicke	—	59,770	59,770
B Hale	—	58,053	58,053
D Johnston	—	45,728	45,728
M Laidlaw	—	49,166	49,166
S Morabito	—	70,171	70,171
H Rumpler	—	42,479	42,479
G Watson	—	23,628	23,628
Total	—	585,762	585,762

(i) Mr Jablonski retired from the Metcash Board on 2 September 2010 and continues in his Executive role as Group Merchandise Director.
(ii) Mr Jankelowitz retired as Finance Director on 31 March 2011 and was appointed non-executive Director on 1 April 2011.

27 DIRECTORS' AND EXECUTIVES' DISCLOSURES CONTINUED

(c) SHAREHOLDING OF KEY MANAGEMENT PERSONNEL

30 APRIL 2011	BALANCE AT BEGINNING OF PERIOD 1 MAY 2010	GRANTED AS REMUNERATION	ON MARKET TRADE	OPTIONS EXERCISED	OTHER ADJUSTMENTS	BALANCE AT AT END OF PERIOD 30 APRIL 2011
Directors						
C S dos Santos (i)	54,100	—	—	—	—	54,100
P Barnes	177,083	—	—	—	—	177,083
A Reitzer	1,750,000	—	—	—	—	1,750,000
F Balfour (iv)	—	—	—	—	13,600	13,600
M Butler	50,000	—	—	—	—	50,000
N Hamilton	20,000	—	—	—	—	20,000
M Jablonski (ii)	—	—	(520,000)	520,000	—	—
E Jankelowitz (iii)	320,000	—	(520,000)	520,000	—	320,000
R Longes	128,154	—	—	—	—	128,154
D Rubin	15,000	—	—	—	—	15,000
Executives						
K Bean	—	—	—	—	—	—
F Collins	1,600	—	—	—	—	1,600
P Dubbelman	50,350	—	(400,000)	400,000	—	50,350
A Gratwicke	45,950	—	(25,000)	33,000	—	53,950
B Hale	610,000	—	(110,000)	—	—	500,000
D Johnston	80,000	—	(320,000)	320,000	—	80,000
M Laidlaw	—	—	—	—	—	—
S Morabito	5,700	—	—	12,575	—	18,275
H Rumpler	—	—	—	—	—	—
G Watson	—	—	—	—	—	—
Total	3,307,937	—	(1,895,000)	1,805,575	13,600	3,232,112

(i) Mr dos Santos retired from the Metcash Board on 2 September 2010.
(ii) Mr Jablonski retired from the Metcash Board on 2 September 2010 and continues in his Executive role as Group Merchandise Director.
(iii) Mr Jankelowitz retired as Finance Director on 31 March 2011 and was appointed Non-Executive Director on 1 April 2011.
(iv) Mrs Balfour was appointed to the Metcash Board on 16 November 2010. Her shareholding as at that date is reflected as an other adjustment.

30 APRIL 2010	BALANCE AT BEGINNING OF PERIOD 1 MAY 2009	GRANTED AS REMUNERATION	ON MARKET TRADE	OPTIONS EXERCISED	OTHER ADJUSTMENTS	BALANCE AT AT END OF 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 (i)	—	—	—	—	—	—
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 (ii)	—	—	—	300	5,400	5,700
H Rumpler	—	—	—	—	—	—
Total	3,481,529	—	(526,292)	347,300	5,400	3,307,937

(i) Mr Jardin resigned from the Metcash Board on 9 February 2010 and ceased to be a key management personnel at this time.
(ii) Mr Morabito was appointed CEO IGA Distribution 17 February 2010. Mr Morabito held 5,400 shares prior to his appointment, these are reflected as other adjustments.

27 DIRECTORS' AND EXECUTIVES' DISCLOSURES CONTINUED

(d) COMPENSATION BY CATEGORY

	2011 $'m	2010 $'m
Short-term	13.5	12.3
Long-term	3.2	3.0
Post employment	0.3	0.2
Termination benefits	0.6	—
Share-based payments	0.4	0.4
Total	18.0	15.9

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.

(e) LOANS TO KEY MANAGEMENT PERSONNEL

During the year, Metcash Limited provided a loan to H Rumpler of $93,500 repayable within 5 months at an interest rate of 6.65%. The loan was repaid during the year.

There are no other transactions and balances with key management personnel.

28 AUDITORS REMUNERATION

	2011 $	2010 $
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	1,553,000	1,455,300
— other services in relation to the entity and any other entity		
in the consolidated entity		
— tax compliance	1,585,323	1,237,065
— assurance related	129,900	311,255
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
— tax compliance	66,648	10,230
	3,334,871	3,013,850

29 BUSINESS COMBINATIONS

CURRENT YEAR BUSINESS COMBINATIONS

The Group acquired the trade and assets of the following entities:

DATE OF ACQUISITION	ENTITY PURCHASED	% ACQUIRED
24 May 2010	Cellarbrations at Sunbury Victoria (Sunbury)	100% (1)
14 September 2010	Cellarbrations at Cottlesloe Western Australia (Cottlesloe)	100% (1)
30 June 2010	G W & V Wise Pty Ltd (Echuca)	100% (1) (2)
30 September 2010	Wallington Hardware & Timber Pty Ltd (Wallington)	100% (1) (2)
9 March 2011	Club Partners	100% (1)
8 February 2011	Mitre 10 Bega, Eden and Pambulla (Sapphire Coast)	100% (1) (2)
16 November 2010	Mitre 10 Narellan (Narellan)	100% (1) (2)

(1) Acquisitions of business assets
(2) Acquisitions made by Mittenmet Limited Group — Mitre10

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

	TOTAL $'m
(a) Purchase consideration:	
Cash paid to date	14.9
Total purchase consideration	14.9
Less cash acquired	—
Net purchase consideration	14.9
Fair value of net identifiable assets acquired (b)	(13.1)
Goodwill	1.8
(b) Assets and liabilities acquired	
The assets and liabilities arising from the acquisition are as follows:	
Trade and other receivables	0.2
Assets held for sale	5.3
Property, plant and equipment	1.3
Inventory	6.6
Other assets	0.4
Creditors and employee benefits provision	(0.7)
Fair value of net identifiable assets acquired	13.1

The fair value of the identifiable assets and liabilities of Sunbury, Cottlesloe, Echuca, Wallington, Club Partners, Sapphire Coast and Narellan approximated their carrying values at the dates of acquisition.

The results of Sunbury, Cottlesloe, Echuca, Wallington, Club Partners, Sapphire Coast and Narellan from acquisition to 30 April 2011 have not been disclosed separately as they are not significant to the total Group results.

The revenue and results of the total Group for the period ended 30 April 2011, as though Sunbury, Cottlesloe, Echuca, Wallington, Club Partners, Sapphire Coast and Narellan had been acquired on 1 May 2010, 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 2011.

29 BUSINESS COMBINATIONS CONTINUED

PRIOR PERIOD ACQUISITIONS

On 25 March 2010 the Group acquired 50.1% of the Mitre 10 business 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. The following are subsequent purchase accounting adjustments:

PURCHASE PRICE ACCOUNTING ADJUSTMENTS

PURCHASE CONSIDERATION:	INITIAL $'m	FINAL $'m	ADJUSTMENT $'m
Cash paid to date	55.2	59.1	3.9 [1]
Direct costs relating to the acquisition	3.4	3.4	—
Total purchase consideration	58.6	62.5	3.9
Less cash acquired	(10.9)	(14.8)	(3.9) [1]
Net purchase consideration	47.7	47.7	—
Stamp duty and other adjustments	—	1.3	1.3 [2]
Fair value of net identifiable assets acquired (see below)	(20.4)	(15.7)	4.7
Goodwill	27.3	33.3	6.0
Assets and liabilities acquired			
The assets and liabilities arising from the acquisition are as follows:			
Accounts receivable	107.7	107.6	0.1 [3]
Prepayments	0.8	0.8	—
Assets held for sale	4.0	4.0	—
Property, plant and equipment	18.8	18.8	—
Inventory	28.3	26.0	2.3 [4]
Joint venture investment	6.1	6.1	—
Trademark	27.2	27.2	—
Customer supply 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)	(125.3)	2.3 [5]
Borrowings	(12.8)	(12.8)	—
Non controlling interest	(55.1)	(55.1)	—
Fair value of net identifiable assets acquired attributable to the parent	20.4	15.7	4.7

Notes:

1. The acquisition of Mitre 10 provided for a "true up" of the final purchase consideration payable by Metcash for the partly paid shares issued by Mittenmet Limited. In accordance with the formula set out in the Mitre 10 Scheme Booklet the final call was determined to be $31.505m. As these amounts were advanced to the Mitre 10 group by Metcash Trading Limited at the date of acquisition, no additional cash flow has occurred. In addition, there has been no change to the business combination accounting as a result of the true up and no additional goodwill arises on this transaction.
2. Stamp duty paid for land held in New South Wales amounted to $1.1 million
3. Impairment adjustment required on trade debtor at completion date
4. Adjustment to provision for impairment
5. Adjustments to acquisition accruals and provision balances including contingent liabilities

In the prior period ended 30 April 2010, the Group acquired the assets of the following entities:

DATE OF ACQUISITION	ENTITY PURCHASED	% ACQUIRED
11 May 2009	Fresh Market Meat (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.

30 EARNINGS PER SHARE

	2011 \$'m	2010 \$'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	241.4	227.6
Earnings used in calculating basic and diluted earnings per share	241.4	227.6
	NUMBER	NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	767,676,470	765,178,865
Effect of dilutive securities		
Share options and performance rights	1,133,920	1,129,914
Weighted average number of ordinary shares used in calculating diluted earnings per share	768,810,390	766,308,779

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.

31 CONTINGENT LIABILITIES

	2011 \$'m	2010 \$'m
The Group has granted bank guarantees to third parties in respect of property lease obligations to the value of	23.6	19.2
The Group has granted bank guarantees in respect of Workcover in Western Australia	3.8	3.2
The Group has granted stand by letter of credits	1.2	—
The total face value of the outstanding charges due to American Express under the charge card arrangement is	253.7	146.0
The Group has granted put options to third parties to the value of	13.5	13.3

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 Group has granted put options relating to the sale of retail store assets to certain customers and associates. The holders of the put option have the right to "put" these non-financial assets back to the Group 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.

AUSTRALIAN TAXATION OFFICE

Metcash has received notices of amended assessments dated 26 May 2011 and 13 June 2011 from the Australian Taxation Office (ATO) seeking payment of a total of \$48.8 million. The amended assessments are in relation to a disputed tax liability arising from the sale of various ex-Action Supermarket retail businesses (Action Stores) during the 2007 and 2008 fiscal years that resulted in a net loss. The Action Stores were acquired by Metcash in fiscal 2006 as a part of the acquisition of Foodland Associated Limited (FAL), and were sold as part of Metcash's ongoing business activities to enhance Australia's independent retailer network. The total amount in dispute comprises primary tax of \$32.9 million and then flowing from that, interest and penalties of \$15.9 million. Metcash intends to challenge the amended assessments, which assert that the net tax losses from the sale of the Action Stores should be treated as being on capital account. These net tax losses were incurred as part of Metcash's ordinary business activities and as such, Metcash considers the correct treatment to be on revenue account. Metcash has received external advice in relation to the dispute. Metcash has lodged objections to these amended assessments, and if necessary will appeal the decision to the Federal Court. Metcash is firmly of the opinion that the treatment it has adopted is appropriate to the circumstances. Based on the strength of its position, Metcash has not recorded an expense in relation to the amended assessments in the current year results presented in these financial statements.

FRANKLINS

Following the termination of the Franklins supply contract in January 2005, Franklins commenced proceedings against Metcash for unquantified damages, alleging failure to pass on all rebates to which Franklins was entitled. Metcash and Franklins have agreed that no further action will be taken regarding these proceedings, pending the outcome of the current acquisition proceedings involving the ACCC. Refer also to Note 4.

32 SUBSEQUENT EVENTS

There have been no significant events subsequent to balance date.

DIRECTORS' DECLARATION

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

1. In the opinion of the directors:
   a. The financial statements, notes and the additional disclosures included in the directors' report designated as audited, of Metcash Limited are in accordance with the *Corporations Act 2001*, including:
      i. Giving a true and fair view of its financial position as at 30 April 2011 and of its performance for the year ended on that date; and
      ii. Complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and
   b. The financial statements and notes also comply with international Financial Reporting Standards as disclosed in note 2(a)
   c. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 April 2011.
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 26 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

7 July 2011

AUDITOR'S INDEPENDENCE DECLARATION

ERNST & YOUNG

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Auditor's Independence Declaration to the Directors of Metcash Limited

In relation to our audit of the financial report of Metcash Limited for the financial year ended 30 April 2011, 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

M J Wright

Michael J Wright
Partner
7 July 2011

INDEPENDENT AUDITOR'S REPORT

ERNST & YOUNG

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Independent auditor's report to the members of 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 2011, 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 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

ERNST & YOUNG

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 consolidated entity's financial position at 30 April 2011 and of its 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 55 of the directors' report for the year ended 30 April 2011. 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 2011, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

M J Wright

Michael J Wright
Partner
Sydney
7 July 2011

ASX ADDITIONAL INFORMATION

Year ended 30 April 2011

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

The information is current as at 7 July 2011.

(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	8,079
1,001—5,000	21,537
5,001—10,000	6,464
10,001—100,000	4,255
100,001—9,999,999,999	154
Total	40,489

There were 535 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 SHARES
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	195,541,168	25.430
NATIONAL NOMINEES LIMITED	100,218,015	13.033
J P MORGAN NOMINEES AUSTRALIA LIMITED	87,675,307	11.402
CITICORP NOMINEES PTY LIMITED	37,683,082	4.901
CITICORP NOMINEES PTY LIMITED <CFS WSLE GEARED SHR FND A/C>	18,499,715	2.406
RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	16,615,246	2.161
COGENT NOMINEES PTY LIMITED	8,832,533	1.149
AMP LIFE LIMITED	7,698,893	1.001
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	5,990,487	0.779
COGENT NOMINEES PTY LIMITED <SMP ACCOUNTS>	5,196,192	0.676
RBC DEXIA INVESTOR SERVICES AUSTRALIANOMINEES PTY LIMITED	5,002,259	0.651
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	4,750,000	0.618
MILTON CORPORATION LIMITED	4,520,560	0.588
CITICORP NOMINEES PTY LIMITED <CFSIL CWLTH AUST SHS 1 A/C>	4,300,000	0.559
RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <GSAM A/C>	2,961,435	0.385
QUEENSLAND INVESTMENT CORPORATION	2,873,314	0.374
BOND STREET CUSTODIANS LIMITED <MACQUARIE ALPHA OPPORT A/C>	2,279,951	0.297
CITICORP NOMINEES PTY LIMITED <CFSIL CWLTH AUST SHS 14 A/C>	2,232,000	0.290
CITICORP NOMINEES PTY LIMITED <CWLTH BANK OFF SUPER A/C>	2,194,380	0.285
CITICORP NOMINEES PTY LIMITED <CFS WSLE LEADERS FUND A/C>	2,134,938	0.278
	517,199,475	67.263

(c) SUBSTANTIAL SHAREHOLDERS

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

	NUMBER OF SHARES
Deutsche Bank AG	47,922,622
Maple-Brown Abbott Limited	46,258,072
National Australia Bank Limited Group	45,834,093
Westpac Banking Corporation (BT Investment Mgt)	42,855,586
Commonwealth Bank of Australia	38,417,050

(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

Peter Barnes (Chairman)
Andrew Reitzer (CEO)
Fiona Balfour
Michael Butler
Neil Hamilton
Edwin Jankelowitz
Richard Longes
V Dudley Rubin

COMPANY SECRETARY

Greg Watson

REGISTERED OFFICE

50 Waterloo Road
Macquarie Park NSW 2113

Telephone: 61 2 9751 8200

SHARE REGISTER

Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001

Telephone: 61 2 9290 9600
Facsimile: 61 2 9279 0664

AUDITOR

Ernst & Young

INTERNET ADDRESS

www.metcash.com

NATIONAL OFFICE

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Silverwater Business Centre NSW 1811

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Postal Address
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Silverwater Business Centre NSW 1811

AUSTRALIAN LIQUOR MARKETERS HEAD OFFICE

Ph: 61 2 9741 3000
Fax: 61 2 9741 3009

4 Newington Road
Silverwater NSW 2128

Postal Address
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Silverwater Business Centre NSW 1811

CAMPBELLS WHOLESALE HEAD OFFICE

Ph: 61 2 9741 3000
Fax: 61 2 9751 8298

4 Newington Road
Silverwater NSW 2128

Postal Address
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Silverwater Business Centre NSW 1811

MITRE 10 HEAD OFFICE

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Hallam VIC 3803

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Doveton VIC 3177

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