Metcash Limited
ABN 32 112 073 480

Annual Report
2012

Strengthening the Independents




About Metcash

Metcash Limited (Metcash) is Australia's leading wholesale distribution and marketing company specialising in grocery, fresh produce, liquor, hardware and automotive parts and accessories.

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

– Metcash Food & Grocery (now including IGA Distribution (IGA>D), IGA Fresh, Campbells Wholesale and Merchandising);
– Australian Liquor Marketers (ALM);
– Mitre 10; and
– Automotive Brands Group (ABG) (acquired July 2012).

The Food & Grocery and Australian Liquor Marketers pillars are wholly owned by Metcash. The company has announced it intends to exercise its right to acquire the 49.9% of Mitre 10 it does not own and thereby move to 100% ownership. Metcash has also purchased 75.1% of the Automotive Brands Group in July 2012.

Predominantly, Metcash's customers are independently owned grocery, liquor and hardware stores. The range will be broadened to include independently owned car parts and accessories stores following the Automotive Brands Group acquisition.

Metcash's mission is to be the champion of the independent retailer. It champions the interests of the independent grocery, liquor, hardware and automotive parts and accessories 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 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 brands. Our merchandising ability, distribution logistics and warehousing capabilities provide the basis for our independent retail customers the leverage to meet the needs of their consumers.

Our Values

Our core values represent who we are and define how we do business. These include:

– **C**hampioning the Customer
– **O**ur Stakeholders are Entitled to Added Value
– **R**esponsibility and Personal Accountability
– **E**mpowering our People and Supporting our Community

These values underpin the way we interact with each other and our business partners. We measure how well we live the values in our performance management process.

Our Priorities

– Provide 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.
– Ensuring our employees are empowered and committed to organisation goals through improved development programs and communication channels.
– Working in partnership with our stakeholder network to ensure that we meet our shared and individual goals.

Annual General Meeting

Thursday 30 August 2012

2.30pm Sydney Room

Sofitel Hotel
61-101 Phillip Street, Sydney NSW

Chairman and CEO's Report

Wholesale sales increased by 1.9% to $12.6 billion, and underlying EBITA improved by 3% to $451.2 million.

Metcash increased underlying earnings per share to 34.1 cents which compares favourably with the 33.4 cents achieved in the previous corresponding period.

Despite the conditions that have beset the Australian retail industry, Metcash has delivered a result in line with guidance and market expectations. The groundwork has also been laid for new growth initiatives.

The past year has continued to see prices and margins come under pressure from the deflationary impacts of the high Australian dollar. Consumer sentiment remained weak and shoppers became increasingly value conscious, preferring to purchase items only when discounted.

It is a testament to our strong management team and the resilience of our business model that the Board has been able to declare a final dividend of 16.5 cents taking the full year fully franked dividend to 28.0 cents, representing an increase of 3.7% on the prior full year and a payout ratio of 82% of underlying Earnings Per Share.

Underlying profits exclude a significant items expense of $176.7 million gross ($135.6 million after tax), including joint venture impairment of $105.7 million, group restructuring costs of $42.5 million and Franklins acquisition and restructuring costs of $28.5 million. There were also discontinued losses related to Franklins of $38.9 million gross ($27.2 million after tax). The final reported net profit after tax for the full year is $90 million.

The joint venture impairment relates to two of our IGA retail joint ventures in Queensland. The businesses experienced significant trading difficulties due to a combination of poor weather, natural disasters and the high Australian dollar impacting tourism, and both companies over extending themselves. Metcash was asked to assist in developing work-out plans to restructure the companies, which will result in the closure of unprofitable stores, the sale of other stores to release cash and the significant restructuring of overheads and costs. Unfortunately, this has led to the Walters family deciding to exit from all of their IGA stores, while the Cornetts business will be reduced in scale so that it can again become a viable operating concern.

With tough trading conditions and a need to adapt to a changing market environment, management announced it would undertake a review of the company's operations in December 2011. The Review was designed to identify opportunities to place Metcash in a stronger position by cutting costs where possible, investing for growth where necessary and ensuring investors receive strong returns into the future. It was conducted throughout January to March and the results announced to the market in April.

The Review resulted in a number of strategic initiatives which has seen the consolidation of IGA Distribution, Merchandising, Fresh and Campbells Wholesale to create Metcash Food & Grocery. It combined the different business pillars' property functions in order to better identify and bring to fruition new site opportunities to achieve maximum leverage across the portfolio of brands and customer retail offers. The Marketing function was also centralised and expanded to ensure improved execution and greater 'share of voice' in the marketplace.

Despite the tough market conditions, the market share of the IGA network dipped only marginally by 0.4%. We have further enhanced the network by opening 58 new stores, completing extensions to 19 existing stores and converting six more independent retailers to IGA. A further 79 sites have been refurbished. These actions have added some 63,215 square metres of floor space to the IGA network.

The IGA network grew in New South Wales with the addition of 46 Franklins stores being handed over to independent retailers or being under sale agreement; nine franchisee stores have converted to Supa IGA with another one in the process of converting; 18 stores are in negotiation; and 16 stores are still to be transitioned out of Metcash ownership to be sold to other companies or closed.

Campbells Cash & Carry branches in regional and rural areas were impacted by the ongoing decline of the traditional 'mom and pop' convenience trade. This was exacerbated by the worsening trading environment and in particular $1 milk and bread pricing by the chains. Campbells Cash & Carry EBITA fell by 46.9% as a result.

Mitre 10 added a net 25,000 square metres of floor space to its network as a result of 17 stores being converted to the Mitre 10 brand, extensions to 10 additional stores, and five new Grocery and Hardware Concept stores being introduced. A third joint venture was announced recently with the Fagg's group in Victoria, this will provide a further platform for growth within the Mitre 10 network. Mitre 10 achieved sales growth of 4.5%, encouraging the Board to exercise its call rights to acquire full ownership of the company.

ALM continued to outperform the market. The IBA stores, which include Cellarbrations, IGA Plus Liquor and The Bottle-O, along with ALM's strategic partner, Thirsty Camel, turned in excellent sales growth, on a like-for-like basis ALM's sales increased by 3.6%, an outstanding performance in a falling liquor market.

Equity Raising

Metcash announced an equity raising which comprised a fully underwritten institutional placement in order to raise $325 million and a non-underwritten Share Placement Plan to all eligible shareholders.

The equity raised will be used to fund identified acquisitions and growth opportunities, as well as providing financial flexibility to pursue additional future opportunities. An initial focus is the purchase of the car parts and accessories retailer, ABG for an initial cost of $53.8 million for 75.1% of the company; the purchase of the shares in Mitre 10 not already held by Metcash, expected to cost $67 million (including a JV investment); and the automation upgrade of the first Distribution Centre at a cost of $70-80 million.

ABG is Australia's largest privately owned distributor and franchise operator in the automotive parts after-market sector. Its business covers a network of 241 automotive stores that operate through the Autobarn franchise, the trade-based Autopro dealer group and to other independents through its Car Parts division. ABG is the third largest company in this sector, with a 7% share of a $5.6 billion national market. If Metcash chooses to buy the remaining 24.9% of the business in three to five years, the total cost will be approximately $72 million.

Metcash plans to start upgrading its Distribution Centres, a project that will take a number of years to complete. Utilising the latest technology from Europe, order selection processes will be upgraded and manual handling reduced. This is expected to significantly lower the cost of doing business and lower OH&S risks. The new equipment will improve picking efficiencies in the Distribution Centre and make it easier for retailers as it has the capability to pick store orders in the exact store layout sequence, speeding up unpacking and restocking. This also allows denser pallet assembly, which will reduce transport costs and eliminate errors in handling. The distribution upgrade will reduce costs for both Metcash and its retailer customers.

In addition, the equity raising will also provide Metcash with funding for other bolt-on acquisition opportunities within existing business pillars, which we are currently evaluating. Completion of these acquisitions is expected within six months.

The Metcash Model

Metcash will continue to champion the independent retailer, which is the core of our business. As a wholesale distribution and marketing company, we continue to provide independent retailers with the means to compete effectively. Our buying power with suppliers, world-class logistics systems and extensive merchandising, marketing and operational support sets us, and our independent retailers, apart from the competition.

A prime focus is also our sense of corporate responsibility to the communities that we serve. 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, which together with affiliated programs, has raised more than $60 million during the last 10 years for local community groups and not-for-profit organisations.

Again, we would like to thank all of our shareholders, our dedicated staff, loyal customers, suppliers and other stakeholders for their continued faith and support for the company. We believe that we are about to enter a new and very exciting chapter in the company's history, and we look forward to you being with us on the journey ahead.

"Metcash will continue to champion the independent retailer, which is the core of our business. As a wholesale distribution and marketing company, we continue to provide independent retailers with the means to compete effectively."

Andrew Reitzer
CEO Metcash Group of Companies

Peter Barnes
Chairman

Metcash Food & Grocery

Metcash's largest pillar services in excess of 3,100 independent retailers, including IGA supermarkets, Lucky 7 convenience stores and other banner groups.

Through its national network of warehouses, Metcash Food & Grocery delivers competitive wholesale prices for the independent outlets. The division also supplies marketing, merchandising and buying services to the retailers.

Metcash Food & Grocery comprises IGA Distribution, IGA Fresh, Campbells Wholesale and Merchandising. The consolidation of these groups into one pillar was the result of the business restructuring that took place in January.

This year the pillar achieved wholesale sales of $7,711.5 million, EBITA of $380.8 million – an EBITA margin of 4.94%. This solid growth was achieved despite continued price deflation in a highly competitive and tough market.

A major highlight of the year was the completion of the acquisition of Interfrank Group Holdings Pty Ltd, the owner of the Franklins chain of 90 supermarkets, comprising 80 corporate stores and supply to 10 franchised stores, for a consideration of approximately $190 million.

Metcash took operational control of Franklins on 30 September, 2011. The conversion of the stores to the IGA brand, under independent owners, is currently underway.

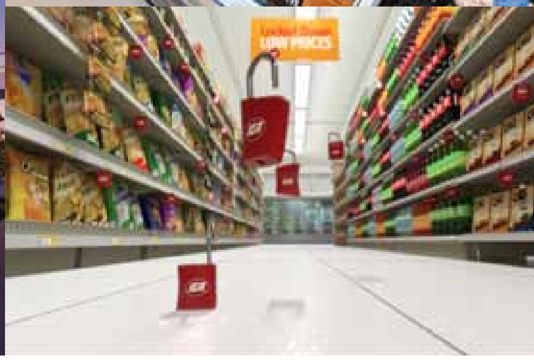
All existing Franklins' franchisees have converted to the Supa IGA format. The integration of the Franklins support office functions into Metcash has almost been completed.

Metcash Food & Grocery commenced operation of its new Huntingwood distribution facility in Sydney during November 2011 integrating the NSW logistics and supply chain into one of the most modern and environmentally friendly distribution centres in Australia.

Other highlights for Metcash Food & Grocery included adding 63,215 square metres of new stores, conversions and extensions to the network. This included adding 58 new stores; extensions to 19 existing sites; refurbishments to 79 existing sites; and converting six stores to IGA.

In the Fresh Foods area, Metcash built and commissioned a full service meat processing facility in WA; launched the fresh food franchise model, Harvest Market; as well as unveiling a new private label in Bakery.

During the year Metcash Food & Grocery created the 'Your Favourite Brands' Program to cement IGA's position as the champion of consumer brands and its strong and ongoing support to local and national brand suppliers. The ongoing 'Locked Down Low Prices' promotional program continued to deliver value for customers. This program enjoys strong support from retailers, suppliers and consumers.



Other activity included the continued development of retailer web portals, the IGA Application for online shopping and consumer websites. The IGA Application for computers and smart phones is able to scan more than 20,000 products to create shopping lists and recipe information.

Metcash Food & Grocery continued to support the communities in which it works. IGA Community Chest and associated IGA community programs continued to underpin the activities of many charities and other philanthropic ventures and this year achieved the milestone of having donated $60 million to worthwhile causes since inception. More than $7 million of this was donated to local schools, clubs and charities during the last 12 months.

Australian Liquor Marketers

Australian Liquor Marketers (ALM) is a broad-range liquor wholesaler, supplying more than 15,000 hotels, liquor stores, restaurants and other licensed premises throughout Australia.

ALM's wholly owned subsidiary Tasman Liquor Company also operates in a similar market in New Zealand.

ALM and its related businesses operate out of 15 distribution centres located in each state and territory in Australia and New Zealand.

Established in December 2003, Independent Brands Australia (IBA) was established in order to create strong national brands, and provide a suitable framework for independent liquor retailers to compete with the chains and secure their long-term sustainability. It provides strong marketing support and a wide variety of retail services to its independent retailer network ensuring high standards of execution and access to joint buying power.

IBA has four national independent retail brands: Cellarbrations, IGA Liquor, Bottle-O and Bottle-O Neighbourhood. These banners serve as a key retail partner for all the major liquor suppliers.

During 2012 ALM continued to outperform with sales of $2,336.2 million, EBITA of $34.9 million with an EBITA margin of 1.49%.

During the year Club Partners was added to the IBA structure. Club Partners is a retail group specifically for clubs which provides marketing and promotional support throughout Australia. The first full year has seen excellent growth in club numbers and sales, several strategies have been enacted to sustain continued growth.

A 'Cellarbrations on Premise' strategy has been developed in all major states to arrest a decline in sales to on-premise customers. It is showing excellent results, with sales to our customers expanding significantly during the year. Further initiatives are planned during the coming year to build on this strong sales platform.

ALM continued its investment in infrastructure to support the independent liquor retailers in Australia, a highlight being the move from our Silverwater warehouse in Sydney to the purpose-built Huntingwood facility.

Mitre 10

Mitre 10 is Australia's leading independent hardware wholesaler, the independent retail Mitre 10 stores are the second largest player in the Australian home improvement and hardware industry.

Mitre 10 is Australia's only independent home improvement and hardware wholesaler to the industry comprising 423 Mitre 10 and True Value Hardware stores. It became part of the Metcash Group in March 2010 after a 50.1% shareholding was acquired. Metcash announced on June 20, 2012, that it intended to exercise its right to acquire the remaining 49.9% interest in Mitre 10.

This was the second year of Mitre 10's 'Change the Game' strategy designed to:

1) Strengthen the store network;

2) Harmonise the brand and store standards;

3) Improve merchandise and marketing programs; and

4) Modernise the supply chain.

Mitre 10's independent store network is growing again after years of store losses; it comprises 423 branded stores and more than 300 unbranded stores. Over the last year 17 new stores have been attracted to the network (33 new stores since the Metcash acquisition); a net 25,000 square metres have been added to the network, including 13,000 square metres of extensions to 10 existing stores; and five grocery and hardware concept stores have been developed.

Mitre 10 has focussed on harmonising the brand to ensure consistency of branding across its network. More than 60% of the independent Mitre 10 network carries the Blue and White branding, the focus over the next 12 months will be to improve internal store standards. A new Hardware Store Assessment has been introduced to drive the change; each store receives a rating out of 100 based on performance of customer service and store standards.

A new merchandise program resulted in impressive increases in warehouse sales and retail charge-back during the latest year. Significant changes were made to catalogues, resulting in a cleaner, tighter version which is tailored to different store sizes.

The rationalisation of ranges and the development of a National Distribution Centre to support slow moving stock helped to shape a successful year. The warehouse now contains more than 20,000 lines, while a price reduction on more than 4,500 lines has enabled the network to compete more effectively against other national chains.

The Mighty Helpful Mitre 10 brand was brought to life through the sponsorship of Channel Nine's high rating *The Block*, this will continue in 2012. Other initiatives include launching e-commerce initiatives and a new loyalty program.

A major program is underway to modernise the Mitre 10 supply chain, with a National Distribution Centre for slow moving stock to commence operations. This will allow space to be freed up and will allow greater efficiency in each of the four State Distribution Centres.

Corporate Responsibility and Environment

Sustainability and corporate social responsibility projects are grouped at Metcash under four key headings – Our Business (including our people, buildings, policies and governance), Our Products, Our Customers and Our Suppliers.

Metcash is committed to operating in a sustainable manner. Social, economic, environmental and ethical considerations continue to be embedded into our day-to-day business practices.

The Metcash Sustainability Committee, comprising the CEO and key senior management, has formally adopted a suite of policies to tie together all Metcash activities in these important areas of business, to guide future projects and to improve cross function planning and integration.

Sustainable Indicators*

		2011
Carbon Emissions (Scope 1 & 2)	tonnes	102,638
Waste to landfill	tonnes	43,360
Recycling	tonnes	4,532
Packaged food donated to Foodbank	tonnes	225

*Reporting period is the year to June.

Metcash was recognised for climate change risk and opportunity planning, for the second year running and was again admitted into the Carbon Disclosure Project Leaders' Index.

The company has voluntarily commenced to report on sustainability management. This is done through the Carbon Disclosure Project and the Dow Jones Sustainability Index. The company also reports under the Australian Packaging Covenant and responds to investor and non-governmental organisation requests for information.

Metcash and its customers continue to support the communities in which the company operates. 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 $60 million during the last 10 years. More than 8,000 local community groups, not-for-profit organisations and other community causes have been supported. The funds are allocated by IGA store owners.

Other community projects have included campaigns that raised more than $120,000 to help fund two McGrath IGA Breast Care Nurse positions and Metcash becoming a national donor to Foodbank, which collects usable but unsaleable packaged products for donation to welfare agencies to feed vulnerable members of our society. Food donations weighing 225 tonnes were made in 2012, helping to reduce landfill waste, related fees and carbon emissions and to deliver 7,000 meals to the under-privileged.

Communication with stakeholders and the wider community is carried out through a variety of vehicles. These include the company's annual report, issuing regular media releases, through the company website www.metcash.com and through the separate business division websites. Feedback to the company is encouraged through the consumer support hotline, direct mail, and online feedback forms.

The company communicates with staff on sustainability issues through the publication of a bi-monthly staff magazine, quarterly staff DVD and the intranet. Feedback is invited via email, through anonymous feedback boxes at every Metcash worksite, as well as through regular surveys.

Metcash recognises that its impact on society and the environment extends beyond its own business operations to that of suppliers and customers. Projects have been put in place to encourage suppliers to support sustainable business practices.

The company works with suppliers on issues raised by consumers to ensure the private label products continue to improve. Metcash has been a signatory to the Australian Packaging Covenant since 2000, and has a process in place to review the packaging of each product in terms of usability and environmental sensitivity.

Private label products contain no genetically modified ingredients. Metcash is also a member of the Roundtable on Sustainable Palm Oil, and is implementing a Palm Oil Action Plan in accordance with the membership.

The Metcash Sustainable Supply Chain Management program ensures that suppliers meet minimum standards for safety, ethics and environmental impact. The program includes third party auditing of suppliers.

The Sustainability Team offers each Metcash customer the Sustainability@ Retail Support Program. The program is a simple way for retailers to commence or continue exploring business opportunities, and minimise risks, related to sustainability. Through the program, retailers are offered an energy audit, access to finance for implementing projects found in the audit, ongoing monitoring and review of electricity tariffs.

To complement the Sustainability@Retail Program, retailers are supported with regular communication through state and national meetings, magazines, newsletters and websites.

Diversity at Metcash

Metcash recognises the benefits to be gained from a workforce that brings together a range of skills, backgrounds and experiences. By maintaining a diverse workforce, Metcash seeks to attract and retain the best talent to deliver the best results for our shareholders.

Metcash's objectives in this area are enshrined in the Metcash Diversity Policy. Management has a particular focus on improving gender balance in the workplace by enhancing recruitment practices and increasing the representation of women in management roles through improved attraction strategies and talent management.

Gender at Metcash

Women constitute nearly a third of the workforce at Metcash, hold 23% of managerial roles including a Director on the Metcash Board.

During the 2013 financial year, Metcash will measure and review the company's progress against the following objectives:

- Increase efforts to improving the proportion of women employed at all levels of the workplace. Attention will focus on the number of female applicants to vacant positions, the number of female appointments to positions and the number of females on interview committees
- Enhance Metcash's inclusive culture by continuing to raise awareness of the advantages of diversity through training of senior executives, managers and employees;
- Recognise that employees at all levels of the company may have domestic responsibilities and accommodate their family commitments through flexible work options;
- Pilot a program that provides opportunities to attract and develop Aboriginal and Torres Strait Islander employees; and
- Develop relationships with disability employment providers to increase the representation of employees with a disability.

Key Management

Andrew Reitzer

B Comm MBL

CEO Metcash Group of Companies

Date of Appointment to Metcash Limited: 18 April 2005.

Andrew Reitzer has 34 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, Mr Gratwicke brings over 24 years' commercial and industry experience to his 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)

COO Metcash Food & Grocery

Silvestro Morabito has over 32 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 recruited by Dairy Farm International and held various senior management roles including Director of Operations & Merchandising Manager for Freshfoods (Woolworths NZ) in New Zealand and CEO of the Cold Storage Supermarket group in Singapore.

Prior to his appointment as General Manager, IGA Distribution WA in 2006, Silvestro was appointed CEO of Action Supermarkets overseeing the sale of the supermarkets and the consolidation of the FAL retail brands. In 2010 he was appointed CEO of IGA Distribution.

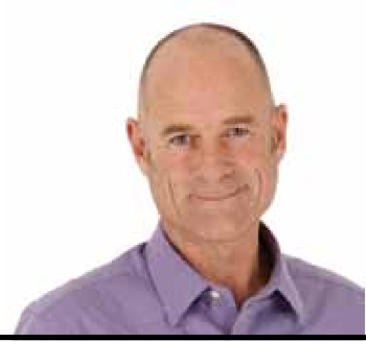
In January 2012 Silvestro was appointed Chief Operating Officer of Metcash Food & Grocery.

Fergus Collins

B Comm (Hons) (Dublin),
B Sc Mgmt (Ireland), MBA

CEO Australian Liquor Marketers

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



Mark Laidlaw

B Ec (Monash), CPA

CEO Mitre 10 Australia

Mark Laidlaw joined IGA Distribution in April 2001 as Commercial Manager, Victoria and was promoted to General Manager, Victoria in July 2004. He was appointed CEO of Mitre 10 Australia in May 2010 and has extensive experience in general management, sales, operations and commercial management.

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 22 years professional and industry experience initially in private legal practice, followed by corporate legal counsel roles with multinational FMCG organisations.

Board of Directors

Peter L Barnes

B Comm (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.

Andrew Reitzer

B Comm MBL

CEO Metcash Group of Companies

Date of Appointment to Metcash Limited: 18 April 2005.

Andrew Reitzer has 34 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. Fiona was subsequently Chief Information Officer of Telstra and executive adviser at each of Medibank Private and Link Market Services.

Fiona is a Director of Salmat Limited and TAL Australia. She is a Member of the Information Technology Faculty Advisory Board of Monash University, a Councillor of Knox Grammar School, a Member and Councillor of Chief Executive Women and a former Trustee of the National Breast Cancer Foundation. Fiona was appointed a Fellow of Monash University in 2010.

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

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 has over 30 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.

Edwin Jankelowitz

B Comm, CA (SA)

Non-executive Director

Date of Appointment to Metcash Limited: 18 April 2005.

Edwin Jankelowitz is Chairman of Kervale Investments Pty Ltd and a Non-executive Director of Chester Capital Pty Ltd. He was previously CFO of Metcash and was appointed a Non-executive Director in 2011.

After qualifying as a Chartered Accountant he spent 12 years with Adcock Ingram Ltd eventually being promoted to Group Company Secretary and Finance Director. He then consulted in business management and tax before taking a position with Caxton Ltd where he progressed to Finance Director, Managing Director and Chairman.

Edwin has spent over 38 years in corporate offices of listed companies and was a member of the Income Tax Special Court in South Africa for 20 years.

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, Investec Bank (Australia) Ltd and Elanora Country Club 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.

Ian R Morrice

MBA

Non-executive Director

Date of Appointment to Metcash Limited: 12 June 2012.

Ian Morrice has over three decades of retail experience as Managing Director, Trading Director and Retail Director for some of the UK's leading retailers, including Dixons and The Kingfisher Group. Ian was Group CEO and Managing Director of New Zealand's Warehouse Group from 2004 to 2011.

Ian's key areas of expertise include strategy, brand and category development, multi-channel and new store format roll-out, product sourcing and supply chain innovation.

Ian is an adviser to the Board of Spotlight Pty Ltd and associated companies.

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

Corporate Governance Statement

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

The Directors believe that the Company's policies and practices have complied in all substantial respects with corporate governance best practice in Australia, including the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (Principles).

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	www.metcash.com
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Yes	Page 16
1.3 Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes	Page 16
Principle 2 – Structure the Board to add value		
2.1 A majority of the Board should be Independent Directors.	Yes	Page 16
2.2 The Chair should be an Independent Director.	Yes	Page 18
2.3 The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	Yes	Page 18
2.4 The Board should establish a Nomination Committee.	Yes	Page 18
2.5 Companies should disclose the process for evaluating the performance of the Board, its Committees and individual Directors.	Yes	Page 19
2.6 Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes	Page 19
Principle 3 – Promote ethical and responsible decision-making		
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:	Yes	www.metcash.com
– the practices necessary to maintain confidence in the Company's integrity;	Yes	Page 19
– the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;	Yes	Page 19
– the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Page 19
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.	Yes	www.metcash.com
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.	Yes	Page 19
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.	Yes	Page 20
3.5 Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes	Page 20

Principle 4 – Safeguard integrity in financial reporting		
4.1 The Board should establish an Audit Committee.	Yes	Page 20
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 20
4.3 The Audit Committee should have a formal charter.	Yes	Page 20
4.4 Companies should provide the information indicated in the guide to reporting on Principle 4.	Yes	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	www.metcash.com
5.2 Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes	Page 22
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 22
6.2 Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes	Page 22
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 23
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 24
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 24
7.4 Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes	Page 24
Principle 8 – Remunerate fairly and responsibly		
8.1 The Board should establish a Remuneration Committee.	Yes	Page 25
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.	Yes	Page 25
8.3 Companies should clearly distinguish the structure of Non-executive Directors' remuneration from that of Executive Directors and senior executives.	Yes	Page 25
8.4 Companies should provide the information indicated in the guide to reporting on Principle 8.	Yes	Page 25

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 2012 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 2012 financial year.

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

Principle 2 – Structure the Board to add value

A majority of the Board should be Independent Directors

Appointment to the Board

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

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

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

Board Composition
Maintaining a balance of experience and skills is an important factor in Board composition. For details of the skills, experience and expertise of the individual Directors, and the period of office held by each Director, please refer to page 12, headed 'Board of Directors', of this report.

As of the date of this report the Board comprised of nine Directors, eight of whom are considered to be Non-executive, and seven of whom are considered by the Board to be Independent Directors.

The Board of Metcash is currently constituted as follows:

Independent Non-executive Directors
Independent Directors hold key positions that include chairing the Board and the Board Audit Risk & Compliance Committee (AR&CC) and Remuneration & Nomination Committee. They provide an external perspective and checks and balances for the interests of all shareholders.

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.

With the exception of Mr Jankelowitz Non-executive Directors are considered to be independent for the reasons set out as follows.

– None of the Directors referred to above is a substantial shareholder of the Company or associated with a substantial shareholder of the Company (holding 5% or more of the Company's issued shares).
– Messrs Barnes, Butler, Hamilton, Longes, Morrice 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 the Company itself and, that this fact, combined with the seven 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, and having considered all relevant factors the Board has concluded that Mr Rubin is an Independent Director.
– None of the Non-executive Directors referred to above 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 Non-executive Directors referred to above 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 Ansell Limited, a Director of News Corporation and Chairman of Samuel Smith & Sons Pty Ltd, he also serves as Chairman of the Melbourne Business School. Mrs Balfour is a Director of Salmat Limited. Mr Butler is Chairman of AMP Superannuation Limited and 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 0.2% of the Company's total purchases.
- None of the Non-executive Directors referred to above has a contractual relationship with the Company or another group member, other than as a Director of the Company.

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

Executive Directors
The Board has one Executive Director, Mr Andrew Reitzer. Mr Andrew 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 Held during 2012 financial year	Meetings Attended during 2012 financial year
P L Barnes	BComm (Hons), MBA	5	5
N D Hamilton (Chairman)	LLB	5	5
F Balfour	BA (Hons), MBA	5	5

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

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

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

Process for evaluating the performance of the Board, its Committees and Individual Directors

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

An internal Board Performance review was conducted in 2012. The Board Performance review covered the areas of: Board structure and role; Committees; Board composition and succession; meeting processes; strategy and planning; performance monitoring; communication; and progress towards addressing the key recommendations from the 2011 external Board Performance review.

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 comprise an appropriate level of knowledge and attributes reflective of the Company's needs and necessary to maintain effective governance.

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 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'.

Establish a Diversity Policy

The Metcash Diversity Policy was approved by the Board of Metcash in May 2011 and was introduced across the business supported by an educational program detailing our aspirational goals, changes to processes and procedures and giving practical advice and guidance on how the Policy is to be implemented.

The Policy is now located on the Company's website, www.metcash.com under the heading 'Corporate Governance'.

The Company's approach to diversity is in the broad context however, the Board and management recognises that it has an immediate issue to address and that is gender balance.

Set measurable objectives and report progress towards achieving them

Metcash's measurable objectives for achieving gender diversity are set by the Board as required by the Policy and include:

- Increasing female representation at the Business Unit Leader (BUL) level;
- Increasing women performing Supervisor/Managerial roles across Metcash; and
- Decreasing the female to male 'pay gap' within the business.

In the 12 months since May 2011:

- Female representation at the Business Unit Leader level has gone from 4% to 9%.
- The 'pay gap' at the BUL level has narrowed and female BUL earnings have moved from 78% to 97% of men's BUL earnings.
- Average pay for women across all levels (excluding Executives) is up 10% year on year from 86% to 96% of men's average earnings.
- The number of women performing Supervisor/Managerial roles across Metcash has seen an increase of 3% year on year.
- Female representation on the Board is 11.1%.

Disclose the proportion of women employees in the whole organisation, Senior Executive positions and on the Board

Current proportion of women at each level across the Metcash Group as reported in the most recent EOWA submission:

	Female		Male		Female	Male	Female	Male		Female	Male
	Full Time	Part Time	Full Time	Part Time	Casual	Casual	Total	Total	Total	%	%
Senior Exec	0	0	13	0	0	0	0	13	13	0%	100%
Business Unit Leader	4	0	41	0	0	0	4	41	45	9%	91%
Senior Manager	35	3	153	0	0	0	38	153	191	20%	80%
Supervisor/Manager	153	7	440	1	0	0	160	441	601	27%	73%
Employee	819	239	2439	105	443	651	1501	3195	4696	32%	68%
Total	**1011**	**249**	**3086**	**106**	**443**	**651**	**1703**	**3843**	**5546**	**31%**	**69%**

From June 2012, Metcash enters its second phase of diversity initiatives and will focus on the following key aspects:

– Building a culture around successful flexible working arrangements, including the introduction of a management tool kit;
– Roll out of education program around sub-conscious bias and how it impacts every-day decision making;
– Continuing a relationship with Job Support to implement a plan to increase disability employment opportunities through their programs; and
– Piloting an Indigenous Recruitment Portfolio to increase the indigenous employee population within Metcash.

Principle 4 – Safeguard integrity in financial reporting

The Board should establish an Audit Committee

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

The membership of the AR&CC 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 2012 financial year	Meetings attended during 2012 financial year
R A Longes (Chairman)	BA, LLB, MBA	6	6
M R Butler	B Sc, MBA	6	6
V D Rubin	CA(SA), HDip BDP, MBA	6	6

The function of the AR&CC 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 AR&CC 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 AR&CC. 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 company 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 CEO 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, including the Annual Report, 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

Establish Policies for the oversight and management of material business risk

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 Group Risk and Assurance Department with oversight from the AR&CC, a Committee of the Board, implements a continuous process of communication with internal stakeholders at each stage of the risk management process. It also conducts 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 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 Group Risk and Assurance 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 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 Assurance 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 ISO 31000:2009. This system is used to profile all potential risks by identifying, prioritising and managing such risks across the Company.

In accordance with the Board's direction management has designed and implemented this risk management and internal control system and 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 in place for existing and 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 and 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 the 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&CC 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 business 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 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 & 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'.

Distinguish the structure of Non-executive Directors' remuneration from that of Executive Directors and Senior Executives

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 as well as the structural differences of the remuneration of Non-executive Directors, as compared with that of Executive Directors and Senior Executives are also contained in section 3 (page 40) of the Remuneration Report contained within the Directors' Report.

The Company's policy which prohibits Directors and Executives from 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 Company 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 section 12 (page 53) of the 'Remuneration Report' contained within the Directors' Report.

Termination entitlements of CEO and senior executives

Refer to section 9 (page 50) of the 'Remuneration Report' contained within the Directors' Report.

Financial Report Contents

Your Directors submit their report of Metcash Limited (the Company) and its controlled entities (the Group) for the year ended 30 April 2012.

DIRECTORS

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

Peter L Barnes (Chairman)
Andrew Reitzer (CEO)
Fiona E Balfour
Michael R Butler
Neil D Hamilton
Edwin M Jankelowitz
Richard A Longes
Ian R Morrice (appointed 12 June 2012)
V Dudley Rubin

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

REVIEW AND RESULTS OF OPERATIONS

			Earnings per share (EPS) equivalent	
Summary Results & Underlying Earnings Reconciliation (Unaudited)	**2012 $'m**	**2011 $'m**	**2012 cps**	**2011 cps**
Segment result (Note 3)	453.8	444.4		
Share based payments and other unallocated amounts (Note 3)	(2.6)	(6.4)		
Underlying EBITA	451.2	438.0		
Net finance costs (Note 3)	(67.6)	(66.3)		
Underlying profit before tax	383.6	371.7		
Tax expense on underlying profit	(112.9)	(106.1)		
Non controlling interests	(8.2)	(9.4)		
Underlying earnings (i)	262.5	256.2	34.1	33.4
Amortisation of customer relationships (Note 4(v))	(9.7)	(7.9)		
Significant items expense (Note 4(vi))	(176.7)	(6.9)		
Tax benefit on significant items	41.1	-		
Net profit for the period from continuing operations attributable to equity holders of the parent	117.2	241.4	15.2	31.5
Net loss after tax from discontinued operations attributable to equity holders of the parent	(27.2)	-		
Net profit for the period	**90.0**	**241.4**	**11.7**	**31.5**

(i) Underlying earnings represents reported profit after tax from continuing operations attributable to equity holders of the parent, excluding intangible amortisation and significant items after tax, as reconciled in the table above. Underlying earnings per share (EPS) is calculated by dividing underlying earnings by the weighted average shares outstanding during the period.

The Directors have provided underlying earnings information after careful consideration of the requirements and guidelines contained in ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information). Underlying earnings information, including this reconciliation to net profit, has been provided in order to meet the demands from users of the financial reports for information to better understand aspects of the Group's performance. The Directors believe that underlying earnings is the most appropriate measure of the maintainable earnings of the Group and thereby best reflects the core drivers and ongoing influences upon those earnings. For this reason, the impact of significant items is excluded from the measurement of underlying earnings and specific information on these items is provided under Note 4 of these financial statements. Underlying earnings and underlying EPS are used for the purposes of providing guidance to shareholders and the market and are calculated on a consistent basis each year. Underlying earnings and underlying EPS are also used as the basis for short and long term incentive scheme rewards as detailed in the remuneration report.

The Group recorded an underlying profit of $262.5 million for the 2012 financial year, up 2.5% on the 2011 result. The Group generated $12.3 billion of wholesale sales revenue which was down marginally against the prior year which included a 53rd week. The trading environment during 2012 was difficult and impacted participants across the Australian retail sector. Metcash completed a comprehensive review of its strategy in order to combat the effects of on-going deflation, rising utility costs, a highly value driven consumer and a persistent marketing war between the two large grocery chains.

By maintaining market share and driving costs out of the business, Metcash increased its underlying EPS by 2.1% to 34.1 cents. As a result, the Board was pleased to announce a final fully franked dividend of 16.5 cents per share (total 2012 dividends 28.0 cents), which was up 3.7% on the prior year.

However, the tough trading conditions and the strategic review initiative have necessitated the recognition of significant item expenses totalling $176.7 million ($135.6 million after tax). This included an impairment charge of $105.7 million in respect of Metcash's investment in the Cornetts and Walters Queensland joint venture businesses. Metcash's strategic review, which concluded in April 2012, is expected to position the Group for solid returns into the future. The results include a significant item charge of $42.5 million from this group restructure, arising mainly from costs associated with the closure or sale of 15 Campbells branches and redundancy costs associated with the formation of the new Food & Grocery division. Metcash completed the acquisition of the Franklins group in September 2011. This acquisition facilitated the rationalisation of a number of warehouses in NSW, which are being consolidated into the new facility at Huntingwood. The costs of acquisition and the related distribution centre closure costs have resulted in $28.5 million in significant items expenses. Further details of these significant items are provided in Note 4(vi) to the financial statements.

The trading result for the Franklins retail stores has been classified within discontinued operations in these financial statements (Note 31). The Franklins corporate stores recorded a retail loss of $27.2 million after tax for the period. Metcash intends to re-badge the Franklins stores to IGA and dispose of them to independent retailers. It is anticipated that the superior retailing skills of independent operators together with their focussed and localised differentiated offers will see these stores quickly turned around.

The reported net profit for the period attributable to equity holders was $90.0 million (2011: $241.4m), with the reduction due to the recognition of the abovementioned significant items and discontinued operations. Despite this, the Group generated operating cashflows of $284.3 million during 2012, up considerably over the prior year. These cashflows were partly invested in the Franklins acquisition and also applied towards providing a consistently high and fully franked dividend return to our shareholders. The shareholder returns over the last five years have been presented in the following table.

SHAREHOLDER RETURNS

	YEAR ENDED 30 APRIL				
	2012	2011	2010	2009	2008
Basic earnings per share (cents)	11.7	31.5	29.7	26.5	25.9
Earnings per share from continuing operations before significant items (cents)	34.1	33.4	32.0	29.5	26.1
Dividend declared per share (cents)	28.0	27.0	26.0	24.0	21.0
Dividend payout ratio on earnings per share (%) (i)	82.1	80.8	83.3	83.6	83.0
Return on equity (%) (ii)	18.9	17.2	17.3	17.2	15.6
Share price at balance date ($)	3.98	4.08	4.15	4.12	4.22
Dividend yield (%)(i)	7.0	6.6	5.8	5.0	3.2

(i) Calculated using underlying earnings per share as calculated in the review and results of operations
(ii) Calculated using underlying earnings as calculated in the review and results of operations

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year, Metcash completed the acquisition of the Franklins group, as detailed in Note 29 to the financial statements. Metcash also announced the results of its strategic review in April 2012, which is addressed in the review and results of operations.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Metcash intends to dispose of the Franklins corporate stores to independent retailers and further integrate Franklins into the Metcash group.

Subsequent to the end of the financial year, Metcash also announced that it would raise $325 million in additional capital through a fully underwritten institutional placement and up to $50 million through a Share Placement Plan to Metcash shareholders with a record date of 27 June 2012, details of which are provided in Note 33 to the financial statements.

Metcash also announced the acquisition of a 75.1% equity interest in the Automotive Brands Group and, conditionally, announced its intention to take full ownership of the Mitre 10 business. Further details of these acquisitions have been provided in Note 33 to the financial statements.

EARNINGS PER SHARE

	2012 CENTS
Basic earnings per share	11.69
Diluted earnings per share	11.66

DIVIDENDS ON ORDINARY SHARES

	CENTS	$'m
Final dividend for the 2012 year - payable in July 2012 (i)	16.5	127.3
Dividends paid during the year:		
Interim dividend for the 2012 year - paid in December 2011	11.5	88.7
Final dividend for the 2011 year - paid in July 2011	16.0	123.0
Total dividends paid during the 2012 financial year	27.5	211.7
Total dividends declared in respect of the 2012 financial year (i)	28.0	216.0

(i) Subsequent to the end of the financial year, Metcash announced that it would raise approximately $325 million in additional ordinary share capital through a fully underwritten institutional placement (Note 33). The shares issued under the institutional placement will be entitled to receive the 2012 final dividend of 16.5 cents per share. The 2012 final dividend amount of $127.3 million and the total 2012 dividends declared amount of $216.0 million included in this table do not include the additional amount payable as a result of the institutional placement, as it is not yet possible to determine the number of shares that will be issued

SUBSEQUENT EVENTS

(a) Equity raising

On 28 June 2012 Metcash announced that it would raise approximately $325 million in additional ordinary share capital through a fully underwritten institutional placement. The issue price of the new shares will be determined through a book build from an underwritten floor price, determined as a discount to the previous day's closing share price. The shares issued under the institutional placement will be entitled to receive the 2012 final dividend declared of 16.5 cents per share.

Metcash also announced that subsequent to the institutional placement it would offer a Share Placement Plan (SPP) to Metcash shareholders with a record date of 27 June 2012. The SPP proceeds will be capped at $50 million and will not be underwritten. The SPP will allow eligible shareholders to apply for up to $15,000 of ordinary shares at the lesser of the dividend adjusted institutional placement offer price and the 5 day volume weighted average price less a discount at the end of the SPP offer period. The offer period is expected to run from 9 July 2012 to 23 July 2012. Ordinary shares issued under the SPP will not be entitled to receive the 2012 final dividend.

SUBSEQUENT EVENTS (Continued)

(b) Business acquisitions

Mitre 10 Group

Metcash currently holds a 50.1% equity interest in Mittenmet Limited (Mittenmet), through ownership of 100% of the ordinary shares issued by Mittenmet. Mittenmet is the parent entity of the Mitre 10 group. The remaining 49.9% equity interest in Mittenmet is currently held by the owners of Redeemable Convertible Preference Shares (RCPS) issued by Mittenmet.

On 20 June 2012 the Group announced that, subject to the Mittenmet group's financial statements for the year ended June 2012 being in accordance with Metcash's expectations and there being no material adverse changes to the market or operations prior to the financial statements being finalised, it intended to exercise its right to require Mittenmet Limited to redeem all of its issued RCPS. If the RCPS are redeemed, Metcash will hold a 100% equity interest in Mittenmet. The redemption price for the RCPS is based on a formula that is set out in the 2010 Mitre 10 Scheme Booklet. Broadly, the RCPS redemption price reflects the RCPS proportionate share of a multiple of 5.8 times the Mittenmet group EBITDA for the year ended June 2012 and other adjustments, including for net debt at 30 June 2012.

Autobarn & Autopro Group

On 28 June 2012 the Group entered into a binding agreement to acquire a 75.1% equity interest in the Automotive Brands Group for $53.8 million, with settlement expected to occur early in July 2012. The Automotive Brands Group is the franchisor and distributor of aftermarket automotive parts to retail stores trading under the Autobarn and Autopro brand names. It also supplies other independent automotive parts stores. The equity interest acquired by Metcash is subject to an adjustment after the finalisation of the results for the year ending on 30 June 2013, at which point the ownership structure will be confirmed. Metcash's equity interest will increase above 75.1% if the 2013 EBITDA is lower than expected.

Except as noted above, there are no events that have occurred after the end of the financial year that would materially affect the reported results or would require disclosure in this report.

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.

DIRECTORS QUALIFICATIONS AND EXPERIENCE

The qualifications and experience of Directors is set out below.

Peter L Barnes
B COMMERCE (HONS) MBA
Non Executive Chairman
Date of Appointment to Metcash Limited: 18 April 2005

Peter Barnes is Chairman of Ansell Limited, 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 Phillip 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.

Andrew Reitzer
B COMM MBL
CEO Metcash Group of Companies
Date of Appointment to Metcash Limited: 18 April 2005

Andrew Reitzer has 34 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 E Balfour
BA (Hons), MBA, GRAD DIP INFORMATION MANAGEMENT, FAICD
Non Executive Director
Date of Appointment to Metcash Limited: 16 November 2010

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, a Councillor of Knox Grammar School and a Member and Councillor of Chief Executive Women. She is a former Non-executive director of Societe Internationale of Télécommunications Aéronautiques (SITA SC) – Geneva, Switzerland; and former Trustee of the National Breast Cancer Foundation. Fiona was appointed a Fellow of Monash University in 2010.

Michael R Butler
B SC, MBA, FAICD
Non executive Director
Date of Appointment to Metcash Limited: 8 February 2007

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
Non executive Director
Date of Appointment to Metcash Limited: 7 February 2008

Neil Hamilton is based in Perth and has over 30 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.

Edwin M Jankelowitz
B COMM, CA (SA)
Non executive Director
Date of Appointment to Metcash Limited: 18 April 2005

Edwin Jankelowitz is Chairman of Kervale Investments Pty Ltd and a Non-executive director of Chester Capital Pty Ltd. He was previously CFO of Metcash and was appointed a Non-executive Director in 2011.

After qualifying as a Chartered Accountant he spent 12 years with Adcock Ingram Ltd eventually being promoted to Group Company Secretary and Finance Director. He then consulted in business management and tax before taking a position with Caxton Ltd where he progressed to Finance Director, Managing Director and Chairman.

Edwin has spent over 38 years in corporate offices of listed companies and was a member of the Income Tax Special Court in South Africa for 20 years.

Richard A Longes
BA, LLB, MBA
Non executive Director
Date of Appointment to Metcash Limited: 18 April 2005

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.

Ian R Morrice
MBA
Date of Appointment to Metcash Limited: 12 June 2012

Ian Morrice has over three decades of retail experience as Managing Director, Trading Director and Retail Director for some of the UK's leading retailers, including Dixons and The Kingfisher Group. Ian was Group CEO and Managing Director of New Zealand's Warehouse Group from 2004 to 2011.

Ian's key areas of expertise include strategy, brand and category development, multi-channel and new store format roll-out, product sourcing and supply chain innovation.

Ian is an Advisor to the Board of Spotlight Pty Ltd and associated companies.

V Dudley Rubin
CA (SA), H DIP BDP, MBA
Non executive Director
Date of Appointment to Metcash Limited: 18 April 2005

Dudley Rubin is a chartered accountant and is a director of various companies trading in Africa. He has had 29 years' industry experience and has been involved with the Metcash business as a director since May 1998.

COMPANY SECRETARY

Greg Watson
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 over 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.

DIRECTORS' MEETINGS

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

	DIRECTORS' MEETINGS	REMUNERATION & NOMINATION	AUDIT RISK & COMPLIANCE
Number of meetings held:	**9**	**5**	**6**
Number of meetings attended:			
Peter L Barnes	9	5	-
Andrew Reitzer	9	-	-
Fiona E Balfour	9	5	-
Michael R Butler	9	-	6
Neil D Hamilton	9	5	-
Edwin M Jankelowitz	8	-	-
Richard A Longes	7	-	6
V Dudley Rubin	6	-	6

All Directors were eligible to attend all meetings held.

COMMITTEE MEMBERSHIP

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

AUDIT RISK & COMPLIANCE	REMUNERATION & NOMINATION
Richard A Longes (chairman)	Neil D Hamilton (chairman)
Michael R Butler	Fiona E Balfour
V Dudley Rubin	Peter L Barnes

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

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

	NUMBER OF ORDINARY SHARES	NUMBER OF OPTIONS OVER ORDINARY SHARES
Peter L Barnes	177,083	-
Andrew Reitzer	1,750,000	-
Fiona E Balfour	13,600	-
Michael R Butler	50,000	-
Neil D Hamilton	20,000	-
Edwin M Jankelowitz	320,000	-
Richard A Longes	128,154	-
Ian R Morrice(i)	-	-
V Dudley Rubin	15,000	-

(i) Mr Morrice was appointed as a Non-executive Director on 12 June 2012.

SHARE OPTIONS & PERFORMANCE RIGHTS

Unissued shares

As at the date of this report, there were 14,925,014 unissued ordinary shares under option (15,361,985 at balance date). As at the date of this report, there were 2,721,237 unissued ordinary shares under performance rights (2,749,718 at balance date). Refer to Note 25 of the financial statements for further details of the performance rights and options outstanding.

Shares issued as a result of options and performance rights

During the financial year, employees and executives have exercised options to acquire 2,492,220 fully paid ordinary shares in the Company at a weighted average exercise price of $3.93 per share. Since the end of the financial year no options have been exercised. There were no shares issued in the Company during or since the end of the financial year in respect of performance rights.

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 A Haggai, R A 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.

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.

REMUNERATION REPORT

1. MESSAGE FROM THE CHAIRMAN OF THE REMUNERATION & NOMINATION COMMITTEE (UNAUDITED)

The Metcash Limited Remuneration and Nomination Committee present the Remuneration Report for the year ended 30 April 2012. The remuneration report outlines the remuneration arrangements for key management personnel ('KMP') comprising the Group Executives and the Non-Executive directors.

Metcash is a marketing and distribution specialist operating in the competitive grocery, liquor and hardware industries. As "Champion of the Independent Retailer", Metcash provides the scale necessary to create competitive buying power, together with marketing, distribution, financial expertise and support. Metcash's collective relationships with the independent retailers and suppliers compete as the 'Third Force' in Australia's consumer staples market against the vertically integrated chains. Metcash generates wholesale revenue through its distribution and marketing activities, leaving the independent retailer to earn the retail revenue from sales to the end consumer. The nature of these operations therefore requires expertise across distribution and retail and competition for high calibre staff in these areas is intense.

Metcash's Board is committed to a remuneration framework which ensures that Metcash attracts and retains a high quality Executive team who are appropriately rewarded for achieving financial outcomes for the Company which provide shareholders with reasonable returns. To achieve this, a significant portion of executive remuneration is at risk and subject to company performance. The Company's remuneration policy and structure for its Group Executives is unchanged from the previous year and comprises a combination of the following two main components:

- a fixed component which is the total base salary and includes compulsory employer superannuation contributions; and
- a variable 'at risk' component which is performance based and comprises a cash based short term incentive ('STI') plan that is linked to both the performance of the Company and individual performance, and an executive long term incentive ('LTI') Program under which executives, at the discretion of the Board, are offered performance rights which vest if the Company achieves certain hurdles over a three year period.

The combination of fixed and variable 'at risk' remuneration ensures that Metcash's remuneration policies are consistent with generally accepted best practice.

In the 2012 financial year the Remuneration and Nomination Committee undertook a review of Metcash's remuneration report and has made significant changes to the form and content of the report which now includes a remuneration guide. The Committee has also specifically addressed key information in relation to the Company's STI and LTI schemes and the basis for determining who are the KMP and KMP remuneration. The Company is committed to disclosing Metcash's KMP remuneration in a clear and transparent manner.

Events and Board Decisions Affecting Remuneration

Particular events and actions that occurred during the current financial year that have impacted the Company's remuneration structure and outcomes for 2012 and will affect the outcomes for the 2013 financial year were as follows:

- The Board reviewed the roles and responsibilities of the members of the Executive and in the current financial year Messrs Bean, Dubbelman, Hale, Jablonski, Johnston, Rumpler and Watson, were not considered KMP.
- On 25 January 2012, the Company announced the amalgamation of the IGA>D, IGA Fresh and Campbells Cash and Carry business pillars as well as the merchandising and advertising functions into a single Food and Grocery division. Mr Morabito was appointed as the Chief Operating Officer ('COO') of this division and he was promoted to a higher remuneration grading in recognition of his increased responsibilities.

- The Fixed Annual Remuneration ('FAR') of the CEO and KMP were reviewed with regard to market pay movements and the material increase in the scope of Mr Morabito's responsibilities.

  A marginal increase to FAR was approved for the CEO. The total reported pay level for the CEO for 2011/2012 is $1,120,897 which is down by $3,494,412 from his reported pay level in the previous year. The reduction primarily reflects the decreased likelihood that the performance hurdle for the 'at risk' cash LTI will be met and therefore that the incentive will vest and become payable when the plan concludes in 2013.

  Market related adjustments were made to other KMP remuneration.

- The 'at target' pay levels for the CEO and KMP are set with reference to other S&P/ASX 51-100 companies and peers with the Consumer Staples group.

On behalf of the Committee, I commend the guide and this year's remuneration report to you.

Neil Hamilton
Chairman, Remuneration & Nomination Committee

2. EXECUTIVE REMUNERATION GUIDE (UNAUDITED)

Overview

This short guide is intended to provide shareholders with an overview of KMP remuneration outcomes for 2012 having regard to the Company's 2012 performance, as well as a brief update on the actions that the Board and Remuneration & Nomination Committee have taken to improve the reporting of the Company's remuneration practices. This guide is not audited and the information provided is in addition to the audited information set out in sections 3 to 12 of the formal remuneration report.

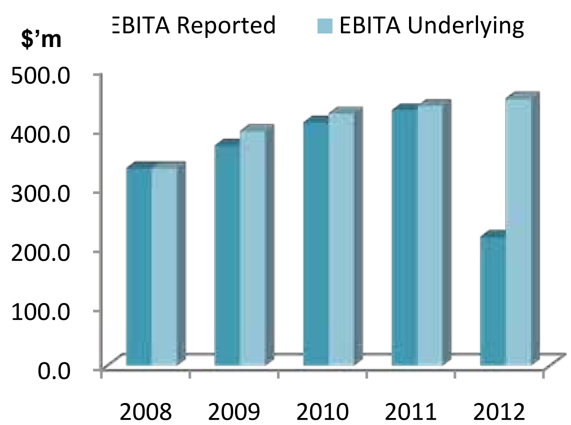
Company Performance

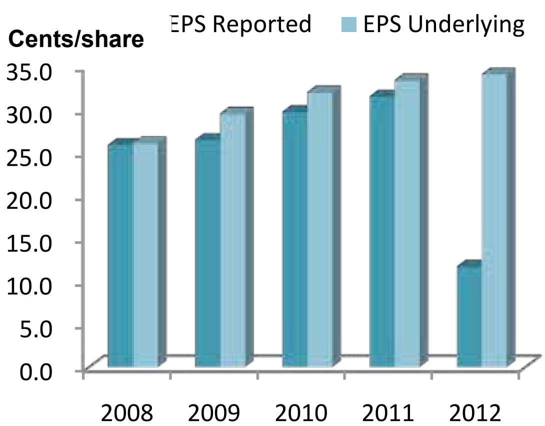
The 2012 financial year was challenging. Deflation evident since 2010, fuelled by the high Australian dollar, continued to impact Metcash's core food and grocery business and the industry in general. The Board and Executives have remained focussed on achieving sustainable performance, in spite of the constraints.

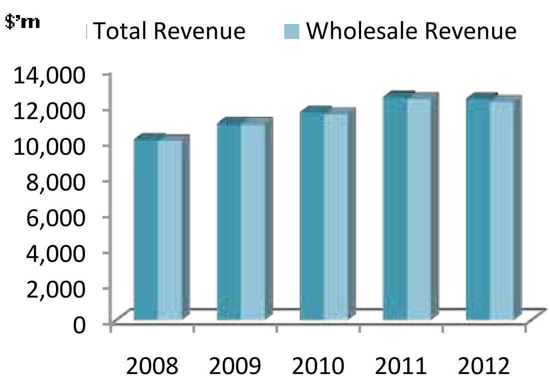
Total sales for the year were $12,255.1 million and underlying EBITA rose by 3.0%, with underlying profit after tax for the year increasing by 2.5% translating into an underlying EPS growth of 2.1%. Net profit for the year attributable to equity holders of the parent was $90.0 million (2011: $241.4 million). Net profit was affected by the following items, the final calculation of which has been independently audited (the references to Notes are to the attached financial statements):

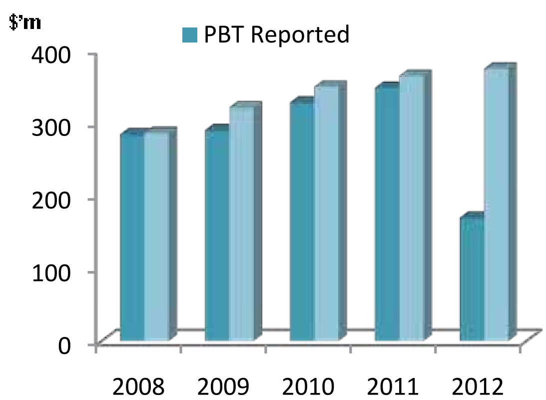
- the Franklins acquisition and restructure costs of $28.5 million ($21.9 million after tax) (refer Note 4);
- group restructuring costs of $42.5 million ($30.5 million after tax), as announced to the ASX on 3 April 2012 (refer Note 4);
- associate impairment of $105.7 million ($83.2 million after tax), as announced to the ASX on 3 April 2012 (refer Note 4); and
- a $27.2 million loss after tax from discontinued operations (refer Note 31).

A full reconciliation between underlying earnings and reported profit is included in the review and results of operations section of the Directors' Report. The effect of these items is shown in the reported figures below.









2012 Remuneration Outcomes

Short term incentive

As outlined below, Company performance was reflected in executive remuneration outcomes for 2012. The key metrics used in determining the quantum of STI payable are sales which was $12,255.1 million (2011: $12,364.0 million), underlying earnings before interest, tax and amortisation of $451.2 million (2011: $438.0 million) and underlying profit after amortisation and before tax which was $373.9 million (2011: $363.8 million).

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 key KPIs are utilised, being - sales revenue and profit. The Board considers and forms a matrix to measure performance starting at a base level that the Board considers to be the minimum level of acceptable performance (plus the cost of the STI payments as the scheme is self funding) to qualify for an STI payment, moving to a target (usually budget) at which approximately 73% of the STI is achieved with provision to earn up to 100% of the STI at a stretch performance level. 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 payments for the year were paid at an average of approximately 43% of the maximum entitlement, with the remainder being forfeited. This reflected a 40% achievement against corporate sales and profit targets, whilst business pillar achievement levels ranged from zero to 93% of maximum. The actual results by KMP are presented in Tables 6.1 and 6.2.

Long term incentive

Metcash experienced significant growth in the four years preceding the 2011 financial year and in accordance with the Group's legacy LTI plans the following entitlements accrued to executives in the 2012 financial year:

- The April 2007 Cash LTI incentive of $1 million achieved 85.26% of target entitling the scheme participants to a payment of $852,644 (full details of the scheme are contained in section 8 of this report)
- 20% of the options issued to Mr Gratwicke and Mr Rumpler in 2008 vested in the current period. The options have an exercise price of $4.27 per option and expire on 7 February 2014 (full details of the scheme are contained in section 8 of this report); and
- The Performance Rights granted under the Rights Plan in December 2010 and December 2011 will each be subject to a performance test in FY2013 and FY2014 respectively. Present forecasts indicate that they are unlikely to meet the minimum performance hurdles

Remuneration actually received

The accounting standards require the calculation of remuneration on an accrual basis of including the use of sophisticated valuation models for long term share based incentives. The accounting standards require the recognition of long term incentives over the associated vesting period based on assumptions that may or may not eventuate and without regard to the actual economic benefit ultimately derived by the executive from the incentive. Because of potential confusion in interpreting remuneration table values the Board has provided details of actual remuneration received by executives during the reporting period in the unaudited table below. These figures represent the fixed remuneration actually paid over 2012, as well as the value of STI benefits that will be received as a result of performance in 2012 and the value of LTI's for 2012. The audited accounting value of remuneration received during the 2012 financial year, reported in accordance with statutory obligations and the accounting standards, has been presented in table 10.1 of the remuneration report.

Table 2.1 Remuneration actually received (unaudited)

Name	Fixed [(1)] $	STI[(2)] $	LTI[(3)] $	Other[(4)] $	Total $
A Reitzer	2,134,928	600,000	-	36,957	2,771,885
A Gratwicke	709,302	227,052	949	58,555	995,858
S Morabito	852,966	124,620	3,491	48,048	1,029,125
F Collins	537,731	259,255	857,389[(5)]	48,425	1,702,800
M Laidlaw	516,103	249,482	-	14,445	780,030
Total	4,751,030	1,460,409	861,829	206,430	7,279,698

(1) *Fixed remuneration includes superannuation and accrued annual leave*

(2) *The STI amount represents the value of STI to be paid in July 2012 and relates to the achievement of the relevant performance conditions in respect of the 2012 financial year as set out in Table 10.1 of the Remuneration Report.*

(3) *The value of share based long term incentives calculated in accordance with the accounting standards is reported in Table 10.1 of the Remuneration Report. The above LTI column is unaudited and records the actual economic value realised by the executive as a result of exercising options or performance rights vesting. The economic value of performance rights reflects the market value of shares issued to the executive when the performance rights vest and are converted into shares. The economic value of options represents the difference between the exercise price of the options and the value of the relevant shares on exercise date.*

(4) *Other amounts include the value of other benefits that have been determined in accordance with the accounting standards, and are consistent with the amounts disclosed in the 'other remuneration' in Table 10.1 of the Remuneration Report. The other amounts also include accrued long service leave.*

(5) *Mr Collins was a participant in the April 2007 Cash LTI plan which provided maximum reward of up to $1 million subject to the achievement of hurdles over a five-year period. The audited results reflect an achievement of 85.26% based on performance over the five year period from 2007 to 2012. In accordance with the Accounting Standards an accrual for the LTI of $200,000 was made for each of the 2008, 2009, 2010 and 2011 financial years and $52,644 during the current year. The total amount payable to Mr Collins under the 2007 LTI plan is therefore $852,644, as set out in section 8 of this report.*

Initiatives

In addition to this Guide and the actual remuneration table above (which reflects recommendation 8 of the Productivity Commission's 2010 Report into Executive Remuneration), the report now includes:

- more detailed disclosure of STI targets in line with suggestions for improvement from shareholders and other stakeholders;
- voluntary disclosure of the procedures in place for the engagement of external remuneration consultants and the fees paid to them, even though the Company is not required to report these fees until next year's report; and
- clearer discussion of the Company's remuneration governance structures and the link between the Company's performance and remuneration outcomes.

The Remuneration and Nomination Committee has initiated a review of the Company's total targeted remuneration offer, including its market competitiveness for future financial years. Following this review, the Board, adopting the recommendation of the Remuneration and Nomination Committee, has resolved to update the Company's at risk remuneration to introduce the following elements.

Short term incentive:

- maximum target performance by members of the Executive Team will result in the payment of an STI equal to 12 months fixed remuneration;
- deferring the release of 25% of any STI awarded to a member of the Executive Team for a 12 month period;
- should the Executive no longer be employed by the Company on the scheduled payment date, the deferred component will be forfeited;
- releasing the deferred 25% component of the STI by way of Metcash equity, and
- For calculation of FY2013 STI, the Board will adjust, as considered appropriate, for the impacts of significant items.

Long term incentive:

- commencing with the FY2013 grant, the performance hurdles will be indexed by reference to a calculation based on the inflation/deflation on the Company's goods sold in the current year as compared to the prior year, thereby providing targets that reward management performance unaffected by inflation.

3. WHO DOES THIS REPORT COVER? (AUDITED)

This Remuneration Report, which comprises sections 3 to 12 inclusive, is prepared in accordance with the statutory requirements (section 300A) of the Corporations Act 2001. The information set out in sections 3 to 12 of this remuneration report has been audited in accordance with section 308(3C) of the Corporations Act 2011 and accounting standards.

The report sets out the remuneration details for the Non-Executive Directors, the CEO and the group executives of Metcash, who together have the authority and responsibility for planning, directing and controlling the activities of the Group. For the purposes of this report, the CEO and the group executives are referred to as the KMP.

Non-Executive Directors(1)

Name	Position
Peter Barnes	Chairman
Fiona Balfour	Director
Michael Butler	Director
Neil Hamilton	Director
Edwin Jankelowitz	Director
Richard Longes	Director
Dudley Rubin	Director

(1) All non-executive directors held their current positions for the entire 2012 financial year

KMP

Name	Position	Period KMP
A Reitzer	Chief Executive Officer & Director	The whole year
A Gratwicke	Chief Financial Officer	The whole year
S Morabito	Chief Operating Officer, Food & Grocery	The whole year
F Collins	Chief Executive Officer, ALM	The whole year
M Laidlaw	Chief Executive Officer, Mitre 10	The whole year

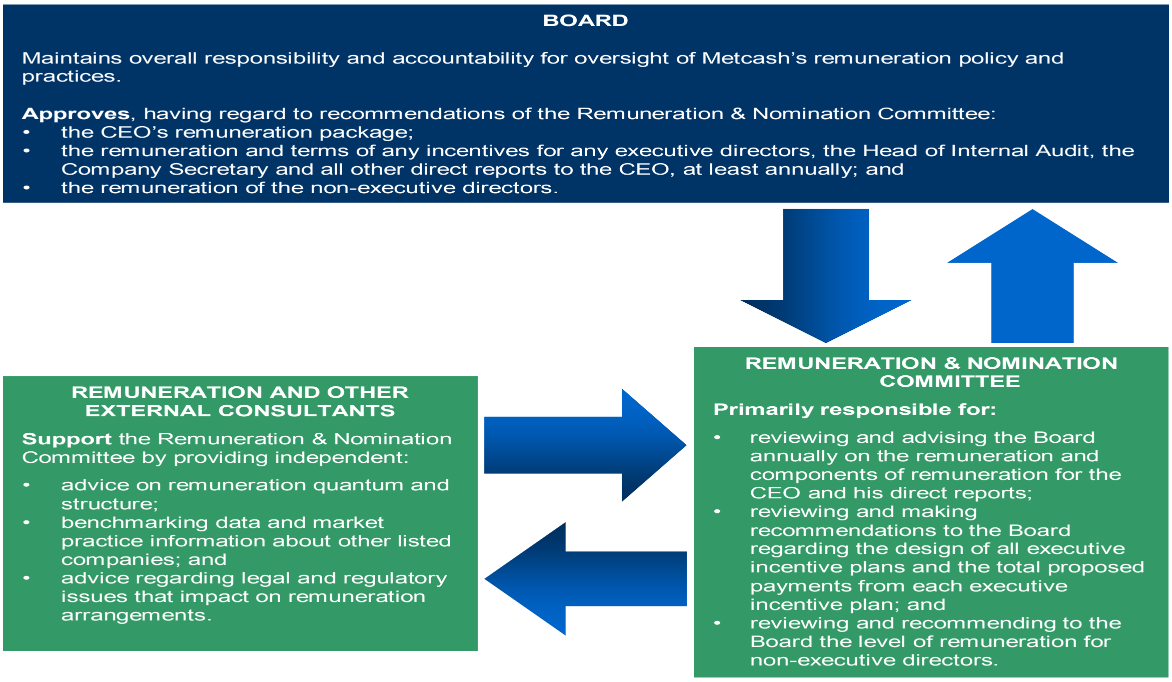
Senior Managers

Name	Position	Period
H Rumpler	IGA Fresh	The whole year
M Jablonski	Merchandise	The whole year

Disclosures relating to Messrs Rumpler and Jablonski have been included as the 4th and 5th highest remunerated senior managers of the Company for the year.

4. HOW REMUNERATION DECISIONS ARE MADE (AUDITED)

The diagram below illustrates how decisions are made with respect to remuneration of KMP and non-executive directors.



The process the Remuneration & Nomination Committee uses for engaging external consultants is designed to ensure their independence from management and, in particular, KMP.

PricewaterhouseCoopers was the only remuneration consultant who provided advice to the Remuneration & Nomination Committee during FY2012.

Next financial year, the Company will be required to disclose certain information about remuneration consultants who provide a "remuneration recommendation", as the term is defined in the Corporations Act 2001. While the requirements do not apply to the Company for FY2012, the Company has chosen to disclose, in the table below, certain details about the engagement of PricewaterhouseCoopers in the interests of transparency.

Remuneration consultant	Appointed by	Nature of work	Fees paid
Pricewaterhouse Coopers	Remuneration & Nomination Committee	Benchmarking in relation to CEO and CFO remuneration, preliminary analysis of LTI structure and advice on LTI performance hurdle	$47,500

5. KMP REMUNERATION (AUDITED)

Policy and Approach

The Board is committed to developing and maintaining a remuneration framework that attracts and retains quality executives and aligns the interests of the members of the KMP with shareholder interests by rewarding high performance that results in increased shareholder value. The particular principles that guide the Remuneration and Nomination Committee when they set KMP remuneration are listed below.

- **Attract and retain talent** - Metcash operates in the highly competitive food, liquor and hardware industries. Remuneration packages are structured to ensure that they remain market competitive and take into account the individual's role and performance. Fixed salaries are determined, in part, by reference to benchmarking data relating to companies in the ASX Top 51-100. In addition, business specific criteria are considered. The "at-risk" components of remuneration (featuring short and long term elements) are designed to motivate individual and group performance. The fixed and variable 'at risk' remuneration in aggregate is designed to be competitive in the market place and align with shareholder outcomes.
- **Link remuneration to performance** - A proportion of KMP remuneration is "at-risk", which means that it is only delivered if certain performance conditions are met. KMP are prohibited by law from hedging their "at-risk" remuneration. At risk includes both short and long term outcomes to meet market best practice.
- **Align remuneration to creation of shareholder value** - KMP receive fixed remuneration and short and long term at risk incentives designed to motivate and help achieve superior business and financial performance, benefitting shareholders. Both short and long term KPI's are designed to provide appropriate alignment between management and shareholders.
- **Metcash's current Key Performance Indicators (KPI's)**

  Short term incentive

  Metcash's current short term cash based incentive plan is designed to reward executives for delivering on pre-determined revenue and underlying profit before tax targets. The performance conditions are set at the beginning of each financial year and are designed to drive successful and sustainable financial and business outcomes which are set with reference to Board approved objectives, plans and budgets. The CEO and CFO short term cash payments are determined with reference to Group revenue and underlying profit before tax and business pillar CEO's with reference to Group and pillar revenue and underlying profit before tax. Performance criteria are disclosed in section 6 of the remuneration report.

  If the minimum growth targets are not met, no STI is payable.

  Long term incentive

  The Company's current LTI Plan is the Metcash Performance Rights Plan ('Rights Plan'). All Performance Rights granted by the Company are subject to performance hurdles. These hurdles have attached objectives that must be satisfied on a prolonged basis (usually 3 years) and which directly improve company value.

  The Board considers underlying earnings per share (EPS) to be the most appropriate reflection of the underlying ongoing profitability of the Company. There is genuine scope for individual executive performance to impact EPS outcomes and so the Board considers EPS to be a more effective hurdle for its LTI program than largely market-based hurdles such as relative TSR, which can vary due to external factors such as market sentiment (which do not necessarily reflect company or executive performance). In 2012 the Board has conducted a review of remuneration and taken independent advice in relation to the correlation between shareholder return and remuneration and concluded that earnings per share remains the best measure of alignment between LTI and shareholder returns. Therefore, the Board has chosen the measures it believes best meet shareholder alignment.

  The Board sets and reviews the Rights Plan EPS hurdle rates annually. The earnings per share targets for each new grant are based on factors including the Company's strategic objectives and business plans, financial performance, state of the industry/market and other operational measures.

  For 2012, consistent with the prior year, hurdles were set at between 5% and 10% compound underlying earnings per share growth over a three year vesting period as follows:

  - Achieving 5% underlying earnings per share growth results in 50% vesting.
  - Achieving 10% underlying earnings per share growth results in 100% vesting.

  Pro-rata vesting occurs for EPS growth over 5% and under 10%. Any LTIs that do not vest are forfeited.

Determination of underlying earnings

Company value improvement is expressed as an increase in revenue, underlying profit before tax and underlying 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 reflects reported earnings per share from continuing operations excluding intangible amortisation and significant items (whether positive or negative). In determining underlying earnings, the Board takes into account material impacts on earnings arising from significant items. Having regard to STI, the impacts from these items are taken into account when determining the STI grids. Having regard to LTI, adjustments, as considered appropriate, are made to the calculation to account for these impacts. A reconciliation of underlying earnings to net profit is presented in the review and results of operations in the Directors' Report.

In addition to these core principles, the Board is committed to promoting transparency around its remuneration arrangements and to providing shareholders and other stakeholders with clear, complete and concise information about Metcash's remuneration structures.

Remuneration Framework - key aspects of KMP Remuneration

Fixed Remuneration	
What is included in fixed remuneration?	Fixed remuneration comprises fixed salary, statutory superannuation benefits and any additional benefits that form part of the arrangement including motor vehicle lease and salary sacrifice superannuation contributions.
How is fixed remuneration set?	Fixed remuneration is determined based on the scope and nature of an individual's role, qualifications, performance and experience. Market data, including in relation to the ASX 51-100 and the company's peers, is used to benchmark salary levels. Metcash's policy is to position fixed remuneration at the 65th percentile of the ASX 100. Remuneration levels need to be competitive with those of Metcash's competitors (including much larger businesses such as Woolworths and Wesfarmers) so that the Company can attract and retain quality people.
How and when is fixed remuneration reviewed?	The Remuneration and Nomination Committee reviews KMP remuneration each year, based on market trends and individual performance, and recommends any adjustments to the Board. All adjustments must be approved by the Board.
Short Term Incentive (STI)	
What is the STI program?	STI is an "at-risk" component of KMP remuneration which gives KMP the opportunity to receive an annual cash payment, dependent on performance against set key performance indicators (KPIs). The STI program and the KPIs set under it are intended to motivate and reward high performance and link performance and reward. All STIs are structured to encourage the relevant individual to exceed annual sales and profit targets.
What are the KPIs	KPIs are tailored for individual members of the KMP depending on their role and sphere of influence, but are all financial in nature and based on a combination of group and/or divisional measures (primarily sales revenue and underlying profit measures). The Board believes that financial targets are appropriate because they align with key drivers of the business and are objectively measurable.
What is the maximum potential STI level?	KMPs are eligible to receive an STI payment of up to a maximum of 75% of total fixed remuneration, depending on their performance against KPIs.

Long Term Incentive (LTI)	
What is the LTI program?	LTI is an equity based "at-risk" component of KMP remuneration tied to the Company's longer term performance. Metcash operates a Performance Right Plan introduced in June 2010. Participation in the Performance Rights Plan gives members of the KMP an opportunity to acquire shares in the Company if they achieve outcomes linked to the creation of long term sustainable growth for shareholders over a performance period of at least three years. Additionally, legacy equity programs remain open that include option and cash based incentives. Full details are provided in Sections 7 and 8.
Why was the LTI program adopted?	The LTI program encourages members of the KMP to focus on long term company performance and the achievement of sustainable growth. It provides KMPs with the opportunity to receive equity based rewards and thereby aligns their interests with shareholder's interests and encourages them to take a shareholder's perspective.
What are the performance hurdles?	The Board believes earnings per share growth is the most appropriate measure of value creation and considers "underlying" earnings per share to be the most accurate and consistent basis of measuring this growth in value. "Underlying" EPS represents reported earnings per share from continuing operations excluding amortisation and significant items which best reflects the underlying ongoing profitability of the Company. In determining underlying EPS, both positive and negative significant items are excluded. A reconciliation of underlying earnings to net profit is presented in the review and results of operations in the Directors' Report.
What happens to LTIs when an executive ceases employment?	When a KMP ceases to be an employee of Metcash their unvested LTIs will lapse, except in instances of death and disability or special circumstances as determined by the Board.

Proportion of fixed and at-risk remuneration

The relative proportions of KMP's total remuneration granted during FY 2012 are set below:

Table 5.1 proportion of fixed and at-risk remuneration

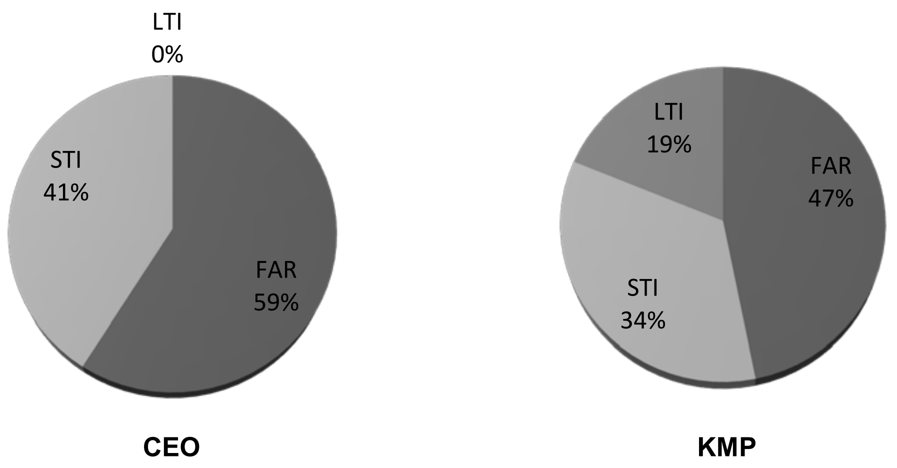
	% of Total Maximum Remuneration (annualised)		
	Fixed Remuneration	'At risk' – performance-based(1)	
		STI	LTI
CEO	59.0%	41.0%	0.0%
Other KMP	46.9%	34.3%	18.8%

(1) These amounts are based on the KMP's maximum STI and LTI opportunities. LTI value is calculated by multiplying the share performance right on grant date by the closing share price on grant date. This assumes the performance conditions detailed in section 7 are met. The LTI does not include any value for grants made in prior financial years.

Together, the STI and LTI components comprise a significant proportion of total remuneration, which means that a significant amount of the CEO's and KMP remuneration is tied to the success of Metcash and the creation of shareholder value.

There were no at risk LTI grants made to the CEO in the current period as Mr Reitzer is currently eligible for a three year cash based LTI. 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, which will be tested at the end of the performance period (refer section 8 for full details of the grant).

Graph: proportion of fixed and at-risk remuneration



Company performance and remuneration

A snapshot of Metcash's performance as measured by a range of financial and other indicators is outlined in the table below.

Table 5.2 – 5 year performance against key annual performance metrics

Financial Year	Share Performance				Earnings Performance		Liquidity	
	Closing share price (A$)	Dividend p/share (c/share)	Underlying EPS (c/share)	Reported EPS (c/share)	Underlying EBITA ($M)	Reported NPAT ($M)	Cash flow from Operations ($M)	Gearing (Debt/(Debt +Equity)
2011/12	3.98	28.0	34.1	11.7	451.2	90.0	284.3	42.6%
2010/11	4.08	27.0	33.4	31.5	438.0	241.4	142.5	36.7%
2009/10	4.15	26.0	32.0	29.7	401.2	227.6	294.7	35.5%
2008/09	4.12	24.0	29.5	26.5	371.3	202.5	248.1	33.5%
2007/08	4.22	21.0	26.1	25.9	333.1	197.4	197.5	33.2%

6. DETERMINING STI OUTCOMES (AUDITED)

The STI program focuses behaviour towards achieving superior company and business unit performance, which deliver better results to shareholders.

Key Performance Indicators are established and measured at different levels throughout the business:

- Corporate level - applies to most KMP
- Business level - applies to the KMP from each business pillar

After the end of each financial year, KMP performance is assessed against their individual KPIs to determine the amount of STI to be awarded. STI awards are then paid in June or July of each year after release of the audited financial results. The tables below set out the outcome of the assessment process for the CEO and other members of the KMP for 2012. Any STI not paid is forfeited.

Table 6.1 STI vesting for CEO

KPI	Maximum STI ($)	Vested	STI achieved ($)	STI forfeited ($)
Group Sales and underlying PBT	1,500,000	40%	600,000	900,000

Table 6.2 STI vesting other KMP

KPI	Maximum STI ($)	Vested	STI achieved ($)	STI forfeited ($)
A Gratwicke (CFO)				
Group Sales and underlying PBT	567,630	40%	227,052	340,578
S Morabito (COO, Food & Grocery)				
Group Sales and underlying PBT	311,551	40%	124,620	186,931
Sales and EBIT for IGA>D business	311,551	-	-	311,551
F Collins (CEO, ALM)				
Group Sales and underlying PBT	216,046	40%	86,418	129,628
Sales and EBIT for ALM business	216,046	80%	172,837	43,209
M Laidlaw (CEO, Mitre 10)				
Sales and EBIT for Mitre 10 business	270,375	93%	249,482	20,893
H Rumpler (IGA Fresh)				
Group Sales and underlying PBT	170,198	40%	68,079	102,119
Sales and EBIT for Fresh business	170,198	67%	113,465	56,733
M Jablonski (Merchandise)				
Group Sales and underlying PBT	562,298	40%	224,919	337,379

The following two financial KPIs are used to assess performance for most members of the KMP:

- Group underlying profit before tax (PBT)
- Group sales revenue - as defined in the profit and loss accounts but exclusive of internal sales or sales not made outside of the Metcash Group and its associated companies, but including sales to discontinued operations.

These two KPIs are used because they are clear, objective and regularly reported indicators of the performance of Metcash and its different businesses, warehouses and stores.

The KPIs for the KMP from each business pillar include targets linked to the financial performance of their particular business unit, to drive them to strive towards achieving better than target performance in their areas of direct responsibility.

For FY2012, the potential (or maximum) STI payable was typically set at a stretch above target sales and earnings levels. Target sales and earnings were set at a level consistent with guidance provided to the market for FY2012. This stretch target was only partially achieved at Group level during FY2012 and this resulted in the partial payment of STI rewards at the 40% level. The Mitre 10, ALM and IGA Fresh business pillar results were reflected in actual STI rewards closer to their individual stretch targets. The IGA>D pillar result did not achieve the minimum hurdle and no STI reward was payable.

7. LONG TERM INCENTIVE (AUDITED)

Objective

The objectives of the LTI program are to ensure the Company is able to attract and retain its key group executives, whilst incentivising these executives to achieve challenging financial performance hurdles which will increase shareholder value.

Since 2010, the Board has operated the Metcash Performance Rights Plan ('Rights Plan').

Summary of Performance Rights

The table below sets out the Performance Rights granted to members of the KMP under the Rights Plan.

Table 7.1 Performance Rights granted to KMP

Participants	Grant date	Vesting date	Number of rights granted	Fair value per right (at grant date)	Vested in FY2012	Forfeited in FY 2012
Andrew Reitzer	Dec 2011	30-Jun-14	-	N/A	N/A	N/A
	Dec 2010	30-Jun-13	-	N/A	N/A	N/A
Adrian Gratwicke	Dec 2011	30-Jun-14	73,204	$3.62	0.0%	0.0%
	Dec 2010	30-Jun-13	59,770	$3.62	0.0%	0.0%
Silvestro Morabito	Dec 2011	30-Jun-14	72,516	$3.62	0.0%	0.0%
	Dec 2010	30-Jun-13	70,171	$3.62	0.0%	0.0%
Fergus Collins	Dec 2011	30-Jun-14	55,725	$3.62	0.0%	0.0%
	Dec 2010	30-Jun-13	53,923	$3.62	0.0%	0.0%
Mark Laidlaw	Dec 2011	30-Jun-14	46,201	$3.62	0.0%	0.0%
	Dec 2010	30-Jun-13	49,166	$3.62	0.0%	0.0%
Harry Rumpler	Dec 2011	30-Jun-14	43,899	$3.62	0.0%	0.0%
	Dec 2010	30-Jun-13	42,479	$3.62	0.0%	0.0%
Michael Jablonski	Dec 2011	30-Jun-14	71,936	$3.62	0.0%	0.0%
	Dec 2010	30-Jun-13	70,171	$3.62	0.0%	0.0%

The Rights Plan

Performance Rights (granted under the Rights Plan) replaced share options as the Company's long term incentive vehicle from 30 June 2010. Further details of Performance Rights are provided in Note 26 to the financial statements.

The key terms of the Rights Plan include:

- 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 participants; and
- 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.

8. LONG TERM INCENTIVES – LEGACY PLANS (AUDITED)

April 2007 Cash LTI

A long term retention incentive of $1 million was granted to each of Mr Dubbelman (CEO Campbell's Wholesale), Mr Bean (CEO, Logistics and Corporate Development), Mr Collins (CEO ALM) and Mr Johnston (Chief Human Resources Officer). The vesting of these grants was subject to the 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 was:

- 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.

This plan concluded on 30 April 2012 and the audited results reflect an achievement of 85.26% of target. In accordance with the rules of the Plan, each of the participants will be paid $852,644 in July 2012.

May 2009 Cash LTI

A long term retention incentive of $1 million was granted in May 2009 to Mr Gratwicke (then GM Finance, now CFO) and Mr Rumpler (CEO of IGA Fresh). 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 Messrs Gratwicke and Rumpler were not invited to participate in any cash based LTI plan. This incentive was provided in 2009 to ensure their equitable treatment in relation to other members of the Executive Team and to ensure effective retention arrangements are in place.

However, 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 this 2009 LTI grant 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 Cash LTI

In May 2010 a three year retention incentive was granted to Mr Reitzer (Group CEO). 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%.

September 2005 Options

Options issued under the 2005 option plan that had not been exercised by 1 September 2011 lapsed in accordance with the terms and conditions of the plan.

February 2008 Options

Options were issued in February 2008 to Mr Gratwicke (then GM Finance, now CFO) and Mr Rumpler (CEO IGA Fresh), but were not offered to Executive Directors and other members of the Executive Team. 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, which must 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. The options met the performance hurdle for FY 2012.

Table 8.1 Legacy LTI Table

Name	Grant Date	Type	Vesting dates	Number of Rights / Options granted	Fair value per Right / Option	Maximum Cash Payment	Vested in FY2012	Forfeited in FY2012
A Reitzer	May-10	LTI - Cash	1 May 2010 to 30 April 2013	N/A	N/A	$5,000,000	0.0%	0.0%
	Sep-05	LTI - Options	1 Sep 2005 to 1 Sep 2010	1,200,000	$1.27	N/A	0.0%	100.0%
A Gratwicke	May-09	LTI - Cash	1 May 2009 to 30 April 2014	N/A	N/A	$1,000,000	0.0%	0.0%
	Feb-08	LTI - Options	7 Feb 2008 to 7 Feb 2013	500,000	$0.88	N/A	20.0%	0.0%
S Morabito	Feb-08	LTI - Options	7 Feb 2008 to 7 Feb 2013	350,000	$0.88	N/A	20.0%	0.0%
	Sep-05	LTI – Options	1 Sep 2005 to 1 Sep 2010	50,000	$1.27	N/A	0.0%	0.0%
F Collins	Apr-07	LTI - Cash	1 May 2007 to 30 Apr 2012	N/A	N/A	$1,000,000	85.3%	14.7%
	Sep-05	LTI – Options	1 Sep 2005 to 1 Sep 2010	50,000	$1.27	N/A	0.0%	0.0%
M Laidlaw	Feb-08	LTI - Options	7 Feb 2008 to 7 Feb 2013	350,000	$0.88	N/A	20.0%	0.0%
	Sep-05	LTI - Options	1 Sep 2005 to 1 Sep 2010	50,000	$1.27	N/A	0.0%	100.0%
H Rumpler	May-09	LTI - Cash	1 May 2009 to 30 April 2014	N/A	N/A	$1,000,000	0.0%	0.0%
	Feb-08	LTI - Options	7 Feb 2008 to 7 Feb 2013	500,000	$0.88	N/A	20.0%	0.0%
	Sep-05	LTI - Options	1 Sep 2005 to 1 Sep 2010	50,000	$1.27	N/A	0.0%	0.0%
M Jablonski	Sep-05	LTI - Options	1 Sep 2005 to 1 Sep 2010	130,000	$1.27	N/A	0.0%	100.0%

9. SUMMARY OF SERVICE AGREEMENTS (AUDITED)

The remuneration and other terms of employment for KMP are formalised in service agreements. The material terms of the KMP's service agreements are set out below.

Table 9.1 Service Agreements

Name	Agreement Term	Executive Notice	Metcash Notice	Redundancy
A Reitzer(1)	Ongoing unless notice given	3 months	15 months	Metcash Notice + 9 months
A Gratwicke	Ongoing unless notice given	3 months	9 months	Metcash Notice + 6months
S Morabito	Ongoing unless notice given	3 months	9 months	Metcash Notice + 6months
F Collins	Ongoing unless notice given	3 months	9 months	Metcash Notice + 6months
M Laidlaw	Ongoing unless notice given	3 months	9 months	Metcash Notice + 6months
M Jablonski	Ongoing unless notice given	3 months	9 months	Metcash Notice + 6months
H Rumpler	Mr Rumpler will cease employment with Metcash on 11 October 2012. Details of his termination payments are included in table 10.1 of this remuneration report.			

New service contracts entered into post the introduction of the new termination benefits legislation in 2009 contain similar elements to other executives' service contracts and any termination benefits provided under contracts that are subject to the new law will comply with the new twelve months of base salary cap.

(1) Mr Reitzer's contract has not been amended since the new federal legislation relating to termination benefits was introduced in November 2009.

(2) 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.

(3) 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.

10. REMUNERATION TABLES (AUDITED)

10.1 Fixed and At Risk Remuneration

2012	Fixed Remuneration $	STI $	Termination benefits $	Other benefits $	Post Employment benefits – superannuation $	LTI and Leave $	LTI (Share based Payments) $	Total $	Performance Related	Share Based Payments
CEO										
A Reitzer	2,134,928	600,000	-	3,546	15,679	(1,633,256)[1]	-	1,120,897	(95.2%)[1]	0.0%
Executives										
A Gratwicke	709,302	227,052	-	42,695	15,679	(9,196)	67,568	1,053,100	25.6%	6.4%
S Morabito	852,966	124,620	-	-	15,679	48,048	54,844	1,096,157	16.4%	5.0%
F Collins	537,731	259,255	-	36,984	15,679	64,084[2]	(18,552)	895,181	32.8%	(2.1%)
M Laidlaw	516,103	249,482	-	-	15,679	14,445	62,070	857,779	36.3%	7.2%
KMP	4,751,030	1,460,409	-	83,225	78,395	(1,515,875)	165,930	5,023,114	(0.3%)	3.3%
H Rumpler[3]	472,734	181,544	264,751	-	15,679	(15,483)	73,517	992,742	21.3%	7.4%
M Jablonski[4]	725,960	224,919	-	23,000	15,679	(22,723)	(24,142)	942,693	23.2%	(2.6)%
	1,198,694	406,463	264,751	23,000	31,358	(38,206)	49,375	1,935,435	22.3%	2.6%
Total	5,949,724	1,866,872	264,751	106,225	109,753	(1,554,081)	215,305	6,958,549	6.0%	3.1%

(1) The probability of Mr Reitzer's cash based LTI (refer section 8) vesting at the end of the performance period is assessed at each reporting date. Where the pro rata valuation of the cash incentive is assessed as being less than the cumulative amount previously recognised as an expense the cumulative amount payable is reduced. The current year valuation result is that the underlying EPS performance hurdle is unlikely to be met, which results in the reversal of the $1,666,666 previously recognised as an expense.

(2) This amount includes a current year accrual of $52,644 in relation to the 2007 Cash LTI plan. In accordance with the Accounting Standards an accrual for the LTI of $200,000 was also made for each of the 2008, 2009, 2010 and 2011 financial years. The total amount payable to Mr Collins under the 2007 LTI plan is therefore $852,644, as set out in section 8 of this report.

(3) Mr Rumpler was the IGA Fresh business unit leader and his remuneration has been included for the full year on the basis that he is the 4th highest remunerated senior manager of the Company. Mr Rumpler will cease employment with the Company with effect from 11 October 2012. The amount included in termination benefits represents amounts due to him in accordance with his employment contract.

(4) Mr Jablonski is the merchandising business unit leader and his remuneration has been included for the full year on the basis that he is the 5th highest remunerated senior manager of the Company.

2011	Fixed Remuneration $	STI $	Termination benefits $	Other benefits $	Post Employment benefits – superannuation $	LTI and Leave $	LTI (Share based Payments) $	Total $	Performance Related	Share Based Payments
CEO										
A Reitzer	1,937,856	900,000	-	3,321	15,076	1,732,945	26,111	4,615,309	56.18%	0.57%
Executives										
A Gratwicke	690,726	295,780	-	-	15,076	258,791	64,263	1,324,636	42.28%	4.85%
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%
M Laidlaw	509,721	183,333	-	-	15,076	41,180	48,073	797,383	29.02%	6.03%
M Jablonski	691,582	330,763	-	23,000	15,076	15,277	26,971	1,102,669	32.44%	2.45%
H Rumpler	466,478	177,984	-	27,500	15,076	210,102	58,843	955,983	45.69%	6.16%
P Dubbelman	541,630	228,410	-	23,000	15,076	212,790	18,756	1,039,662	43.01%	1.80%
K Bean	603,374	274,140	-	-	15,076	213,125	25,301	1,131,016	44.16%	2.24%
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%
G Watson	122,754	51,952	-	-	5,251	5,283	12,928	198,168	32.74%	6.52%
E Jankelowitz[1]	667,554	306,142	556,622	-	12,227	-	2,829	1,545,373	19.85%	0.18%
	8,551,483	3,817,339	556,622	90,821	183,314	3,194,831	409,327	16,803,736	39.65%	2.29%

(1) 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 employment. Mr Jankelowitz held 2005 options which lapsed in the current period.

Name	Value of Options exercised during the year		Value of Options lapsed during the year	
	2012 $	2011 $	2012 $	2011 $
Non Executive Director				
E Jankelowitz[1]	-	237,432	13,858	-
Chief Executive Officer				
A Reitzer	-	-	102,336	-
Executives				
A Gratwicke	949	16,202	-	-
S Morabito	3,491	4,234	-	-
F Collins	4,745	-	-	-
M Laidlaw	-	-	9,745	-
H Rumpler	9,745	-	-	-
M Jablonski[2]	-	181,932	13,858	-
P Dubbelman[2]	-	217,960	-	-
D Johnston[2]	-	126,368	-	-

(1) Mr Jankelowitz was Finance Director and operated in an executive capacity until his retirement from that position on 31 March 2011. Mr Jankelowitz became a non-executive director on 1 April 2011 and has operated solely in that capacity since that date

(2) Messrs Rumpler, Jablonski, Dubbelman and Johnston were not KMP for the current financial year. Messrs Rumpler and Jablonski's information is disclosed on the basis that they were the 4th and 5th highest remunerated senior managers of the Company.

11. DIRECTORS AND KEY MANAGEMENT PERSONNEL SHARE AND OPTION HOLDINGS (AUDITED)

For details of shares, performance rights and share options held by KMP, refer to Note 26 in the annual financial statements.

12. NON-EXECUTIVE DIRECTORS (AUDITED)

Policy

The objectives of Metcash's policy regarding fees for non-executive directors are to:

- **Safeguard independence** - To preserve the independence of non-executive directors, fees do not include any performance-related element; and
- **Be market competitive** - Fees are set at a level competitive with non-executive directors in the ASX 100 and take into account the time commitment of overseeing the large and diverse business of the Metcash Group.

To align individual interests with shareholders' interests, non-executive directors are encouraged to hold Metcash shares.

With the exception of options issued to Edwin Jankelowitz (previously an executive director and now a Non-Executive Director) under previous legacy long-term incentive plans, non-executive directors fund their own share purchases. All non-executive directors must comply with Metcash's share trading policy.

Review of levels of remuneration

Non-executive directors' remuneration is within an aggregate limit determined, from time to time, by members at a general meeting. The current limit of $1,300,000 was agreed by members at the Annual General Meeting held on 2 September 2010.

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 non-executive directors within the overall maximum amount approved by shareholders.

Structure

Non-executive director remuneration, except for certain legacy entitlements as detailed below, is structured as follows:

- All non-executive directors are paid an annual fixed fee;
- Non-executive directors also performing chairperson or committee duties are paid an additional fixed fee for each role;
- Non-executive directors are not entitled to participate in any of the Group's short or long term incentive schemes; and
- No additional benefits are paid to non-executive directors upon retirement from office

Current per annum fixed fee structure

The current per annum fee structure is set out in the following table. These fee levels are within the aggregate limit approved by members and took effect from the 2 September 2010 Annual General Meeting. They have applied throughout the current 2012 financial year.

Table 11.1 Non Executive Director Fee Structure

Name	Base Fee $	Chair Fee $	Committee Fee $	Super-annuation $	Total $
P Barnes	115,000	172,500	11,500	15,199	314,199
N Hamilton	115,000	23,000	-	12,420	150,420
R Longes	115,000	28,000	-	12,870	155,870
F Balfour	115,000	-	11,500	11,385	137,885
M Butler	115,000	-	11,500	11,385	137,885
D Rubin	115,000	-	11,500	11,385	137,885
E Jankelowitz	115,000	-	-	10,350	125,350
	805,000	**223,500**	**46,000**	**84,994**	**1,159,494**

Non-Executive Directors' Remuneration for 2012

The fees paid or payable to non-executive directors in relation to the 2012 financial year are set out in the following table. The general increase in amounts paid reflects the full year effect of the changes made following the aggregate fee limit increase that was approved at the 2 September 2010 Annual General Meeting and, for certain directors, changes in roles (including appointment as a director and appointment/cessation of chairperson/committee memberships). As noted above, per annum fee levels have not changed since 2 September 2010.

Table 11.2 Non-Executive Director Remuneration

Name	Financial Year	Fixed Fees[1] $	Post Employment (Superannuation)[2] $	Total $	Other [3] ($)
P Barnes	2012	299,000	15,199	314,199	N/A
	2011	248,493	15,015	263,508	N/A
N Hamilton	2012	138,000	12,420	150,420	N/A
	2011	128,625	11,576	140,201	N/A
R Longes	2012	143,000	12,870	155,870	N/A
	2011	138,104	12,429	150,533	N/A
F Balfour	2012	126,500	11,385	137,885	N/A
	2011	47,518	4,277	51,795	N/A
M Butler	2012	126,500	11,385	137,885	N/A
	2011	121,917	10,973	132,890	N/A
D Rubin	2012	126,500	11,385	137,885	N/A
	2011	121,917	10,973	132,890	N/A
E Jankelowitz[3]	2012	115,000	10,350	125,350	N/A
	2011	9,583	863	10,446	1,545,373
C dos Santos	2012	-	-	-	N/A
	2011	190,546	11,632	202,178	N/A
Total	**2012**	**1,074,500**	**84,994**	**1,159,494**	**N/A**
	2011	1,006,703	77,738	1,084,441	1,545,373

(1) Fixed fees represent base director fees, chairperson and committee fees. Directors fees that are salary sacrificed are included in this amount.
(2) Post employment benefits comprise statutory superannuation obligations.
(3) Mr Jankelowitz was Finance Director and operated in an executive capacity until his retirement from that position on 31 March 2011. Mr Jankelowitz became a non-executive director on 1 April 2011 and has operated solely in that capacity since that date. Accordingly, the fixed fees, short term benefits and post employment benefits (superannuation) noted above reflect remuneration derived in his capacity as non-executive director. The other benefits of $Nil (2011: $1,545,373) reflect remuneration derived while Mr Jankelowitz acted in an executive capacity (up to 31 March 2011). Further details of Mr Jankelowitz 2011 remuneration have been provided in section 10. Mr Jankelowitz held 2005 options which lapsed in the current period.

Legacy entitlements

Metcash previously operated a retirement benefit scheme for non-executive directors, which was discontinued at the 2005 Annual General Meeting. 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 accrued retirement benefits were frozen as at the date of the 2005 Annual General Meeting. These benefits, which are inclusive of superannuation, are payable to the following directors in cash upon ceasing to be a director of Metcash Limited.

Retirement benefit (fixed)	**$**
P Barnes	211,619
R Longes	211,619
	423,238

In addition, E Jankelowitz held options in Metcash Limited as a result of past service as an executive. These options are detailed in Note 26 to the annual financial statements.

This concludes the remuneration report.

CEO AND CFO DECLARATION

The Chief Executive Officer and Chief Financial Officer declare:

(a) With regard to the integrity of the financial report of Metcash Limited (the Company) for the financial year ended 30 April 2012, after having made appropriate inquiries, in our opinion:
   - (i) The financial statements and associated notes for the consolidated entity comply with the accounting standards and regulations as required by Section 296 of the Corporations Act 2001 and International Financial Reporting Standards;
   - (ii) The financial statements and associated notes for the consolidated entity give a true and fair view of the financial position as at 30 April 2012 and performance of the consolidated entity for the twelve months 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.
   - (iv) As at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group (as that term is defined in the Metcash Deed of Cross Guarantee, dated 18 April 2012), will be able to meet any obligations or liabilities to which they are, or may become subject by virtue of the Deed of Cross Guarantee.

(b) With regard to the financial records and systems of risk management and internal compliance and control of the Company for the financial year ended 30 April 2012:
   - (i) The financial records of the Company and each entity in the consolidated group 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 relating to financial reporting, compliance and operations objectives including material business risks 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 2012, 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 period ended 30 April 2012 has been received and is included on page 118.

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 undergone and the significant work which has been 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	$ 1,136,292
ATO income tax audit advice	$ 1,171,504
Assurance-related	$ 216,958
Other	$ 57,000

Signed in accordance with a resolution of the Directors.

Andrew Reitzer
Director
Sydney, 28 June 2012

	NOTES	2012 $'m	2011 $'m
Revenue	4(i)	12,366.3	12,461.6
Cost of sales		(11,086.1)	(11,186.9)
Gross profit		1,280.2	1,274.7
Distribution costs		(436.9)	(423.8)
Administrative costs		(389.4)	(407.9)
Share of profit/(loss) of associates	12	0.3	(1.7)
Significant items			
Franklins acquisition and restructure costs	4(vi)	(28.5)	(6.9)
Group restructuring: costs	4(vi)	(49.7)	-
Group restructuring: profit on asset disposal	4(vi)	7.2	-
Associate impairment	4(vi)	(105.7)	-
Finance costs	4(vii)	(80.3)	(77.5)
Profit from continuing operations before income tax		197.2	356.9
Income tax expense	5	(71.8)	(106.1)
Net profit for the period from continuing operations		125.4	250.8
Net loss after tax for the period from discontinued operations	31	(27.2)	–
Net profit for the period		98.2	250.8
Other comprehensive income			
Foreign currency translation adjustments		1.0	(0.3)
Cash flow hedge adjustment		(6.4)	–
Income tax benefit on items of other comprehensive income		1.9	0.1
Other comprehensive income for the period, net of tax		(3.5)	(0.2)
Total comprehensive income for the period		94.7	250.6
Profit for the period is attributable to:			
Equity holders of the parent		**90.0**	**241.4**
Non controlling interests		8.2	9.4
		98.2	250.8
Total comprehensive income for the period is attributable to:			
Equity holders of the parent		86.5	241.2
Non controlling interests		8.2	9.4
		94.7	250.6
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
- basic earnings per share (cents)	30	15.22	31.46
- diluted earnings per share (cents)	30	15.18	31.41
Earnings per share for profit/(loss) from discontinued operations attributable to the ordinary equity holders of the company:			
- basic earnings per share (cents)	30	(3.53)	-
- diluted earnings per share (cents)	30	(3.52)	-
Earnings per share attributable to ordinary equity holders of the company:			
- basic earnings per share (cents)	30	11.69	31.46
- diluted earnings per share (cents)	30	11.66	31.41

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

Statement of Financial Position – As at 30 April 2012

	NOTES	2012 $'m	2011 $'m
ASSETS			
Current assets			
Cash and cash equivalents	7	51.5	152.9
Trade and other receivables	8	986.1	1,007.3
Inventories	9	833.6	954.9
Disposal groups and assets held for sale	31	116.5	9.9
Derivative financial instruments	10	-	0.9
Income tax receivable	32	24.4	-
Prepayments and other		6.5	5.8
Total current assets		2,018.6	2,131.7
Non-current assets			
Derivative financial instruments	10	27.8	-
Trade and other receivables	11	51.3	80.6
Investments in associates accounted for using the equity method	12	68.3	92.1
Other financial assets	13	0.2	0.2
Property, plant and equipment	14	224.4	197.6
Net deferred tax assets	5	95.5	6.6
Intangible assets and goodwill	15	1,551.9	1,291.1
Total non-current assets		2,019.4	1,668.2
TOTAL ASSETS		4,038.0	3,799.9
LIABILITIES			
Current liabilities			
Trade and other payables	16	1,372.7	1,376.5
Interest bearing loans and borrowings	17	17.8	8.6
Derivative financial instruments	18	5.2	1.4
Provisions	19	155.1	73.4
Income tax payable		24.9	14.3
Other financial liabilities	20	0.4	0.2
Total current liabilities		1,576.1	1,474.4
Non-current liabilities			
Interest bearing loans and borrowings	17	974.0	826.7
Provisions	19	151.4	54.2
Other financial liabilities	20	1.4	1.8
Total non-current liabilities		1,126.8	882.7
TOTAL LIABILITIES		2,702.9	2,357.1
NET ASSETS		1,335.1	1,442.8
EQUITY			
Contributed equity	21	1,914.7	1,904.9
Other equity	21	(765.9)	(765.9)
Other reserves	21	26.0	28.2
Retained earnings	21	86.3	208.0
Parent interest		1,261.1	1,375.2
Non controlling interests		74.0	67.6
TOTAL EQUITY		1,335.1	1,442.8

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

	Contributed Equity $'m	Other Equity $'m	Share-based Payments $'m	Retained Earnings $'m	Capital Reserve $'m	Foreign Currency Translation Reserve $'m	Cash Flow Hedge Reserve $'m	Owners of the Parent $'m	Non Controlling Interest $'m	Total Equity $'m
At 1 May 2011	1,904.9	(765.9)	22.3	208.0	12.8	(6.9)	-	1,375.2	67.6	1,442.8
Total comprehensive income, net of tax	-	-	-	90.0	-	1.0	(4.5)	86.5	8.2	94.7
Transactions with owners in their capacity as owners:										
Exercise of options	9.8	-	-	-	-	-	-	9.8	-	9.8
Share-based payments	-	-	1.3	-	-	-	-	1.3	-	1.3
Dividends paid	-	-	-	(211.7)	-	-	-	(211.7)	(1.8)	(213.5)
At 30 April 2012	1,914.7	(765.9)	23.6	86.3	12.8	(5.9)	(4.5)	1,261.1	74.0	1,335.1
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 payments	-	-	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

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

	NOTES	2012 $m	2011 $m
Cash flows from operating activities			
Receipts from customers		13,569.7	13,222.6
Payments to suppliers and employees		(12,975.6)	(12,772.2)
Dividends received		1.1	1.6
Interest received		12.7	9.7
Finance costs		(76.9)	(72.3)
Income tax paid		(110.3)	(116.8)
Goods and services tax paid		(136.4)	(130.1)
Net cash generated by operating activities	7	284.3	142.5
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		7.1	0.9
Purchase of property, plant and equipment		(75.9)	(34.7)
Payments for intangibles		(17.9)	(21.6)
Proceeds from loans repaid by other entities		18.0	15.5
Loans to other entities		(18.3)	(27.0)
Payment on acquisition of businesses	29(a)	(205.5)	(14.9)
Proceeds from sale of business assets		23.5	-
Payment on acquisition of associates		(1.6)	(0.5)
Net cash used in investing activities		(270.6)	(82.3)
Cash flows from financing activities:			
Proceeds from the issue of ordinary shares	21	9.8	12.7
Payment of refinancing costs		(3.4)	(1.5)
Proceeds from borrowings – other		1,930.0	500.0
Repayments of borrowings – other		(1,829.2)	(420.0)
Payment of dividends on ordinary shares	6	(211.7)	(199.4)
Payment of dividends to non controlling interests		(1.8)	(1.3)
Repayment of finance lease principal		(9.2)	(8.3)
Net cash used in financing activities		(115.5)	(117.8)
Net (decrease)/increase in cash and cash equivalents		(101.8)	(57.6)
Add opening cash brought forward		152.9	210.6
Effect of exchange rate changes on cash		0.4	(0.1)
Cash and cash equivalents at the end of the period	7	51.5	152.9

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

1. CORPORATE INFORMATION

The financial report of Metcash Limited (the Company) and its controlled entities (the Group) for the year ended 30 April 2012 was authorised for issue in accordance with a resolution of the Directors on 28 June 2012.

Metcash Limited 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 52 week period that commenced on 2 May 2011 and ended on 29 April 2012. The prior period results comprise the 53 week period that commenced on 26 April 2010 and ended on 1 May 2011.

(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

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 May 2011. Adoption of these standards and interpretations has not had a material effect on the financial position or performance of the Group:

- AASB 124 Related Party Disclosures (amendment);
- AASB 132 Financial Instruments: Presentation (amendment);
- AASB Int 14 Prepayments of a Minimum Funding Requirement (amendment);
- Improvements to AASBs
  - AASB 3 Business Combinations: Measurement options available for non-controlling interests were amended;
  - AASB 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of AASB 3 (as revised in 2008)) ;
  - AASB 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment awards);
  - AASB 7 Financial Instruments — Disclosure;
  - AASB 101 Presentation of Financial Statements;
  - AASB 127 Consolidated and Separate Financial Statements; and
  - AASB 134 Interim Financial Statements.
- AASB Int 13 Customer Loyalty Programmes (determining the fair value of award credits);
- AASB Int 19 Extinguishing Financial Liabilities with Equity Instruments;
- AASB 2010-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1,7,101,134 and Interpretation 13]; and
- AASB 2010-5 Amendments to Australian Accounting Standards [AASB 1,3,4,5,101,107,112,118,119,121,132,133, 134,137,139,140,1023&1038 and Interpretations 112,115,127,132 &1042]

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A number of new accounting standards have been issued but were not effective during the year ending 30 April 2012. The Group has elected not to early adopt any of these new standards or amendments in this financial report. The Group has yet to fully assess the impact the following accounting standards and amendments to accounting standards will have on the financial statements, when applied in future periods:

- AASB 1054: Australian Additional Disclosures;
- AASB 2010-6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7];
- AASB 2010-9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time adopters [AASB 1];
- AASB 2011-5: Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation [AASB 127, AASB 128 & AASB 131];
- AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112];
- AASB 2011-3: Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049];
- AASB 2011-9: Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 101];
- AASB 9: Financial Instruments;
- AASB 10: Consolidated Financial Statements;
- AASB 11: Joint Arrangements;
- AASB 12: Disclosure of Interests in Other Entities;
- AASB 13: Fair Value Measurement;
- AASB 119: Employee Benefits;
- AASB 2011-4: Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]; and
- AASB 1053: Application of Tiers of Australian Accounting Standards.

(iii) BASIS OF CONSOLIDATION

The financial statements comprise the consolidated financial statements of Metcash Limited and its controlled entities as at 30 April 2012.

The financial statements of controlled entities 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 controlled entities held by Metcash Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from controlled entities are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment.

The acquisition of controlled entities 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. The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) BASIS OF CONSOLIDATION (Continued)

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.

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

(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:

Purchase price allocation
Determining the acquisition date fair value of assets acquired and liabilities assumed on acquisition of controlled entities. The basis for determining the purchase price allocation is discussed in Note 29.

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:

Provision for restructuring
The Group has recognised a provision in accordance with the accounting policy described in Note 2(xxi). The Group has made assumptions in relation to the cost of employee redundancies and the costs associated with the early exit of stores earmarked for closure.

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 15.

Impairment of investment in associates
The Group assesses the recoverable amount of its investment in associates when an indicator of impairment is identified. In assessing the recoverable amount assumptions are made about the growth prospects of the associate and in determining the discount rate used to calculate the net present value of future cash flows when a discounted cash flow model is used. These assumptions are discussed in Note 12.

Contractual customer relationships
The useful life of contractual customer relationships of between 10 to 25 years is based on management's expectation of future attrition rates based on historical rates experienced.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(vi) FOREIGN CURRENCY TRANSLATION

Translation of foreign currency transactions
Both the functional and presentation currency of Metcash Limited and its Australian subsidiaries is Australian dollars (A$). Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All exchange differences, other than those that arise as a result of translating foreign subsidiaries from functional currency to presentation currency are taken to profit or loss in the consolidated financial report.

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.

Trade receivables provided as security under the Group's securitisation facility as detailed in Note 8 are only de-recognised when the receivable is settled by the debtor as the Group retains the significant risks and rewards associated with these receivables until settlement is received.

(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 or 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. The fair value of derivative contracts is determined by reference to market values for similar instruments. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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.

For the purposes of hedge accounting, hedges are classified as:
- fair value hedges, when they hedge the exposure to changes in the fair value of a recognised asset or liability; or
- cash flow hedges, when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction.

Hedges that meet the strict criteria for hedge accounting are accounted as follows:
- for cash flow hedges 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.
- for fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged and the derivative is remeasured to fair value. Gains and losses from both are taken to 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 investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associates.

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

(xii) INVENTORIES

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

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

(xiii) PROPERTY, PLANT AND EQUIPMENT

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

Depreciation
Depreciation is provided on a straight-line basis on all property, plant and equipment, other than freehold land.

Major depreciation periods are:

	2012	**2011**
Freehold buildings	50 years	50 years
Plant and equipment	5 – 15 years	5 – 15 years

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xiv) IMPAIRMENT OF ASSETS

At each reporting date, the Group assesses whether there is any indication that the value of an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

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

In assessing value in use, the estimated 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.

Goodwill
Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses for goodwill are not subsequently reversed.

Trade names
Indefinite life trade name balances will be tested annually for impairment at the same time as goodwill is tested. Finite useful life trade names are tested for impairment when an indicator of impairment is identified.

(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
(a) Group as a lessee

Operating leases are those leases 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.

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

The cost of improvements to or on leasehold property are 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xvi) GOODWILL

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

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

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.

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

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

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.

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 – ten to twenty five years;
- Software development costs – five to ten years; and
- Other – ten years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xxii) SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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 25.

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.

(xxiii) REVENUE RECOGNITION

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

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on acceptance of delivery of the goods.

Rendering of services
Revenue from promotional activities is recognised when the promotional activities occur.

Interest
Revenue is recognised as the interest is earned.

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

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

(xxiv) FINANCE COSTS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xxv) 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 tax 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.

(xxvi) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xxvi) OTHER TAXES (Continued)

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 an operating cash flow.

Commitments and contingencies are disclosed net of the amount of GST recoverable or payable.

(xxvii) 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.

(xxviii) 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.

(xxix) NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within a reasonable period of time.

In the statement of comprehensive income, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

(xxx) FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

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

Segment products and locations

The Group predominantly operated in the industries indicated:

- Food Distribution activities comprise the distribution of dry grocery, perishable and general merchandise supplies to retail outlets.
- Cash and Carry Distribution comprises the distribution of dry grocery, perishable and general merchandise supplies via cash and carry warehouses.
- Liquor Distribution activities comprise the distribution of liquor products to retail outlets and hotels.
- Hardware Distribution comprises the distribution of hardware supplies to retail outlets.

On 25 January 2012 the Company announced the amalgamation of IGA>D, IGA Fresh, Campbells Cash and Carry and all the associated merchandising and marketing functions into a single Food & Grocery business pillar. From 1 May 2012, the reportable operating segments will be Food & Grocery, Liquor and Hardware.

Geographically the Group operates predominantly 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 customer of the Group. Sales revenue (wholesale sales) from the sale of goods within Franklins from its wholesale operations (food distribution segment – continuing operations) to its retail operations (corporate stores – discontinued operations) have been eliminated from the food distribution segment. Accordingly, the food distribution segment results include wholesale sales by Franklins to franchised stores only, and the discontinued operations results include retail sales by Franklins corporate stores to end consumers.

Major customers

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

3. SEGMENT INFORMATION (Continued)

Business segments	Food & Grocery Distribution						Liquor Distribution		Hardware Distribution		Results from continuing operations	
	Food Distribution		Cash and Carry Distribution		Total*							
	2012 $'m	2011 $'m	2012 $'m	2011 $'m	2012 $'m	2011 $'m	2012 $'m	2011 $'m	2012 $'m	2011 $'m	2012 $'m	2011 $'m
Segment Revenue												
Sales to external customers	7,367.5	7,559.9	1,718.2	1,709.9	9,085.7	9,269.8	2,336.2	2,296.6	833.2	797.6	**12,255.1**	**12,364.0**
Inter-segment revenues	968.0	834.3	-	-	968.0	834.3	86.8	92.4	-	-	**1,054.8**	**926.7**
Total segment revenue	8,335.5	8,394.2	1,718.2	1,709.9	10,053.7	10,104.1	2,423.0	2,389.0	833.2	797.6	**13,309.9**	**13,290.7**
Segment profit before tax	380.8	361.8	16.9	31.8	397.7	393.6	34.9	30.1	21.2	20.7	**453.8**	**444.4**

* Inter segment transactions between Food Distribution and Cash and Carry Distribution during 2011 and 2012 have been eliminated

i) Segment revenue reconciliation to the statement of comprehensive income

	2012 $'m	2011 $'m
Total segment revenue	13,309.9	13,290.7
Inter-segment revenues elimination	(1,054.8)	(926.7)
Rent income	98.5	86.4
Interest from other persons/corporations	12.7	11.2
Total revenue from continuing operations	**12,366.3**	**12,461.6**

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

	2012 $'m	2011 $'m
Segment profit before tax	453.8	444.4
Net finance costs	(67.6)	(66.3)
Share based payments	(1.3)	(2.6)
Amortisation of customer relationships and licence agreements	(9.7)	(7.9)
Rent income	98.5	86.4
Rent expense	(98.5)	(86.4)
Significant items	(176.7)	(6.9)
Other	(1.3)	(3.8)
Net profit from continuing operations before income tax	**197.2**	**356.9**

4. REVENUES AND EXPENSES

	2012 $'m	2011 $'m
(i) Revenue		
Sale of goods	12,255.1	12,364.0
Rent	98.5	86.4
Interest from other persons/corporations	12.7	11.2
	12,366.3	12,461.6
(ii) Other income		
Net profit from disposal of property, plant and equipment	0.2	0.3
(iii) Operating lease rental		
Minimum lease payments - warehouse and other	105.8	94.5
Minimum lease payments - stores	98.5	86.4
(iv) Employee benefit expense		
Salaries and wages	404.0	402.6
Defined contribution plan expense	32.4	31.7
Workers compensation costs	11.0	10.5
Share based payments	1.3	2.6
Other employee benefit costs	4.6	4.7
(v) Other expenses		
Depreciation/amortisation		
- Depreciation of property, plant and equipment	34.0	34.1
- Amortisation of software	10.7	11.3
- Amortisation of customer relationships and licence agreements	9.7	7.9
	54.4	53.3
Trade receivables written off or impaired	17.5	13.6
Inventories net realisable value provision	5.8	5.1
Impairment of software development intangibles	2.2	-
(vi) Significant items		
Franklins acquisition and restructure costs (a)		
- Acquisition costs	6.3	6.9
- Distribution centre closure costs	22.2	-
	28.5	6.9
Group restructuring (b)		
- Lease tail and exit costs	17.0	-
- Redundancy costs	11.5	-
- Impairment - property, plant & equipment	9.9	-
- Impairment - goodwill	2.5	-
- Other closure costs	8.8	-
- Profit on disposal of business assets	(7.2)	-
	42.5	-
Associate impairment (c)		
- Loans and receivables	50.8	-
- Equity accounted investment	24.6	-
- Customer contract intangibles	9.1	-
- Restructure costs (provided)	12.5	-
- Restructure costs (paid)	8.7	-
	105.7	-
(vii) Finance costs		
Interest expense	76.9	73.9
Deferred borrowing cost	3.4	3.6
	80.3	77.5

4. REVENUES AND EXPENSES (Continued)

(a) Franklins acquisition and restructure costs
Metcash acquired Interfrank Group Holdings Pty Ltd (the Franklins Group) on 30 September 2011. During the current and prior periods, Metcash incurred legal and other costs in relation to the Australian Competition and Consumer Commission (ACCC) proceedings and in relation to the completion of the acquisition of $6.3 million (2011: $6.9 million). The Franklins acquisition will also facilitate the relocation and closure of the Blacktown, Silverwater, Yennora and Liverpool CSD distribution facilities to the new Huntingwood distribution centre. The $22.2 million expense comprises lease exit and make-good obligations, the impairment of plant and equipment and various other closure and relocation costs.

(b) Group restructuring costs
On 3 April 2012 Metcash announced the results of a strategic review that had been foreshadowed at the half year. The 'Group restructure' includes the lease obligations, redundancy, impairment and other costs associated with the closure or sale of 15 regional Campbells Cash and Carry branches. Metcash has also incurred redundancy costs in respect of the consolidation of the IGA Distribution, Fresh and Campbells business pillars into the new Food and Grocery division, along with the centralisation of merchandising, marketing and property functions. The Group restructure also included a review of non-core assets, which led to the disposal of the Foodlink WA business to Bidvest for a profit of $7.2 million, and the exit or impairment of other surplus assets.

(c) Associate impairment
The Group holds associate investments in the Cornetts and Walters joint venture businesses, which operate retail stores in Queensland (Note 12). These businesses have been impacted by various factors including a weak Queensland economy, deflation, rapid expansion, succession planning issues and natural disasters. The Group has recorded an expense of $105.7 million during the current period in relation to asset impairments and the costs associated with the restructure of these businesses. A restructure plan has been jointly developed, which will include the disposal of a number of stores to other retailers and some store closures, along with overhead savings.

5. INCOME TAX

	2012 $'m	2011 $'m
The major components of income tax expense are:		
Current income tax		
Current income tax charge	111.4	88.5
Adjustments in respect of current income tax of previous years	(0.7)	(3.0)
Deferred income tax relating to origination and reversal of temporary differences	(38.9)	20.6
Income tax expense reported in the statement of comprehensive income	71.8	106.1
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	197.2	356.9
At the Group's statutory income tax rate of 30% (2011: 30%)	59.2	107.1
Expenditure not allowable for income tax purposes – continuing operations	1.4	0.8
Expenditure not allowable for income tax purposes – significant items	11.9	2.1
Research and development deduction	-	(0.9)
Adjustments in respect of current income tax of previous years	(0.7)	(3.0)
Income tax expense reported in the statement of comprehensive income at an effective tax rate of 30% (2011: 30%)	71.8	106.1
Income tax attributable to continuing operations	71.8	106.1
Income tax benefit attributable to discontinued operations	(11.7)	-
	60.1	106.1

5. INCOME TAX (Continued)

	STATEMENT OF FINANCIAL POSITION	
	2012	**2011**
	$'m	**$'m**
Deferred income tax		
Deferred income tax of the Group at 30 April relates to the following:		
Deferred tax liabilities		
Intangibles	47.2	45.4
Accelerated depreciation for tax purposes	2.3	3.2
Other	1.6	0.7
Set off against deferred tax assets	(51.1)	(49.3)
	-	-
Deferred tax assets		
Provisions	133.2	53.1
Other	1.2	0.4
Unutilised tax losses	12.2	2.4
Set off from deferred tax liabilities	(51.1)	(49.3)
	95.5	6.6
Recognised net deferred tax assets		
Opening balance	6.6	27.2
Credited/(charged) to statement of comprehensive income	38.9	(20.6)
Acquisitions / disposals	50.0	-
Closing balance	95.5	6.6

At 30 April 2012, there is no recognised or unrecognised deferred income tax liability (2011: $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 gross capital losses of $20 million ($2011: $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 standalone basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. During the current period Interfrank Group Holdings Pty Ltd and SSA Holdings Pty Ltd joined the tax consolidated group.

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.

6. DIVIDENDS PAID AND PROPOSED

(a) Dividends paid and declared on ordinary shares during the year

	2012 $'m	2011 $'m
Dividends paid on ordinary shares during the year		
Final fully franked dividend for 2011: 16.0c (2010: 15.0c)	123.0	114.8
Interim fully franked dividend for 2012: 11.5c (2011: 11.0c)	88.7	84.6
	211.7	199.4
Dividends declared (not recognised as a liability as at 30 April 2012)		
Final fully franked dividend for 2012: 16.5c (2011: 16.0c) (i)	127.3	123.0

(i) Subsequent to the end of the financial year, Metcash announced that it would raise approximately $325 million in additional ordinary share capital through a fully underwritten institutional placement (Note 33). The shares issued under the institutional placement will be entitled to receive the 2012 final dividend of 16.5 cents per share. The 2012 final dividend amount of $127.3 million included in this table does not include the additional amount payable as a result of the institutional placement, as it is not yet possible to determine the number of shares that will be issued.

(b) Franking credit balance of Metcash Limited

	2012 $'m	2011 $'m
Franking account balance as at the end of the financial year at 30% (2011: 30%)	135.4	128.6
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	24.9	14.3
Amount of franking credit on dividends declared but not recognised as a distribution to shareholders during the period (i)	(54.6)	(52.7)
	105.7	90.2

(i) Subsequent to the end of the financial year, Metcash announced that it would raise approximately $325 million in additional ordinary share capital through a fully underwritten institutional placement (Note 33). The shares issued under the institutional placement will be entitled to receive the 2012 final dividend of 16.5 cents per share. The franking credit amount of $54.6 million included in this table does not include the additional amount payable as a result of the institutional placement, as it is not yet possible to determine the number of shares that will be issued and the resulting dividend payable.

(ii) The franking credit balance of $105.7 million includes franking credits associated with the income tax receivable of $24.4 million paid in respect of the Action Stores disputed tax (Note 32).

(c) Tax rates

The tax rate at which paid dividends have been fully franked is 30% (2011: 30%). Dividends declared have been fully franked at the rate of 30% (2011: 30%).

7. CASH AND CASH EQUIVALENTS

	2012 $'m	2011 $'m
Cash at bank and on hand	51.5	152.9

(a) Reconciliation of net profit after tax to net cash flows from operations

	2012 $'m	2011 $'m
Net profit for the period	98.2	250.8
Adjustments for:		
Depreciation and amortisation	54.4	53.3
Net (profit)/loss on disposal of property, plant and equipment	(0.2)	(0.3)
Share of associates' net (profit)/loss	(0.3)	1.7
Dividends received from associates	1.1	1.6
Deferred borrowing costs	3.4	3.6
Share based payments	1.3	2.6
Significant items:		
Group restructuring – impairment of property, plant & equipment (Note 4(vi)(b))	9.9	-
Group restructuring – impairment of goodwill (Note 4(vi)(b))	2.5	-
Group restructuring – profit on disposal of business assets (Note 4(vi)(b))	(7.2)	-
Associate impairment – loans and receivables (Note (vi)(c))	50.8	-
Associate impairment – equity accounted investment (Note (vi)(c))	24.6	-
Associate impairment – customer contract intangible (Note (vi)(c))	9.1	-
Changes in assets and liabilities, net of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	13.8	(3.1)
(Increase)/decrease in assets held for sale	2.7	-
(Increase)/decrease in other current assets	0.6	(0.9)
(Increase)/decrease in inventories	154.0	(203.3)
(Increase)/decrease in deferred tax assets	(34.8)	20.6
(Decrease)/increase in payables and provisions	(85.7)	47.2
(Decrease)/increase in tax payable	(13.9)	(31.3)
Cash from operating activities	284.3	142.5

(b) Non-cash financing and investing activities

	2012 $'m	2011 $'m
Acquisition of assets by means of finance lease	4.3	4.1

8. TRADE AND OTHER RECEIVABLES (CURRENT)

	2012 $'m	2011 $'m
Trade receivables - securitised (i)(Note 17 (iv))	689.1	694.8
Trade receivables - non-securitised (i)	194.5	181.3
Allowance for impairment loss	(43.4)	(20.4)
	840.2	855.7
Customer loans (ii)	23.6	32.0
Allowance for impairment loss	(1.6)	(3.5)
	862.2	884.2
Marketing debtors (iii)	30.5	41.2
Other receivables (iii)	93.4	81.9
	986.1	1,007.3

(i) Trade receivables are non-interest bearing and repayment terms vary by business unit. At 30 April 2012, 93.6% of trade receivables are required to be settled within 30 days and 6.4% 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.

8. TRADE AND OTHER RECEIVABLES (CURRENT) (Continued)

(ii) Customer loans receivable are current and have repayment terms of less than 12 months. $0.7 million (2011: $0.4 million) of loans are non-interest-bearing. $22.9 million (2011: $31.6 million) of loans have a weighted average annual interest rate of 8.71% (2011:7.95%).

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

IMPAIRED TRADE RECEIVABLES AND OTHER CURRENT RECEIVABLES

During the year ended 30 April 2012 receivables of the value of $15.7 million (2011: $14.1 million) were considered non-recoverable and written off. As at 30 April 2012, trade receivables and other current receivables with a notional value of $45.0 million (2011: $23.9 million) were provided for as impaired.

	2012 $'m	2011 $'m
As at 1 May	(23.9)	(24.4)
Accounts written off as non recoverable	15.7	14.1
Charge for the year	(17.5)	(13.6)
Charge for the year - significant items	(19.3)	-
As at 30 April	(45.0)	(23.9)

TRADE DEBTORS AGEING

As at 30 April 2012, the ageing analysis of trade receivables for the Group that were 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
2012	662.7	123.4	19.7	8.4	8.4	17.6	840.2
	78.9%	14.7%	2.3%	1.0%	1.0%	2.1%	100.0%
2011	654.4	136.1	12.3	12.4	7.2	33.3	855.7
	76.6%	15.9%	1.4%	1.4%	0.8%	3.9%	100.0%

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

CUSTOMER LOANS AGEING

As at 30 April 2012, the ageing analysis of current and non current customer loans for the Group that were 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
2012	63.0	1.1	0.6	0.3	0.1	2.7	67.8
	92.9%	1.6%	0.9%	0.4%	0.1%	4.0%	100.0%
2011	87.7	0.0	0.3	0.3	1.0	13.2	102.5
	85.6%	0.0%	0.3%	0.3%	1.0%	12.9%	100.0%

The credit quality of the unimpaired customer loans is good. Metcash believes that the above loans will be recovered.

8. TRADE AND OTHER RECEIVABLES (CURRENT) (Continued)

OTHER RECEIVABLES AGEING

As at 30 April 2012, the analysis of other receivables for the Group that were 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
2012	128.0	0.4	0.8	0.1	0.0	0.1	129.4
	98.9%	0.3%	0.6%	0.1%	0.0%	0.1%	100.0%
2011	126.0	2.5	1.1	0.0	0.0	0.1	129.7
	97.2%	1.9%	0.8%	0.0%	0.0%	0.1%	100.0%

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

CUSTOMER LOAN SECURITY

	2012 $'m	2011 $'m
Current loans	22.0	28.5
Non-current loans	45.8	74.0
	67.8	102.5

For certain customer 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 2012 was $34.2 million (2011: $30.7 million).

9. INVENTORIES

	2012 $'m	2011 $'m
Total finished goods inventories at the lower of cost and net realisable value	833.6	954.9

Inventory write-downs recognised as an expense totalled $10.9 million (2011: $5.1 million). $5.8 million of the write down is included in the cost of sales line item as a cost of inventory and the remaining $5.1 million is included in significant items.

10. DERIVATIVE FINANCIAL INSTRUMENTS

	2012 $'m	2011 $'m
Current		
Interest rate swap contracts (i)	-	0.9
Non current		
Cross currency interest rate swaps – US Private Placement(i)	27.8	-

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

11. RECEIVABLES (NON-CURRENT)

	2012 $'m	2011 $'m
Customer loans (i)	77.3	74.0
Impairment - significant items (ii)	(31.5)	-
Other receivables (iii)	5.5	6.6
	51.3	80.6

(i) Customer loans receivable are non-current and have repayment terms of greater than 12 months. $1.9 million (2011: $6.4 million) of loans are non-interest bearing. $75.4 million (2011: $67.6 million) of the loans have a weighted average annual interest rate of 8.15% (2011: 8.34%). Refer to Note 8 for ageing analysis and credit quality.

(ii) Other than the amount shown in the table, there were no movements in impairment during the current period.

(iii) 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.

NON CURRENT RECEIVABLES FAIR VALUE

The fair value of non-current receivables is calculated based on cash flows discounted at a rate reflecting current market rates adjusted for counter party credit risk. The fair value and carrying values of non-current receivables of the Group are as follows:

	CARRYING AMOUNT 2012 $'m	CARRYING AMOUNT 2011 $'m	FAIR VALUE 2012 $'m	FAIR VALUE 2011 $'m
Customer loans	45.8	74.0	46.8	76.0
Other receivables	5.5	6.6	5.5	6.6
	51.3	80.6	52.3	82.6

12. INVESTMENTS IN ASSOCIATES

	2012 $'m	2011 $'m
Opening balance	92.1	94.8
Capital contributions to associates	1.6	0.5
Share of profit/(loss) of associates	0.3	(1.7)
Dividends received	(1.1)	(1.5)
Impairment – significant items	(24.6)	-
	68.3	92.1

During the current period the Group became aware of financial difficulties faced by two of its associates, Cornetts and Walters. The recoverable amount of the Group's investment was estimated through the use of a discounted cash flow model, on a value in use basis, using a pre-tax discount rate of 10%. The recoverable amount was compared to the carrying value and an impairment loss of $24.6 million was recognised for the difference in the Statement of Comprehensive Income (Note 4(vi)(c)).

12. INVESTMENT IN ASSOCIATES (Continued)

Interest in associates

			OWNERSHIP INTEREST	
			2012	**2011**
	PRINCIPAL ACTIVITIES	**BALANCE DATE**	**%**	**%**
Abacus Independent Retail Property Trust	Retail property investment	30 June	25.0	25.0
Plumpton Park Developments Pty Limited	Property development	30 June	50.0	-
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 April	45.0	45.0
Lecome Pty Ltd	Grocery retailing	30 April	50.0	50.0
Metfood Pty Limited	Merchandise services for Metcash and Foodstuffs	30 April	50.0	50.0
Progressive Trading Pty Ltd (Progressive) [(ii)]	Grocery retailing	30 April	52.2	55.4
Sunshine Hardware Pty Ltd	Hardware retailing	30 June	49.0	49.0
Northern Hardware Pty Ltd	Hardware retailing	30 June	49.9	49.9

(i) Metcash has a direct ownership of 45.3% in Progressive, and an indirect ownership of 6.9% 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 the summarised financial information relating the Group's investment in associates.

Share of associates' profit:

	2012	**2011**
	$'m	**$'m**
Profit/(loss) before income tax	0.6	(2.4)
Income tax benefit/(expense)	(0.3)	0.7
Profit/(loss) after income tax	0.3	(1.7)

Share of associates' statement of financial position:

	2012	**2011**
	$'m	**$'m**
Current assets	69.3	86.7
Non-current assets	127.6	150.4
Total assets	196.9	237.1
Current liabilities	(119.7)	(130.4)
Non-current liabilities	(43.2)	(46.2)
Total liabilities	(162.9)	(176.6)
Net assets	34.0	60.5

13. OTHER FINANCIAL ASSETS (NON-CURRENT)

	2012 $'m	2011 $'m
Investment in shares (unlisted)	0.2	0.2

14. PROPERTY, PLANT AND EQUIPMENT

	LAND & BUILDINGS $'m	PLANT & EQUIPMENT $'m	TOTAL $'m
Year ended 30 April 2012			
At 1 May 2011			
Opening balance	75.3	122.3	197.6
Additions	0.5	75.4	75.9
Acquisition from business combination (Note 29)	-	1.2	1.2
Disposals	(5.5)	(1.4)	(6.9)
Exchange differences	-	(0.1)	(0.1)
Impairment charged to significant items	-	(9.9)	(9.9)
Impairment reversal	-	0.6	0.6
Depreciation	(1.0)	(33.0)	(34.0)
Closing balance	69.3	155.1	224.4
At 30 April 2012			
Cost or fair value	77.1	354.1	431.2
Accumulated depreciation & impairment	(7.8)	(199.0)	(206.8)
Net carrying amount	69.3	155.1	224.4

	LAND & BUILDINGS $'m	PLANT & EQUIPMENT $'m	TOTAL $'m
Year ended 30 April 2011			
At 1 May 2010			
Opening balance	64.7	130.0	194.7
Additions	12.1	26.0	38.1
Acquisition from business combination	-	1.3	1.3
Disposals	-	(2.3)	(2.3)
Exchange differences	-	(0.1)	(0.1)
Depreciation	(1.5)	(32.6)	(34.1)
Closing balance	75.3	122.3	197.6
At 30 April 2011			
Cost or fair value	82.1	279.0	361.1
Accumulated depreciation & impairment	(6.8)	(156.7)	(163.5)
Net carrying amount	75.3	122.3	197.6

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 April 2012 is $13.0 million (2011: $15.8 million)

15. INTANGIBLE ASSETS AND GOODWILL

	SOFTWARE DEVELOPMENT COSTS $'m	CUSTOMER CONTRACTS $'m	GOODWILL $'m	TRADE NAME $'m	OTHER $'m	TOTAL $'m
Year ended 30 April 2012						
At 1 May 2011						
Net carrying amount	70.2	151.1	1,040.3	27.2	2.3	1,291.1
Additions	16.8	1.1	-	-	-	17.9
Acquisition from business combination (Note 29)	-	28.1	256.0	3.2	-	287.3
Disposals	-	-	(10.2)	-	-	(10.2)
Impairment	(2.2)	(9.1)	(2.5)	-	-	(13.8)
Amortisation	(10.7)	(9.3)	-	(0.1)	(0.3)	(20.4)
At 30 April 2012						
Net carrying amount	74.1	161.9	1,283.6	30.3	2.0	1,551.9
At 30 April 2012						
Cost (gross carrying amount)	167.9	215.5	1,286.1	30.4	3.0	1,702.9
Accumulated amortisation and impairment	(93.8)	(53.6)	(2.5)	(0.1)	(1.0)	(151.0)
Net carrying amount	74.1	161.9	1,283.6	30.3	2.0	1,551.9

	SOFTWARE DEVELOPMENT COSTS $'m	CUSTOMER CONTRACTS $'m	GOODWILL $'m	TRADE NAME $'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

(d) DESCRIPTION OF THE GROUP'S INTANGIBLE ASSETS AND 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 lives are also estimated on an annual basis and adjustments, where applicable, are made on a prospective basis.

15. INTANGIBLE ASSETS AND GOODWILL (Continued)

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 10 to 25 years. 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.

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 either a finite or an indefinite useful life. Trade names with indefinite useful lives will be subjected to impairment testing on an annual basis or whenever there is an indication of impairment. Impairment testing was carried out in February 2012. Trade names with finite useful lives are amortised over their expected useful lives and impairment testing is performed when an indicator of impairment is identified.

Other
The Group 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, on a straight line basis. The intangible is carried at cost less accumulated amortisation.

(e) 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, 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 must 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 2012 for all CGUs excluding Cash and Carry Distribution. Impairment testing for this unit was conducted in April 2012 on the basis that indicators of impairment as a result of the Group restructure were identified.

The recoverable amounts of the group of CGUs have been determined based on value in use calculations 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 the 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 Group's risk profile relative to the market, the marginal cost of borrowing for the Group, its average level of gearing and a market risk premium.

Future growth – The growth rate is 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 8.51% (2011: 9.92%) and cash flows beyond the five year period are extrapolated using a 2.5% growth rate (2011: 2.5%) which is based on the historical population and applicable product inflation and growth rates for each group of CGUs.

15. INTANGIBLE ASSETS AND GOODWILL (Continued)

(iii) **Sensitivity to changes in assumptions**

The table below summarises the goodwill attributed to each group of CGU's and the potential impairment trigger point at the impairment testing date of February 2012, except Campbells Wholesale which was tested in April 2012 after the group restructure announcement:

Group of CGUs	Goodwill $'m	Discount Rate at Which Impairment is Triggered %
IGA Distribution	1,135.1	*
Campbells Wholesale	22.7	13.48%
Australian Liquor Marketers	88.9	11.87%
Mitre 10	36.8	13.12%

* 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 comprise the Mitre 10 brand name

(ii) Key assumptions used in assessing the recoverable amount of the Mitre 10 brand:

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 the 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 group's risk profile relative to the market, the marginal cost of borrowing for the group, 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.

16. TRADE AND OTHER PAYABLES

	2012 $'m	2011 $'m
Trade payables	1,112.2	1,205.4
Accruals	260.5	171.1
	1,372.7	1,376.5

Trade payables and accruals are non-interest-bearing and are normally settled within 30-day terms. Due to the short term nature of these payables, their carrying value approximates their fair value.

17. INTEREST BEARING LOANS AND BORROWINGS

	2012 $'m	2011 $'m
Current		
Finance lease obligations (i)	6.8	8.6
Bank loans - working capital (ii)	11.0	-
	17.8	8.6
Non-current		
Finance lease obligations (i)	9.1	11.5
Bank loans - syndicated (iii)	600.0	500.0
Debt securitisation (iv)	130.0	320.0
US private placement (v)	240.0	-
Deferred borrowing costs	(5.1)	(4.8)
	974.0	826.7

(i) Finance leases have an average lease term of 5.4 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 9.19% (2011: 9.47%). Certain lease liabilities are secured by a charge over the leased asset.

(ii) Working capital bank loans provide short term funding under two unsecured revolving facilities of $150 million and $75 million, which both expire in February 2013. Interest payable on these facilities is based on BBSY or the cash rate plus a margin. These bank loans are subject to certain financial undertakings as detailed in Note 17 (vi) below.

(iii) Syndicated bank loans are a three and four year senior unsecured loan note subscription facility, which expire in December 2014 ($400 million) and December 2015 ($300 million). 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. These bank loans are subject to certain financial undertakings as detailed in Note 17 (vi) below.

(iv) Under the $400 million debt securitisation facility, an equitable interest has been granted in certain trade receivables to a special purpose trust, which is managed by a major Australian bank. The facility is subject to the periodic renewal of liquidity support by a major Australian bank, which is currently committed until May 2013. The Group has therefore classified the facility as non-current at April 2012. Interest payable on the facility is based on BBSY plus a margin.

The terms of the facility require that, at any time, the book value of the securitised receivables must exceed by at least a certain proportional amount, the funds drawn under the facility. At the end of the financial year, trade receivables of $689.1 million (2011: $694.8 million) had been securitised, with $130 million (2011: $320 million) of funds drawn under the facility. The resultant security margin exceeded the minimum required at that time.

The 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 Group to remit funds when due, or a substantial deterioration in the overdue proportion of certain trade receivables.

The Group considers that it does not control the special purpose trust as it does not have power to determine the operating and financial policies of the trust, nor is the Group exposed to the risks and benefits of the trust. Accordingly, the Group does not consolidate the trust in its financial report.

(v) US private placement (USPP) comprises three tranches of fixed coupon debt of US$70 million maturing September 2018, US$35 million maturing September 2019, and US$120 million maturing September 2023. The foreign exchange and fixed interest rate risk has been hedged using a series of cross currency interest rate swaps that mitigate these risks. The financial effect of these hedges is to convert the US$225 million of USPP fixed interest rate debt into A$210.1 million of floating rate debt with interest payable at BBSW plus a margin.

The US$225 million USPP debt has been revalued at balance date to A$240.0 million and presented as interest bearing debt as disclosed above. The mark-to-market fair value of the associated cross currency interest rate swaps are separately disclosed within derivative financial instruments ($27.8 million – Note 10), associated interest within other receivables ($0.5 million – Note 8), the cash flow hedge reserve ($1.1 million – Note 21), and associated deferred tax assets ($0.5 million – Note 5). Together, these five components reflect the A$210.1 million of hedged debt.

The USPP debt is subject to certain financial undertakings as detailed in Note 17 (vi) below.

17. INTEREST BEARING LOANS AND BORROWINGS (Continued)

(vi) The Group must comply with three primary covenants which apply to the syndicated bank facility, both working capital bank facilities and the USPP debt. These covenants are: a fixed charges cover ratio (Earnings Before Interest, Tax, Depreciation, Amortisation and Net Rent (EBITDAR) divided by Total Net Interest plus Net Rent Expense), a 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).

(a) FAIR VALUE

The carrying amount of the Group's current and non-current borrowings approximates their fair value. The weighted average effective interest rate on the syndicated and working capital bank loans, the debt securitisation and the USPP debt, after taking into account cross currency and interest rate swaps, at the end of the financial year was 6.51% (2011: 6.18%).

(b) DEFAULTS OR BREACHES

At the reporting date, 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 22.

18. DERIVATIVE FINANCIAL INSTRUMENTS

	2012 $'m	2011 $'m
Interest rate swap contracts (i)	4.9	-
Foreign currency forward contracts (i)	0.3	1.4
	5.2	1.4

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

19. PROVISIONS

	2012 $'m	2011 $'m
Current		
Employee entitlements	92.4	60.5
Rental subsidy (b) (i)	21.2	8.9
Restructuring (b) (ii)	41.5	3.7
Other	-	0.3
	155.1	73.4
Non-current		
Employee entitlements	3.1	28.7
Rental subsidy (b) (i)	134.3	25.5
Restructuring (b)(ii)	14.0	-
Total	151.4	54.2

19. PROVISIONS (Continued)

(a) Movements in provisions (other than employee entitlements)

	Rental subsidy $'m	Restructuring $'m	Other $'m	Total $'m
1 May 2011	34.4	3.7	0.3	38.4
Arising during the year	-	1.5	-	1.5
Arising from significant items	-	62.2	-	62.2
Attributable to Franklins acquisition	144.4	-	-	144.4
Utilised	(16.7)	(11.9)	(0.3)	(28.9)
Released	(11.3)	-	-	(11.3)
Discount rate adjustment and imputed interest	4.7	-	-	4.7
30 April 2012	155.5	55.5	-	211.0
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

(b) Nature and timing of provisions

(i) Rental subsidy provision

In certain situations, Metcash will take the head lease on a retail property. When this occurs, the properties are typically sub leased to the retail customers on commercial terms and conditions which equate to 'back-to-back' arrangements whereby the lease expense to the landlord matches the lease rental to the retailer. Atypically, Metcash has assumed leases through acquisitions whereby the lease rental is considered 'onerous'. In these situations, where the head lease rental expense exceeds the expected sub lease rental income, a provision is raised for the difference in rental streams for the period of the actual or expected sub lease.

(ii) Restructure provision

Details of the restructure provision are included in Note 4(vi).

20. OTHER FINANCIAL LIABILITIES

	2012 $'m	2011 $'m
Current		
Lease incentives	0.4	0.2
Non - current		
Lease incentives	1.4	1.8

21. CONTRIBUTED EQUITY AND RESERVES

(a) Ordinary shares:

	2012 $'m	2011 $'m
Ordinary shares issued and fully paid	1,914.7	1,904.9

21. CONTRIBUTED EQUITY AND RESERVES (Continued)

	2012		2011	
	NUMBER OF SHARES	$'m	NUMBER OF SHARES	$'m
Movements in ordinary shares on issue				
At 1 May	768,853,644	1,904.9	765,644,031	1,892.2
Issued during the year:				
- Exercise of employee options - at 392.5 cents per share	2,489,364	9.8	1,649,613	6.4
- Exercise of employee options - at 401.3 cents per share	-	-	1,560,000	6.3
- Exercise of employee options - at 426.7 cents per share	2,856	-	-	-
At 30 April	771,345,864	1,914.7	768,853,644	1,904.9

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

(b) Reserves:

	SHARE-BASED PAYMENTS $'m	CAPITAL PROFITS $'m	CASH FLOW HEDGE $'m	FOREIGN CURRENCY TRANSLATION $'m	TOTAL $'m
At 1 May 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
Foreign currency translation adjustments	-	-	-	1.0	1.0
Share-based payments	1.3	-	-	-	1.3
Movement in fair value of derivatives	-	-	(4.5)	-	(4.5)
At 30 April 2012	23.6	12.8	(4.5)	(5.9)	26.0

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 25 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.

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.

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.

21. CONTRIBUTED EQUITY AND RESERVES (Continued)

	2012 $'m	2011 $'m
Retained earnings		
At 1 May	208.0	166.0
Profit for the period	90.0	241.4
Dividends paid	(211.7)	(199.4)
At 30 April	86.3	208.0
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).

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise bank loans, bonds 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 policies. 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 limited 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, foreign exchange 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 bank debt obligations with a floating interest rate.

Metcash manages this risk by entering into interest rate swap contracts with various major Australian banks. At 30 April 2012 the principal hedged was $370 million with a weighted average hedge maturity of 1 year and a weighted average interest rate of 5.12%. The Group considers these derivatives to be effective hedges in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* and therefore treats them as cash flow hedges. These interest rate swap contracts, which had a notional principal value of $370 million (2011: $300 million) had a fair value at the end of the financial year of negative $4.9 million (2011: positive $0.9 million). These contracts are exposed to fair value movements if the interest rate changes.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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:

	2012 $'m	2011 $'m
Financial assets		
Cash and cash equivalents	51.5	152.9
Financial liabilities		
Bank loans - working capital	(11.0)	-
Bank loans – syndicated	(600.0)	(500.0)
Debt securitisation	(130.0)	(320.0)
US private placement(i)	(210.1)	-
Less*:* Interest rate swaps notional principal value - designated as cash flow hedges	370.0	300.0
	(581.1)	(520.0)
Net exposure	(529.6)	(367.1)

(i) The US private placement liability is presented inclusive of the associated cross currency interest rate swap hedge contracts which effectively convert the US$225 million facility into A$210.1 million of variable rate funding (Note 17 v).

Refer to Note 17 for details of bank loans, debt securitisation and US private placement.

The Group's treasury policy requires 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 2012, the interest rate swap hedges of $370 million fell within the required range.

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 either 0.25% 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 of the Group's interest rate derivatives that hedge core debt.

	PROFIT AFTER TAX HIGHER/(LOWER)		OTHER COMPREHENSIVE INCOME HIGHER/(LOWER)	
	2012 $'m	2011 $'m	2012 $'m	2011 $'m
If interest rates were to increase by 0.25% (25 basis points)	(0.9)	(0.6)	0.6	1.4
If interest rates were to decrease by 0.25% (25 basis points)	0.9	0.6	(0.6)	(1.5)

The movements in profit are due to higher/lower interest costs from variable rate bank debt and other loans net of interest rate derivatives that hedge core debt. The movement in other comprehensive income is due to cash flow hedge fair value adjustments on interest rate swap contracts.

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, the Group manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. The Group has five different sources of primary debt funding, of which 64.8% have been utilised at 30 April 2012. The Group monitors forecasts of liquidity reserves on the basis of expected cash flow.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Remaining contractual maturities
Remaining contractual liabilities consist of non-interest bearing trade and other payables amounting to $1,372.7 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 that are used in 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 2012	1 YEAR OR LESS $'m	1-5 YEARS $'m	MORE THAN 5 YEARS $'m	TOTAL $'m
Financial assets				
Cash and cash equivalents	51.5	-	-	51.5
Trade and other receivables	986.1	51.3	-	1,037.4
Derivative financial instruments	-	-	27.8	27.8
	1,037.6	51.3	27.8	1,116.7
Financial liabilities				
Trade and other payables	1,372.7	-	-	1,372.7
Finance lease liability	7.7	10.4	-	18.1
Financial guarantee contracts	0.2	-	-	0.2
Bank and other loans	70.4	845.2	257.8	1,173.4
Derivative financial instruments	0.9	4.3	-	5.2
	1,451.9	859.9	257.8	2,569.6

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
Derivative financial instruments	1.4	-	-	1.4
	1,436.9	833.7	-	2,270.6

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

	TOTAL FACILITY $'m	DEBT USAGE $'m	GUARANTEES & OTHER USAGE $'m	CASH $'m	FACILITY AVAILABLE $'m
Syndicated facility	700.0	600.0	-	-	100.0
Securitisation facility	400.0	130.0	-	-	270.0
US private placement (i)	210.1	210.1	-	-	-
Bank guarantee facility (ii)	25.3	-	21.8	-	3.5
Working capital/guarantees	150.0	-	38.8	-	111.2
Working capital	75.0	11.0	-	-	64.0
	1,560.4	951.1	60.6	-	548.7
Cash & cash equivalents	-	-	-	51.5	51.5
	1,560.4	951.1	60.6	51.5	600.2

(i) The US Private Placement liability is presented inclusive of the associated cross currency interest rate swap hedge contracts which effectively convert the US$225 million facility into A$210.1 million of variable rate funding. (Note 17 v)
(ii) Bank guarantee facility is used by Franklins Pty Limited to issue bank guarantees for leases and workcover obligations. The facility is indemnified by Metcash Trading Limited.

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 2012					
Derivative liabilities - net settled	(1.4)	(1.8)	(2.0)	-	(5.2)
Derivative liabilities - gross settled					
- Inflows	19.4	3.3	-	-	22.7
- Outflows	(19.7)	(3.3)	-	-	(23.0)
Net maturity	(1.7)	(1.8)	(2.0)	-	(5.5)
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)

Net settled derivatives comprise interest rate swap contracts that are used to hedge floating rate interest payable on bank debts. 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 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 the key in the minimisation of the Group's potential bad debt exposure. Receivables balances are monitored on an ongoing basis and a formal review of all balances occurs every 6 months. Where necessary, appropriate provisions are established.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

As identified in Note 8 (Trade and Other Receivables), the current level of impairment provision represents 4.6%of the receivables balance.

All derivatives are transacted with financial institutions that have high investment grade credit ratings. As at 30 April 2012, all derivative counterparts had a credit rating of AA- or better.

The Group has granted a financial guarantee relating to the bank loan of its associate, Adcome Pty Ltd. The guarantee represents a put option held by Adcome's bank, whereby the holder has the right to require the non Metcash shareholders to 'put' their remaining shares in Adcome Pty Ltd back to Metcash within an agreed period and under certain prescribed circumstances in return for repayment of the debt by Adcome Pty Ltd to the holder. The estimate of the maximum amount payable in respect of the put option, if exercised, is $58.3m, as defined in the option deed. The fair value of the financial guarantee contract liability of $0.2 million has been recognised as a liability in these financial statements during the current year.

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

Foreign currency risk
The Group is exposed to foreign exchange fluctuations on transactions and balances in New Zealand dollars in respect of the Tasman Liquor business unit. These operations represent less than 5% of total sales and total profit after tax, and as such the exposure is minimal.

In addition, the Group undertakes some foreign currency transactions when purchasing goods and services. The Group enters into forward foreign exchange contracts to manage the risk associated with anticipated purchase commitments denominated in foreign currencies.

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

The Group's exposure to foreign exchange risk on principal and interest payments in relation to the US$225 million USPP facility have been hedged using cross currency interest rate swaps (Note 17(v)).

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 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 underlying earnings per share has been set by the Board. A dividend reinvestment plan is in existence, but has been suspended by the Board. The plan is able to be reinstituted at any time.

The Group provides benefits to employees 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 Executive and Senior Managers Performance Rights Plan (Rights Plan) and the Metcash Employee Option Plan (MEOP). Details are disclosed in Note 25.

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 under the Group's banking facilities, as summarised in Note 17.

Management monitor capital through the gearing ratio (debt / total capital). The gearing ratios at 30 April 2012 and 2011 were 42.6% and 36.7% respectively. This is within an acceptable target range.

22. 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:

	LEVEL 1 $'m	LEVEL 2 $'m	LEVEL 3 $'m	TOTAL $'m
Year ended 30 April 2012				
Derivative financial assets	-	27.8	-	27.8
Derivative financial liabilities	-	(5.2)	-	(5.2)
	-	22.6	-	22.6
Year ended 30 April 2011				
Derivative financial assets	-	0.9	-	0.9
Derivative financial liabilities	-	(1.4)	-	(1.4)
	-	(0.5)	-	(0.5)

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

23. COMMITMENTS

(a) Operating lease commitments

The Group has entered into commercial leases on certain forklifts, land and buildings. These leases have an average lease term of 10.8 years and an implicit interest rate of 8.7% (2011: 8.4%). 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:

	2012 $'m	2011 $'m
Within 1 year	209.5	158.5
After 1 year but not more than 5 years	622.9	552.6
More than 5 years	691.1	389.8
Aggregate lease expenditure contracted for at reporting date	1,523.5	1,100.9

(b) Operating lease receivables

Certain properties under operating lease have been sublet to third parties. These leases have an average lease term of 12.0 years and an implicit interest rate of 8.7% (2011: 8.4%). The future lease payments expected to be received at the reporting date are:

	2012 $'m	2011 $'m
Within 1 year	83.9	73.8
After 1 year but not more than 5 years	263.2	283.7
More than 5 years	372.4	257.5
	719.5	615.0

23. COMMITMENTS (Continued)

(c) Finance lease commitments

The Group has finance leases for various items of vehicles and equipment. The weighted average interest rate implicit in the leases is 9.19% (2011: 9.47%). 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	
	2012	2011	2012	2011
	$'m	$'m	$'m	$'m
Within 1 year	7.7	8.9	6.8	8.6
After 1 year but not more than 5 years	10.4	14.2	9.1	11.5
More than 5 years	-	-	-	-
	18.1	23.1	15.9	20.1
Less amounts representing finance charges	(2.2)	(3.0)	-	-
Present value of minimum lease payments	15.9	20.1	15.9	20.1

24. RELATED PARTY DISCLOSURE

(a) Subsidiaries

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

		EQUITY INTEREST HELD BY THE GROUP	
NAME	**COUNTRY OF INCORPORATION**	**2012 %**	**2011 %**
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 (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
Metcash Food & Grocery Pty Ltd (i)	Australia	100	100
IGA Fresh (Northern Queensland) Pty Limited (i)	Australia	100	100
IGA Fresh (NSW) Pty Limited (i)	Australia	100	100
IGA Pacific Pty Limited	Australia	100	100
IGA Retail Network Limited	Australia	100	100
IGA Retail Services Pty Limited (i)	Australia	100	100
Independent Brands Australia Pty Limited (i)	Australia	100	100
Interfrank Group Holdings Pty Ltd**(i)	Australia	100	-

24. RELATED PARTY DISCLOSURE (Continued)

NAME	COUNTRY OF INCORPORATION	EQUITY INTEREST HELD BY THE GROUP 2012 %	2011 %
Jewel Food Stores Pty. Ltd.	Australia	100	100
Jewel Superannuation Fund Pty Ltd	Australia	100	100
Jorgensens Confectionery Pty. Limited	Australia	100	100
Keithara Pty. Ltd.	Australia	100	100
Knoxfield Transport Service Pty. Ltd.	Australia	100	100
M C International Australia Pty Limited	Australia	100	100
Melton New Co Pty Ltd	Australia	100	100
Metcash Export Services Pty Ltd	Australia	100	100
Metcash Holdings Pty Ltd	Australia	100	100
Metcash Management Pty Limited	Australia	100	100
Metcash Services Proprietary Limited	Australia	100	100
Metcash Storage Pty Limited	Australia	100	100
Metcash Trading Limited (i)	Australia	100	100
Metoz Holding Limited	South Africa	100	100
Metro Cash & Carry Pty Limited	Australia	100	100
Mirren (Australia) Pty. Ltd.	Australia	100	100
Mittenmet Limited *	Australia	50.1	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
SSA Holdings Pty Ltd (Scanning Systems Australia)	Australia	100	-
Scanning Systems (Aust) Pty Ltd	Australia	100	-
Smart IP Co Pty Ltd	Australia	100	-
Scanning Systems (Fuel) Pty Ltd	Australia	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(i)	Australia	100	100
Wimbledon Unit Trust	Australia	100	100

24. 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	EQUITY INTEREST HELD BY THE GROUP 2012 %	2011 %
ACN 008 698 093 (WA) Pty 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
Northern NSW Timber and Hardware 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	52
WA Hardware Services Pty Ltd	Australia	100	100

**** Interfrank Group Holdings Pty Ltd**

The consolidated financial statements include the financial statements of Interfrank Group Holdings Pty Ltd and the subsidiaries listed in the following table:

NAME	COUNTRY OF INCORPORATION	EQUITY INTEREST HELD BY THE GROUP 2012 %	2011 %
Franklins Pty Ltd	Australia	100	-
Franklins Supermarket Holdings Pty Ltd	Australia	100	-
Franklins Franchising Pty Ltd	Australia	100	-
Franklins Bankstown Square Pty Ltd	Australia	100	-
Franklins Bass Hill Pty Ltd	Australia	100	-
Franklins Blacktown Pty Ltd	Australia	100	-
Franklins Bonnyrigg Pty Ltd	Australia	100	-
Franklins Ulladulla Pty Ltd	Australia	100	-
Franklins Casula Pty Ltd	Australia	100	-
Franklins Cronulla Pty Ltd	Australia	100	-
Franklins Drummoyne Pty Ltd	Australia	100	-

24. RELATED PARTY DISCLOSURE (Continued)

NAME	COUNTRY OF INCORPORATION	EQUITY INTEREST HELD BY THE GROUP 2012 %	2011 %
Franklins Liverpool Pty Ltd	Australia	100	-
Franklins Macquarie Pty Ltd	Australia	100	-
Franklins Maroubra Pty Ltd	Australia	100	-
Franklins Merrylands Pty Limited	Australia	100	-
Franklins Morrebank Pty Limited	Australia	100	-
Franklins North Rocks Pty Ltd	Australia	100	-
Franklins Pennant Hills Pty Ltd	Australia	100	-
Franklins Penrith Nepean Pty Ltd	Australia	100	-
Franklins Penrith Plaza Pty Ltd	Australia	100	-
Franklins Rockdale Plaza Pty Ltd	Australia	100	-
Franklins Singleton Pty Ltd	Australia	100	-
Franklins Spit Junction Pty Ltd	Australia	100	-
Franklins Westleigh Pty Ltd	Australia	100	-
Franklins Wetherill Park Pty Ltd	Australia	100	-
Franklins Wentworthville Pty Ltd	Australia	100	-
Fresco Supermarket Holdings Pty Ltd	Australia	100	-
FW Viva 3 Pty Ltd	Australia	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 23 April 2012 which is based on Class Order 98/1418 (Order), relief has been granted to certain controlled entities of Metcash Limited, being those marked (i), from the Corporations Act requirements for preparation, audit and lodgement of their financial reports. As a condition of the Order, Metcash Limited and the controlled entities, being those marked as (i) (the Closed Group) entered into a Deed of Cross Guarantee on 18 April 2012. 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.

During 2012, the following companies were added to the closed group: Global Liquor Wholesalers Pty Limited, IGA Fresh (Northern Queensland) Pty Limited, IGA Fresh (NSW) Pty Limited, IGA Retail Services Pty Limited, Interfrank Group Holdings Pty Ltd, Independent Brands Pty Limited and Wickson Corporation Pty Limited.

24. 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	
	2012 **$'m**	**2011** **$'m**
(i) Statement of Comprehensive Income		
Profit before income tax	157.5	314.5
Income tax expense	(54.2)	(94.3)
Net profit for the period	103.3	220.2
Retained profits at the beginning of the financial year	(428.3)	(449.1)
Dividends provided for or paid	(211.7)	(199.4)
Retained profits at the end of the financial year	(536.7)	(428.3)
(ii) Statement of Financial Position		
Assets		
Current assets		
Cash and cash equivalents	24.1	116.9
Trade and other receivables	869.1	820.7
Inventories	778.7	907.8
Disposal group assets held for sale	116.5	9.9
Other	29.9	5.7
Total current assets	1,818.3	1,861.0
Non-current assets		
Derivative financial instruments	27.8	-
Receivables	51.3	80.6
Investments	2,521.1	2,547.5
Property, plant and equipment	190.4	92.9
Net deferred tax assets	95.6	17.8
Intangible assets and goodwill	1,306.7	1,045.9
Total non-current assets	4,192.9	3,784.7
Total assets	6,011.2	5,645.7
Liabilities		
Current liabilities		
Trade and other payables	1,241.8	1,101.9
Interest-bearing loans and borrowings	17.7	6.6
Income tax payable	20.9	12.0
Provisions	146.9	31.6
Total current liabilities	1,427.3	1,152.1
Non-current liabilities		
Interest-bearing loans and borrowings	3,787.7	3,727.5
Provisions	151.1	20.3
Total non-current liabilities	3,938.8	3,747.8
Total liabilities	5,366.1	4,899.9
Net assets	645.1	745.8
Equity		
Contributed equity	1,914.7	1,904.9
Other equity	(765.9)	(765.9)
Reserves	33.0	35.1
Retained profits	(536.7)	(428.3)
Total equity	645.1	745.8

24. RELATED PARTIES (Continued)

(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	2012	1,152.9		
	2011	1,236.5	-	-
Dividends received from associates	2012			1.1
	2011	-	-	1.6

Other transactions with Key Management Personnel

Mr Barnes is Chairman of Samuel Smith and Sons Pty Ltd and a Director of Ansell Limited. Mrs Balfour is a director of Salmat Limited. Mr Butler is Chairman of AMP Superannuation Ltd. All organisations are suppliers to the Group under normal commercial terms and conditions. The total level of purchases from all companies is less than 0.2% 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 (2011: nil).

Subsidiaries				
Dividend received	2012	-	-	1.9
	2011	-	-	-
Interest accrued	2012	-	-	2.7
	2011	-	-	1.7
Sales to subsidiaries	2012	15.1	-	-
	2011	9.7	-	-

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 and payable to related parties

Related party	2012 $'m	2011 $'m
Group		
Associates		
Trade receivables - gross	111.5	139.7
Provision for impairment (Note 4)	(17.7)	-
	93.8	139.7
Loans receivable – gross	48.8	56.3
Provision for impairment (Note 4)	(33.1)	-
	15.7	56.3

24. RELATED PARTIES (Continued)

Related party	2012 $'m	2011 $'m
Parent		
Subsidiaries		
Loans receivable	1,825.5	1,562.4
Loans payable	3,686.6	3,445.7

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.

25. 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 Executives and Senior Managers Performance Rights Plan (Rights Plan) and the Metcash Employees Option Plan (MEOP). 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 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 employee 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 and 2012 financial years 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 employee;
- underlying earnings per share is calculated on the Group'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; and
- the number of Performance Rights granted is determined by dividing the value of an employee's long term incentive entitlement by the Company's share price at the time of issue.

Metcash Employee Option Plan (MEOP) (Legacy Plan)

Metcash previously issued invitations to eligible employees and executive directors to participate in the Employee Share Option Plan. The last tranche of options was issued in 2009 and the plan will cease in 2014 when the last options expire.

25. SHARE-BASED PAYMENTS (Continued)

(a) Types of share-based payment plans (continued)

The exercise price of options was 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.

(b) Summary of rights and options granted

Rights Plan
The following table illustrates the movement in the number of Performance Rights during the period:

	2012 NUMBER	2011 NUMBER
Outstanding at the beginning of the year	1,399,385	-
Granted during the year	1,512,804	1,415,137
Vested during the year	-	-
Expired/forfeited during the year	(162,471)	(15,752)
Outstanding at the end of the year	2,749,718	1,399,385

The outstanding balance as at 30 April 2012 is represented by:

VESTING DATE	TOTAL	EXERCISABLE	REMAINING CONTRACTUAL LIFE (YEARS)
30 June 2013	1,310,241	-	1.2
30 June 2014	1,439,477	-	2.2
Total	2,749,718	-	

Weighted average fair value
The weighted average fair value of Performance Rights granted during the year was $3.620 per Performance Right (2011: $3.623).

25. SHARE-BASED PAYMENTS (Continued)

(b) Summary of rights and options granted (continued)

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.

	2012	2011
Dividend yield	6.41%	6.19%
Risk free rate	3.69%	5.36%
Expected volatility	17.64%	16.63%
Life of Performance Rights	927 days	940 days
Exercise price	-	-
Share price at measurement date	$4.21	$4.20

MEOP

The following table illustrates the number of options, exercise prices and movements during the year ended 30 April 2012 and 30 April 2011:

	2012 NUMBER	2012 EXERCISE PRICE $	2011 NUMBER	2011 EXERCISE PRICE $
Outstanding at the beginning of the year	24,126,321		30,235,024	
Reinstated during the year	122,150	Various	17,700	Various
Exercised during the year:				
	(2,489,364)	3.925	(1,649,613)	3.925
	-	4.013	(1,560,000)	4.013
	(2,856)	4.267	-	4.267
Expired during the year	(6,394,266)	Various	(2,916,790)	Various
Outstanding at the end of the year	15,361,985		24,126,321	

The outstanding balance as at 30 April 2012 is represented by:

EXPIRY DATE	EXERCISE PRICE $	TOTAL OUTSTANDING (NUMBER)	EXERCISABLE (NUMBER)	REMAINING CONTRACTUAL LIFE (YEARS)
7 February 2014	4.267	15,361,985	12,289,588	1.8

26. DIRECTORS' AND EXECUTIVES DISCLOSURES

a) Details of Key Management Personnel

Directors		Executives	
Peter L Barnes	Non-executive Chairman	Fergus Collins	CEO Australian Liquor Marketers
Andrew Reitzer	Chief Executive Officer	Adrian Gratwicke	Chief Financial Officer
Fiona E Balfour	Non-executive Director	Silvestro Morabito	CEO Food & Grocery
Michael R Butler	Non-executive Director	Mark Laidlaw	CEO Mitre10
Neil D Hamilton	Non-executive Director		
Edwin M Jankelowitz	Non-executive Director		
Richard A Longes	Non-executive Director		
Ian R Morrice(i)	Non-executive Director		
V Dudley Rubin	Non-executive Director		

(i) Mr Morrice was appointed as a non-executive Director on 12 June 2012

b) (i) Performance Rights holding of Key Management Personnel

30 April 2012	Balance 1 May 2011	Granted as remuneration	Vested during the year	Changed, forfeited or lapsed during the year	Balance 30 April 2012	Balance at report date
Directors						
P Barnes	-	-	-	-	-	-
A Reitzer	-	-	-	-	-	-
F Balfour	-	-	-	-	-	-
M Butler	-	-	-	-	-	-
N Hamilton	-	-	-	-	-	-
E Jankelowitz	-	-	-	-	-	-
R Longes	-	-	-	-	-	-
I Morrice(i)	-	-	-	-	-	-
D Rubin	-	-	-	-	-	-
Executives						
F Collins	53,923	55,725	-	-	109,648	109,648
A Gratwicke	59,770	73,204	-	-	132,974	132,974
M Jablonski(ii)	70,171	71,936			142,107	142,107
M Laidlaw	49,166	46,201	-	-	95,367	95,367
S Morabito	70,171	72,516	-	-	142,687	142,687
H Rumpler(ii)	42,479	43,899			86,378	86,378
Total	345,680	363,481	-	-	709,161	709,161

(i) Mr Morrice was appointed as a Non-executive Director on 12 June 2012.
(ii) Messers Jablonski and Rumpler's performance rights are disclosed on the basis that they were the 4th and 5th highest remunerated senior managers.

26. DIRECTORS' AND EXECUTIVES DISCLOSURES (Continued)

b) (ii) Performance Rights holding of Key Management Personnel (Continued)

30 April 2011	Balance 1 May 2010	Granted during the year	Vested during the year	Changed, forfeited or lapsed during the year	Balance 30 April 2011	Balance at report date
Directors						
P Barnes	-	-	-	-	-	-
A Reitzer	-	-	-	-	-	-
F Balfour	-	-	-	-	-	-
M Butler	-	-	-	-	-	-
N Hamilton	-	-	-	-	-	-
R Longes	-	-	-	-	-	-
D Rubin	-	-	-	-	-	-
E Jankelowitz (i)	-	-	-	-	-	-
Executives						
K Bean	-	58,159	-	-	58,159	58,159
F Collins	-	53,923	-	-	53,923	53,923
P Dubbelman	-	54,514	-	-	54,514	54,514
A Gratwicke	-	59,770	-	-	59,770	59,770
B Hale	-	58,083	-	-	58,083	58,083
M Jablonski (ii)	-	70,171	-	-	70,171	70,171
D Johnston	-	45,728	-	-	45,728	45,728
M Laidlaw	-	49,166	-	-	49,166	49,166
S Morabito	-	70,171	-	-	70,171	70,171
H Rumpler	-	42,479	-	-	42,479	42,479
G Watson	-	23,628	-	-	23,628	23,628
Total	-	585,792		-	585,792	585,792

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

c) (ii) Option holding of Key Management Personnel (MEOP)

30 April 2012	Balance 1 May 2011	Granted during the year	Exercised during the year	Disposed, forfeited or lapsed during the year	Balance at 30 Apr 2012	Vested during the year	Vested and Exercisable at 30 Apr 2012	Balance at report date
Directors								
P Barnes	-	-	-	-	-	-	-	-
A Reitzer	1,200,000	-	-	(1,200,000)	-	-	-	-
F Balfour	-	-	-	-	-	-	-	-
M Butler	-	-	-	-	-	-	-	-
N Hamilton	-	-	-	-	-	-	-	-
E Jankelowitz	130,000	-	-	(130,000)	-	-	-	-
R Longes	-	-	-	-	-	-	-	-
I Morrice(i)	-	-	-	-	-	-	-	-
D Rubin	-	-	-	-	-	-	-	-
Executives								
F Collins	50,000	-	(50,000)	-	-	-	-	-
A Gratwicke	510,000	-	(10,000)	-	500,000	100,000	400,000	500,000
M Jablonski(ii)	130,000	-	-	(130,000)	-	-	-	-
M Laidlaw	400,000	-	-	(50,000)	350,000	70,000	280,000	350,000
S Morabito	387,125	-	(37,125)	-	350,000	70,000	280,000	350,000
H Rumpler(ii)	550,000	-	(50,000)	-	500,000	100,000	400,000	500,000
Total	3,357,125	-	(147,125)	(1,510,000)	1,700,000	340,000	1,360,000	1,700,000

(i) Mr Morrice was appointed as a Non-executive Director on 12 June 2012.

(ii) Messers Jablonski and Rumpler's options are disclosed on the basis that they were the 4th and 5th highest remunerated senior managers.

26. DIRECTORS' AND EXECUTIVES DISCLOSURES (Continued)

c) (ii) Option holding of Key Management Personnel (MEOP) (continued)

30 April 2011	Balance at 1 May 2010	Options exercised	Other adjustments	Balance at 30 Apr 2011	Vested during the year	Vested at 30 Apr 2011	Exercisable at 30 Apr 2011	Balance at report date
Directors								
C S dos Santos (i)	-	-	-	-	-	-	-	-
P Barnes	-	-	-	-	-	-	-	-
A Reitzer	1,200,000	-	-	1,200,000	-	960,000	960,000	1,200,000^
F Balfour	-	-	-	-	-	-	-	-
M Butler	-	-	-	-	-	-	-	-
R Longes	-	-	-	-	-	-	-	-
N Hamilton	-	-	-	-	-	-	-	-
D Rubin	-	-	-	-	-	-	-	-
E Jankelowitz (iii)	650,000	(520,000)	-	130,000	-	-	-	130,000^
Executives								
K Bean	400,000	-	-	400,000	80,000	400,000	400,000	400,000
F Collins	50,000	-	-	50,000	10,000	50,000	50,000	50,000
P Dubbelman	400,000	(400,000)	-	-	80,000	-	-	-
A Gratwicke	543,000	(33,000)	-	510,000	310,000	310,000	310,000	510,000
B Hale	650,000	-	-	650,000	-	520,000	520,000	650,000^
M Jablonski (ii)	650,000	(520,000)	-	130,000	-	-	-	130,000^
D Johnston	400,000	(320,000)	-	80,000	80,000	80,000	80,000	80,000
M Laidlaw (iv)	-	-	400,000	400,000	210,000	260,000	260,000	400,000
S Morabito	399,700	(12,575)	-	387,125	210,000	247,125	247,125	387,125
H Rumpler	550,000	-	-	550,000	310,000	350,000	350,000	550,000
G Watson (iv)	-	-	362,000	362,000	-	222,000	222,000	362,000
Total	5,892,700	(1,805,575)	762,000	4,849,125	1,290,000	3,399,125	3,399,125	4,849,125

The were no options granted during the FY2011 financial year to the above Directors or executives.

(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 continued in his Executive role as Group Merchandising 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 executive roles during the 2011 year. Their option holdings at the time of appointment are shown as other adjustments.
^ Final 20% of the options granted in 2005 did not meet the performance hurdle and did not vest. These options were cancelled from the register on 2 September 2011.

26. DIRECTORS' AND EXECUTIVES DISCLOSURES (Continued)

d) Shareholding of Key Management Personnel

Name	Balance at 1 May 2011	Grant as remuneration	On market trade	Options exercised	Other adjustments	Balance at 30 April 2012	Balance at report date
Directors							
P Barnes	177,083	-	-	-	-	177,083	177,083
A Reitzer	1,750,000	-	-	-	-	1,750,000	1,750,000
F Balfour	13,600	-	-	-	-	13,600	13,600
M Butler	50,000	-	-	-	-	50,000	50,000
N Hamilton	20,000	-	-	-	-	20,000	20,000
E Jankelowitz	320,000	-	-	-	-	320,000	320,000
R Longes	128,154	-	-	-	-	128,154	128,154
I Morrice(i)	-	-	-	-	-	-	-
D Rubin	15,000	-	-	-	-	15,000	15,000
Executives							
F Collins	1,600	-	(50,000)	50,000	-	1,600	1,600
A Gratwicke	53,950	-	-	10,000	-	63,950	63,950
M Laidlaw	-	-	-	-	-	-	-
S Morabito	18,275	-	(22,825)	37,125	-	32,575	32,575
Total	2,547,662	-	(72,825)	97,125	-	2,571,962	2,571,962

(i) Mr Morrice was appointed as a Non-executive Director on 12 June 2012.

30 April 2011	Balance at 1 May 2010	Granted as remuneration	On market trade	Options exercised	Other adjustments	Balance at 30 April 2011	Balance at report date
Directors							
C S dos Santos (i)	54,100	-	-	-	-	54,100	54,100
P Barnes	177,083	-	-	-	-	177,083	177,083
A Reitzer	1,750,000	-	-	-	-	1,750,000	1,750,000
F Balfour (iv)	-	-	-	-	13,600	13,600	13,600
M Butler	50,000	-	-	-	-	50,000	50,000
N Hamilton	20,000	-	-	-	-	20,000	20,000
M Jablonski (ii)	-	-	(520,000)	520,000	-	-	-
E Jankelowitz (iii)	320,000	-	(520,000)	520,000	-	320,000	320,000
R Longes	128,154	-	-	-		128,154	128,154
D Rubin	15,000	-	-	-	-	15,000	15,000
Executives							
K Bean	-	-	-	-	-	-	-
F Collins	1,600	-	-	-	-	1,600	1,600
P Dubbelman	50,350	-	(400,000)	400,000	-	50,350	50,350
A Gratwicke	45,950	-	(25,000)	33,000	-	53,950	53,950
B Hale	610,000	-	(110,000)	-	-	500,000	500,000
D Johnston	80,000	-	(320,000)	320,000	-	80,000	80,000
M Laidlaw	-	-	-	-	-	-	-
S Morabito	5,700	-	-	12,575	-	18,275	18,275
H Rumpler	-	-	-	-	-	-	-
G Watson	-	-	-	-	-	-	-
Total	3,307,937	-	(1,895,000)	1,805,575	13,600	3,232,112	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.

26. DIRECTORS' AND EXECUTIVES DISCLOSURES (Continued)

e) Compensation by category

	2012 $'m	2011 $'m
Short-term	9.0	13.6
Long-term	(1.6)	3.2
Post employment	0.2	0.2
Termination benefits	0.3	0.6
Share-based payments	0.2	0.4
Total	8.1	18.0

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

27. INFORMATION RELATING TO METCASH LIMITED (THE PARENT ENTITY)

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

	METCASH LIMITED	
	2012 $'m	2011 $'m
Current assets	1,825.5	1,562.4
Total assets	6,441.6	6,178.5
Current liabilities	3,707.7	3,462.6
Total liabilities	3,707.7	3,462.6
Net assets	2,733.9	2,715.9
Contributed equity	2,580.7	2,570.9
Retained earnings	129.6	123.0
Share based payments reserve	23.6	22.0
Total equity	2,733.9	2,715.9
Net profit for the period	218.3	207.5
Total comprehensive income for the year, net of tax	218.3	207.5

Metcash Limited has provided guarantees as part of the Closed Group arrangements as disclosed in Note 24(c).

28. AUDITORS REMUNERATION

	2012 $	2011 $
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 Group	1,845,000	1,553,000
- assurance related	216,958	129,900
	2,061,958	1,682,900
Other services in relation to the entity and any other entity in the Group		
- tax compliance	1,136,292	883,987
- tax ATO audit	1,171,504	767,984
- other	57,000	-
	4,426,754	3,334,871

29. BUSINESS COMBINATIONS

The Metcash Group acquired the following entities or assets:

Date of acquisition	Entity purchased	% Acquired	
30 September 2011	Interfrank Group Holdings Pty Ltd (Franklins Group)	100%	(c)
30 June 2011	SSA Holdings Pty Ltd (Scanning Systems Australia)	100%	(d)
22 September 2011	Mitre 10 Colac	100%	(d) (i)
1 October 2011	Mitre 10 Mooroopna	100%	(d) (i)
30 January 2012	Mitre 10 Port Macquarie	100%	(d) (i)

(i) Acquisition of business assets

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

(a) Purchase consideration:	**Franklins $'m**	**Other $'m**	**Total $'m**
Cash paid during the period	187.2	18.5	205.7
Cash consideration accrued at the end of the period (i)	2.5	1.1	3.6
Total purchase consideration	189.7	19.6	209.3
Less: (cash acquired)/overdraft assumed	-	(0.2)	(0.2)
Net purchase consideration	189.7	19.4	209.1
Add: fair value of net identifiable liabilities assumed/(assets acquired) (b)	50.2	(3.3)	46.9
Goodwill	239.9	16.1	256.0

(i) The Franklins cash accrued consideration includes $2.5 million of contingent consideration, being the maximum amount payable in cash in the event certain landlord and other property related consents are subsequently received.

(b) Assets and liabilities acquired

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

Receivables	7.9	0.4	8.3
Inventories	29.3	2.4	31.7
Other current assets	1.3	-	1.3
Disposal group assets	109.4	-	109.4
Property, plant and equipment	-	1.2	1.2
Intangibles	23.8	7.5	31.3
Deferred tax assets/(liabilities)	51.7	(1.7)	50.0
Provisions and creditors	(98.9)	(3.6)	(102.5)
Provision for rental subsidy	(144.4)	-	(144.4)
Interest bearing loans and borrowings	(30.3)	(2.9)	(33.2)
Fair value of net identifiable (liabilities) assumed/assets acquired	(50.2)	3.3	46.9

(c) Franklins Group

Metcash acquired 100% of the equity in the Franklins Group from Pick n Pay Retailers Pty Ltd. The acquisition will enable Metcash to grow its core business of wholesale sales to the independent IGA network and to realise the associated distribution synergies. Metcash plans to dispose of the corporate retail stores as disclosed in Note 31.

The statement of comprehensive income includes wholesale sales revenue from continuing operations of $36.3 million. The results from discontinued operations are disclosed in Note 31.

Disclosure of the revenues and net profit, had the acquisition occurred at the beginning of the reporting period, is impractical because the results are not determinable and are subject to significant retrospective assumptions and estimates. The accounting for the Franklins business combination is provisional as at April 2012.

(d) Other business combinations

The results of Scanning Systems Australia, Mitre 10 Colac, Mitre 10 Mooroopna, Mitre 10 Port Macquarie and other minor acquisitions from the date of acquisition to 30 April 2012 have not been disclosed separately as they are not significant to the Group results. The revenue and net profit for the period, had these acquisitions occurred at the beginning of the reporting period, have not been disclosed as they are not significant to the Group results as reported. The accounting for the above business combinations is provisional as at April 2012.

30. EARNINGS PER SHARE

The following reflects the income data used in the basic and diluted earnings per share computations:

	2012 $m	2011 $m
Net profit from continuing operations	117.2	241.4
Earnings used in calculating basic and diluted earnings per share from continuing operations	**117.2**	**241.4**
Net profit/(loss) from discontinued operations	(27.2)	-
Earnings used in calculating basic and diluted earnings per share from discontinued operations	**(27.2)**	**-**
Net profit attributable to ordinary equity holders of Metcash Limited	90.0	241.4
Earnings used in calculating basic and diluted earnings per share	**90.0**	**241.4**

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

	2012 NUMBER	2011 NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	770,441,432	767,676,470
Effect of dilutive securities:		
Share options and performance rights	2,036,999	1,133,920
Weighted average number of ordinary shares used in calculating diluted earnings per share	772,478,431	768,810,390

Subsequent to the end of the financial year, Metcash announced that it would raise approximately $325 million in additional ordinary share capital through a fully underwritten institutional placement and up to $50 million through a Share Placement Plan to Metcash shareholders with a record date of 27 June 2012, details of which are provided in Note 33 to the financial statements. It is not yet possible to determine the number of shares that will be issued.

31. DISCONTINUED OPERATIONS

On 30 September 2011, being the date of acquisition of the Franklins Group, Metcash announced its intention to dispose of Franklins corporate retail stores to independent retailers. These retail operations, along with a surplus property development joint venture, have been classified as discontinued operations. Accordingly, the inventory, property, plant and equipment, software intangibles and goodwill associated with the corporate retail stores and the loans and equity accounted investment in the property joint venture have been classified as disposal group assets. Metcash plans to dispose of these assets as soon as practicable. Otherwise, the wholesale operations of the Franklins Group have been classified as continuing operations within the Food Distribution segment.

	2012 $'m	2011 $'m
Revenue from sale of goods - retail	385.2	–
Cost of sales and direct costs - retail	(408.4)	–
Administrative expenses	(12.9)	–
Finance costs	(2.8)	–
Loss before income tax	(38.9)	–
Income tax benefit	11.7	–
Net loss from discontinued operations	(27.2)	–
Net loss is attributable to:		
Equity holders of the parent	(27.2)	–

The net cash inflow from operations, per the Statement of Cash Flows, includes cash outflows of $43.7 million from discontinued operations. There were no investing or financing cash flows specifically related to discontinued operations.

32. CONTINGENT ASSETS AND LIABILITIES

	2012 $'m	2011 $'m
Bank guarantees to third parties in respect of property lease obligations	30.1	23.6
Bank guarantees in respect of Workcover	30.0	3.8
Standby letter of credit	0.5	1.2
Face value of the outstanding charges due to American Express (a)	281.0	253.7
Put options to third parties (b)	13.3	13.5
Contingent loan to a third party (c)	0.3	-

(a) 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.

(b) 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.

(c) Contingent loans

The Group has granted a loan to a customer for the purchase of a supermarket business. A portion of the loan receivable has a deferred component in the amount of $0.3m which is repayable upon the achievement of certain conditions, as specified in the loan document. If the stated conditions are not achieved, the customer is released from the obligation to repay the deferred component to the Group.

(d) Australian Tax Office

Metcash has been subject to an income tax audit by the Australian Tax Office (ATO) covering the 2005 - 2008 income years, which has resulted in the following two disputed items. The ATO have advised Metcash that there are no other areas under consideration and that the audit has otherwise been concluded.

Action Stores

Metcash 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 tax 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.

32. CONTINGENT LIABILITIES (Continued)

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 has always considered 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 or prior year results presented in these financial statements.

In accordance with ATO policy, Metcash entered into a 50/50 payment agreement with the ATO in relation to the disputed tax liability of $48.8 million. Under the agreement, Metcash has paid the ATO 50% of the disputed tax liability ($24.4 million) in June/July 2011 and in return the ATO has agreed not to seek recovery of the balance until the Commissioner has determined the objection or when a decision is handed down by the relevant appellate tribune or court (as appropriate). The payment amount of $24.4 million has been disclosed as income tax receivable in the statement of financial position.

Foreign Tax Credits

Metcash received notices of amended foreign tax credit (FTC) determinations dated 29 May 2012 from the ATO seeking payment of a total of $23.4 million. The amended determinations are in relation to the imposition of what is effectively double taxation on interest income derived by Metcash's foreign subsidiaries on intercompany loans during the 2006 and 2007 fiscal years. The ATO contends that Metcash is not entitled to any credit for taxes it has already paid on this interest income in South Africa.

The total amount in dispute comprises primary tax of $23.4 million. The ATO has not sought to impose any penalties or interest in respect of this amount.

Metcash has received external advice in relation to its position. Metcash is firmly of the view that:

- the imposition of double taxation is both inconsistent with the law and contrary to public policy; and
- the Commissioner is in any event out of time to issue such amended FTC determinations given the period of time elapsed since the original determinations.

Metcash has lodged objections to these determinations, and if necessary will appeal the decision to the Federal Court. Based on the strength of its position, Metcash has not recorded an expense in relation to the amended determinations in the current year results presented in these financial statements.

As the relevant subsidiaries subsequently became members of the Australian tax group, the FTC dispute is restricted solely to the 2006 and 2007 income years. There will be no impact in respect of the 2008 and subsequent income years in connection with this matter.

33. SUBSEQUENT EVENTS

(a) Equity raising

On 28 June 2012 Metcash announced that it would raise approximately $325 million in additional ordinary share capital through a fully underwritten institutional placement. The issue price of the new shares will be determined through a book build from an underwritten floor price, determined as a discount to the previous day's closing share price. The shares issued under the institutional placement will be entitled to receive the 2012 final dividend declared of 16.5 cents per share.

33. SUBSEQUENT EVENTS (Continued)

Metcash also announced that subsequent to the institutional placement it would offer a Share Placement Plan (SPP) to Metcash shareholders with a record date of 27 June 2012. The SPP proceeds will be capped at $50 million and will not be underwritten. The SPP will allow eligible shareholders to apply for up to $15,000 of ordinary shares at the lesser of the dividend adjusted institutional placement offer price and the 5 day volume weighted average price less a discount at the end of the SPP offer period. The offer period is expected to run from 9 July 2012 to 23 July 2012. Ordinary shares issued under the SPP will not be entitled to receive the 2012 final dividend.

(b) Business acquisitions

Mitre 10 Group

Metcash currently holds a 50.1% equity interest in Mittenmet Limited (Mittenmet), through ownership of 100% of the ordinary shares issued by Mittenmet. Mittenmet is the parent entity of the Mitre 10 group. The remaining 49.9% equity interest in Mittenmet is currently held by the owners of Redeemable Convertible Preference Shares (RCPS) issued by Mittenmet.

On 20 June 2012 the Group announced that, subject to the Mittenmet group's financial statements for the year ended June 2012 being in accordance with Metcash's expectations and there being no material adverse changes to the market or operations prior to the financial statements being finalised, it intended to exercise its right to require Mittenmet Limited to redeem all of its issued RCPS. If the RCPS are redeemed, Metcash will hold a 100% equity interest in Mittenmet. The redemption price for the RCPS is based on a formula that is set out in the 2010 Mitre 10 Scheme Booklet. Broadly, the RCPS redemption price reflects the RCPS proportionate share of a multiple of 5.8 times the Mittenmet group EBITDA for the year ended June 2012 and other adjustments, including for net debt at 30 June 2012.

Autobarn & Autopro Group

On 28 June 2012 the Group entered into a binding agreement to acquire a 75.1% equity interest in the Automotive Brands Group for $53.8 million, with settlement expected to occur early in July 2012. The Automotive Brands Group is the franchisor and distributor of aftermarket automotive parts to retail stores trading under the Autobarn and Autopro brand names. It also supplies other independent automotive parts stores. The equity interest acquired by Metcash is subject to an adjustment after the finalisation of the results for the year ending on 30 June 2013, at which point the ownership structure will be confirmed. Metcash's equity interest will increase above 75.1% if the 2013 EBITDA is lower than expected.

Except as noted above, there are no events that have occurred after the end of the financial year that would materially affect the reported results or would require disclosure in this report.

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 2012 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 2012.

3. In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 24 will be able to meet any obligation or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

Andrew Reitzer
Director
Sydney, 28 June 2012

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Auditor's Independence Declaration to the Directors of Metcash Limited

In relation to our audit of the financial report of Metcash Limited for the year ended 30 April 2012, 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

Michael J Wright
Partner
28 June 2012

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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 consolidated statement of financial position as at 30 April 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included by reference in the directors' report.

ERNST & YOUNG

Opinion

In our opinion:

a. 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 as at 30 April 2012 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 40 to 55 of the directors' report for the year ended 30 April 2012. 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.

Opinion

In our opinion, the Remuneration Report of Metcash Limited for the year ended 30 April 2012, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

M J Wright

Michael J Wright
Partner
Sydney
28 June 2012

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

The information is current as at 10 July 2012.

Distribution of Equity Securities

The number of shareholders, by size of holding, in each class of shares is:

Size of Holding	Number of shareholders
1–1,000	8,643
1,001–5,000	22,621
5,001–10,000	7,251
10,001–100,000	4,949
100,001–9,999,999,999	177
Total	**43,641**

The were 3,091 shareholders holding less than a marketable parcel of Metcash ordinary shares.

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	192,241,433	22.245
NATIONAL NOMINEES LIMITED	132,647,555	15.349
J P MORGAN NOMINEES AUSTRALIA LIMITED	105,662,543	12.227
CITICORP NOMINEES PTY LIMITED	34,874,249	4.035
RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	18,267,434	2.114
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	8,446,757	0.977
COGENT NOMINEES PTY LIMITED	8,065,000	0.933
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	7,914,662	0.916
AMP LIFE LIMITED	7,307,097	0.846
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	7,038,973	0.815
COGENT NOMINEES PTY LIMITED <SMP ACCOUNTS>	6,654,331	0.770
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	6,138,502	0.710
CS FOURTH NOMINEES PTY LTD	6,052,873	0.700
COGENT NOMINEES PTY LIMITED <SL NON CASH COLLATERAL A/C>	5,057,000	0.585
RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <GSAM A/C>	4,784,833	0.554
MILTON CORPORATION LIMITED	4,784,560	0.554
RBC DEXIA INVESTOR SERVICES AUSTRALIANOMINEES PTY LIMITED	4,266,165	0.494
PAN AUSTRALIAN NOMINEES PTY LIMITED	4,239,855	0.491
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	3,600,000	0.417
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	3,084,933	0.357
	571,128,755	**66.087**

Substantial shareholders

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

	Number of shares
Deutsche Bank AG	47,922,622
National Australia Bank Limited Group	49,179,774

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
Ian Morrice (from 12 June 2012)
Richard Longes
V Dudley Rubin

Company Secretary
Greg Watson

Registered Office
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Share Register
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Telephone: 61 2 9290 9600
Facsimile: 61 2 9279 0664

Auditor
Ernst & Young

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Australian Liquor Marketers
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Silverwater, NSW 1811

Mitre 10
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