



Metcash Limited

ABN 32 112 073 480
50 Waterloo Road
Macquarie Park
NSW 2113 Australia

PO Box 6226
Silverwater Business Centre
NSW 1811 Australia
Ph: 61 2 9751 8200
Fax: 61 2 9741 3027

27 July 2015

Market Announcements Office
Australian Securities Exchange Limited
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

Metcash Limited Annual Report 2015

Please find enclosed a copy of the Metcash Limited Annual Report 2015.

Copies have been issued today to those members who have requested a copy.

An electronic copy will also be available on the company's website, www.metcash.com.

Yours faithfully



Greg Watson
Company Secretary

Metcash

**Investing.
Evolving.
Transforming.**



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► **Metcash is Australia's leading wholesale distribution and marketing company specialising in grocery, fresh food, liquor, hardware and automotive parts and accessories.**

CHAIRMAN'S REPORT **Dear Shareholders**

Financial Year (FY) 2015 was the first year of a strategic long-term Transformation Plan ('the Plan') aimed at addressing accelerating structural changes in the food and grocery market. Successful implementation of the Plan will enable Metcash and its independent retail network to adapt to unprecedented competition and changing consumer preferences.

In FY2015, sales revenue for the Group grew by 1.7% to \$13.6 billion. The Group's core Food & Grocery business was impacted by challenging market conditions, intensifying competition and the costs associated with transformation initiatives.

The non-food Pillars of Liquor and Hardware & Automotive delivered improved results with strong underlying earnings performances. These businesses are also executing their own strategic initiatives, aimed at driving network growth and consolidation within their respective markets. The non-food Pillars contributed 35.5% of the Group's FY2015 underlying earnings.

Overall, the Group's bottom line results were disappointing. Group underlying profit after tax fell 17.4% to \$193.0 million. Underlying earnings per share were 21.3 cents, a decline of 19.6%.

During the year, Metcash delivered operating cash flows of \$231.7 million, reflecting the Company's underlying earnings and improved working capital management.

The Board and management have taken a number of steps to create a strong financial base to support the Group's Transformation Plan. This included resetting the balance sheet to reflect current difficult trading conditions, with non-cash goodwill impairments and asset write downs. As a result the Group reported a full year loss of \$384.2 million after tax.

To maintain a prudent capital structure, while ensuring management has access to the appropriate levels of capital required to invest in future growth, the Board has suspended the final dividend payment for FY2015 and does not expect to reinstate dividend distributions in FY2016.

In June 2015, the Company announced the sale of its Automotive Division for a consideration of \$275 million which values the division at approximately 10x its earnings before interest and tax. Funds from this sale will be used to further reduce debt and provide capital to the businesses.

The combination of the initiatives outlined above should provide Metcash with a strong financial foundation for the future.

Board renewal has continued during the year. Tonia Dwyer joined the board as a Non-executive Director in July 2014. Dudley Rubin a long standing director retired in August 2014 following last year's AGM. In April 2015 Rob Murray joined the board as a Non-

executive Director and Chairman Elect. Three directors will leave the board post year end.

Mick McMahon has resigned from the Board. Mick has been a member of the Board for 18 months, providing retail and supply chain experience to the Board's deliberations. Mick's contributions were considerable, however, his recently expanded business commitments have reduced his available time and created some conflicts with his Board responsibilities at Metcash.

After 17 years as a Metcash Board member and past CFO, Edwin Jankelowitz will retire following the AGM. Edwin has served the Company not only as a director but as an executive, a member of the leadership team and a confidant to many in the Company. Edwin's outstanding knowledge and comprehension of Metcash operations are recognised by all. On behalf of all his colleagues, I thank Edwin for his service and contribution to Metcash.

As previously announced, I will be retiring from the Board at the conclusion of the AGM. Following an extensive search by the Non-executive Directors, Rob Murray was selected as my successor as Chairman of the Board. Rob's experience in retail, fast moving consumer goods and executive leadership will be a great asset for Metcash as it continues its transformation journey. Rob will lead a Board whose support and dedication I have greatly appreciated.

To our shareholders, your continued support throughout a difficult year is greatly appreciated. Metcash's operational outcomes and future prospects have resulted in a substantial decline in market capitalisation. The Board and Management team are firmly focused on restoring the company's financial strength, establishing sustainable operational performance and delivering shareholder value.

Finally to the staff at Metcash, its independent retailers and suppliers, the Board acknowledges and thanks them for their hard work and commitment in a year of significant challenge and disruption.

Peter L Barnes
Chairman

CEOs REPORT 

Financial Year (FY) 2015 was a challenging, 'fix the basics' year, as Metcash embarked on the first 12 months of its Transformation Plan in extremely tough market conditions.

The cost of transformation initiatives, significant headwinds in Food & Grocery and a number of prudent measures to strengthen the balance sheet have contributed to the lower reported underlying earnings in the year. As a result, the Group delivered underlying EBIT of \$325.1 million, which is a decline of 16.7% on the prior year.

The initial results from our Transformation Plan are, however, positive with strong take-up of our key initiatives across the IGA retail network. Although at an early stage of implementation, we are seeing sales improvements as a result of more customer-focused stores with competitive pricing and fresh and localised ranges.

Proving the value independents deliver, the Liquor and Hardware Pillars delivered excellent results and increased profits, despite tough market conditions.

During the year, the Group had a significant item charge of \$577.2 million (post-tax) resulting in a reported loss after tax of \$384.2 million. The nature of these charges is further explained in the CFO's report on page 4.

Unfortunately, in April 2015, Metcash's distribution centre at Huntingwood, NSW, suffered significant damage as a result of a torrential hail storm. The damage was sufficiently serious to warrant closure of key areas of the warehouse (including the automated Project Mustang area) and for the Group's business continuity plans to be immediately activated. Metcash was able to quickly re-establish supply to NSW customers from Victoria, Queensland, ACT and temporary distribution centres in NSW.

We do not expect full occupancy of the Huntingwood distribution centre until early in calendar 2016. The disruption will result in a loss of sales in FY2016. Metcash's insurance policy is expected to cover material damage and consequential losses.

Metcash Food & Grocery

The Food & Grocery Pillar had a challenging year, characterised by increased competitive pressures, ongoing price deflation and a change in consumer purchasing patterns, with a continued shift towards fresh foods and private label alternatives, in which Metcash is under represented. These factors, together with the transformation investment, resulted in EBIT declining 26.1% to \$216.8 million.

The Group's strategy is focused on addressing these issues through initiatives such as Price Match, improving our Fresh Food offer, the expansion of our Private Label offering and the roll out of the Diamond Stores Initiative.

Price Match was implemented in approximately 600 stores and our Private Label pricing strategy in a further approximately 500 stores. These pricing initiatives have improved customer perception and generated increased sales.

We also have also looked to grow our Fresh business and recalibrate our packaged grocery offering in line with consumer demand. During the second half of the financial year, Metcash rolled out the Diamond Store Accelerator (DSA) program in 52 stores. Diamond Stores bring together key aspects of our strategic initiatives through store refurbishments, particularly increasing the range and space dedicated to Fresh categories. Stores in the DSA program experienced on average an uplift in wholesale sales (excluding tobacco) of 16%. The program will be rolled out to a further 100 stores in FY2016.

Pleasingly, the IGA network had a Like-for-Like (LfL) increase in retail sales of 0.7% in FY2015, reversing a decline of 1.1% in FY2014.

The Convenience Pillar achieved sales revenue growth of 11.3%, with total sales revenue of \$1.6 billion in FY2015, up from \$1.4 billion in FY2014.

Although the transformation initiatives will take time to yield returns, the initial roll-out and lead indicators are encouraging. The initiatives we are implementing, which require upfront investment, are essential to moving the Food & Grocery Pillar to a more sustainable model that can succeed in a dynamic and highly competitive environment.

Australian Liquor Marketers

The Liquor Pillar performed strongly during FY2015. Although total sales revenue declined by 1.8% to \$3.1 billion, sales increased by 3.7% through the IBA retail network, reflecting both the strength of the network and acquisitions.

LfL retail sales in the network increased 2.8% compared to an overall market decline of 0.8%. The improvement in the IBA retail network was offset by lower wholesale sales to contract customers.

EBIT was up 10.6% to \$57.6 million, from \$52.1 million in FY2014. This was driven by the combination of increased sales from the higher-margin IBA network, an improved sales mix skewed towards higher return categories and tight cost control.

CEOs REPORT

►

\$325.1m

EBIT of \$325.1 million, which is a decline of 16.7% on the prior year.

Hardware & Automotive

The Hardware & Automotive Pillar's sales revenue increased 12.5% to \$1.3 billion, up from \$1.2 billion in FY2014. Hardware sales increased by 11.3%, exceeding \$1 billion for the first time. The growth in Hardware sales reflected LfL wholesale sales growth of 3.3% and strong trade sales driven by an improving construction market.

Automotive sales increased 17.8% to \$256.4 million, up from \$217.7 million in FY2014. This was driven by LfL sales growth of 1.1% and growth in the network, including the Midas acquisition which occurred in May 2014.

EBIT for the Pillar was up 16.0% to \$57.9 million, from \$49.9 million in FY2014, driven by the higher sales revenue, a focus on reducing supply chain costs and a higher contribution from our interests in joint ventures.

During the year, the Board considered a number of options to enhance the Group's capital position, including investigating a potential IPO of the Automotive business. Post year end, Metcash announced it had reached an agreement with Burson Group Limited to sell the entire issued share capital of Metcash Automotive Holdings Pty Ltd for a total consideration of \$275 million.

Although Metcash Automotive has performed well under the Group's ownership, the sale made sense for both Metcash and the Automotive business. The purchase price multiple of approximately 10x FY2015 EBIT recognises the strength of the business Metcash has built in the auto parts and service sector over the last three years. Metcash expects to receive net proceeds after tax of approximately \$210 million from the sale. These proceeds will be redeployed into the Group's Balance Sheet and businesses. At the same time, the Automotive business will become part of a sector specialist owner, with access to the capital needed to continue to grow the business.

Outlook

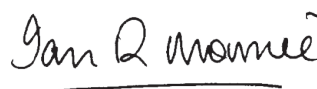
Looking to the year ahead, we expect the difficult trading conditions currently being experienced in the Food & Grocery Pillar to continue. The Group has taken significant steps to address these challenges through the Transformation Plan. It also has a stronger Balance Sheet as a result of the capital initiatives announced.

One year into our Transformation Plan, the initial signs are positive, with stores becoming more competitive and sales trends in pilot stores improving. Core programs such as Price Match, Private Label and Diamond Store refurbishments have received strong support from our network of independent retailers.

In FY2016, Metcash will continue to adapt to the tough market conditions, accelerate our successful initiatives and reduce the cost base. The improving Fresh proposition will be accelerated, a further 100 stores will transition to the Diamond Store program and Metcash will continue to invest to improve the quality and consistency of the network. We also expect the Liquor and Hardware Pillars to continue to grow in FY2016.

The improved sales from the strategic initiatives in the Food & Grocery Pillar, together with the growth opportunities in the other Pillars, will not, however, offset the headwinds in Food & Grocery in FY2016. That said, Metcash remains confident the strategy it is deploying will ultimately prove to be effective and beneficial to our retailers, customers and shareholders. We thank them for their support as we build a more sustainable platform.

Finally, I would like to thank everyone across the Metcash network - our staff, independent businesses and suppliers - for their dedication to making independents successful in a very challenging year. Independent businesses are vital to our economy and our communities. They create local jobs, they respond to local needs and they invest in local economies. We are committed to their success and despite the challenging trading environment, we are confident that the IGA network, with a better and more relevant offer for the shopper, will maintain an important position in the market place.



Ian Morice
Chief Executive Officer

CFOs REPORT 

In FY2015, Metcash focused on enhancing its financial discipline and also increased the transparency and disclosure provided to the market. In a transformation program, particularly one that will take time to deliver, we believe transparency is essential for shareholders to understand our business drivers. To this end, Metcash has increased its disclosure in its FY2015 results presentation, offering more details around sales data segmentation and borrowing metrics.

In order to provide a secure financial foundation for the Group's Transformation Plan, we have reset the Balance Sheet and adopted a conservative capital management approach. We also revisited our cost structure, with a focus on procurement efficiencies, distribution centre consolidation and reviewing our organisational structure.

Acknowledging the tough market conditions in which Metcash is now operating, especially in the Food & Grocery Pillar, we recognised a charge of \$577.2 million (after tax). The significant charge principally relates to a reduction in the Group's goodwill and other assets of \$640.0 million. This predominantly relates to the Group's Food & Grocery Pillar and includes an impairment of \$506.7 million in relation to intangible assets (goodwill of \$441.6 million and other intangible assets of \$65.1 million) and a charge of \$133.3 million in relation to other assets and obligations. The significant items are primarily non-cash and will not impact the Group's debt facilities, compliance with banking covenants or trading terms.

In order to strengthen the Group's Balance Sheet we have adopted a conservative capital management approach. The Company did not declare a final FY2015 dividend and the Board intends to suspend dividend payments in FY2016. In addition, on 15 June 2015, we announced the sale of Metcash Automotive Holdings Pty Ltd to Burson Group Limited for \$275 million. We expect to receive net proceeds of approximately \$210 million after tax, which will be invested in the Group's Balance Sheet and businesses.

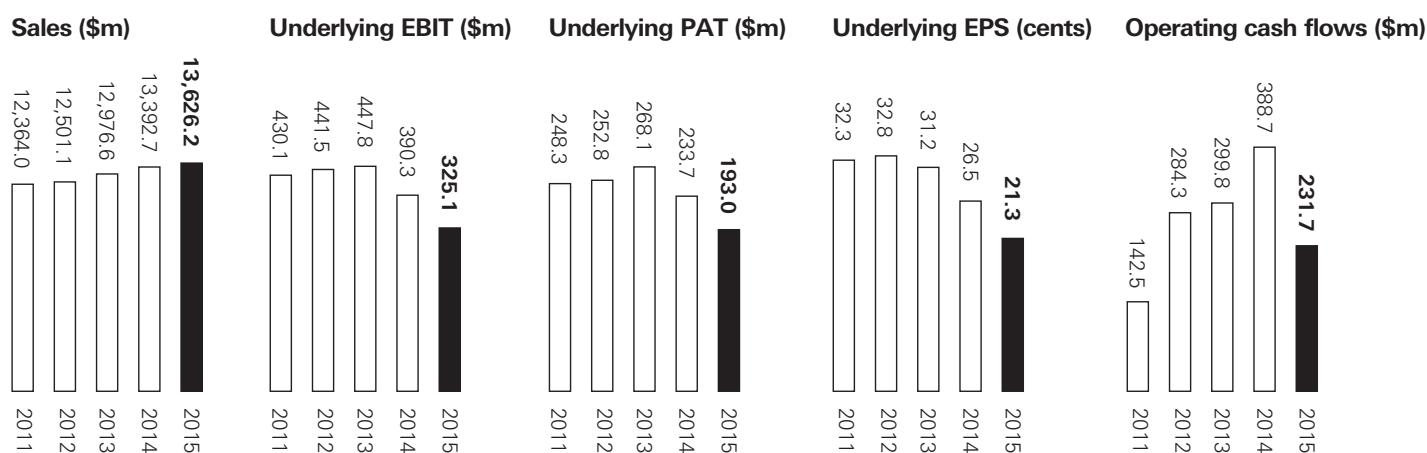
The Group generated total operating cash flows of \$231.7 million, down from last year's result of \$388.7 million. This reduction was due in part to timing differences in working capital of \$80 million as well as the lower EBIT contribution from the Food & Grocery Pillar. In FY2015, Metcash's investing activities declined by \$136.9 million to \$74.9 million. This largely reflects the positive benefits of \$41.0 million from capital recycling and a lower level of business acquisition compared to the previous year. The business continued to invest in its network with capital spend of \$85.4 million in FY2015.

During the year, our focus on financial discipline enabled the Group to apply nearly \$100 million to repaying debt. As a result, at year end, our Net Debt was \$667.8 million – its lowest level in many years. The Group had \$1.5 billion of available debt facilities with an appropriate tenure and diversification of funding sources and net assets of \$1.2 billion.

The Group's gearing was 36.6%. This will reduce further next year with the announced sale of the Automotive business and the proposed suspension of dividends.

Looking to FY2016, the Group is well placed financially to implement the Transformation Plan in the expected tough market conditions.

Brad Soller
Chief Financial Officer

FINANCIAL HIGHLIGHTS 

FIVE YEAR REVIEW	2015	2014	2013	2012	2011
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FINANCIAL PERFORMANCE

SALES (\$M)	13,626.2	13,392.7	12,976.6	12,501.1	12,364.0
UNDERLYING EBIT (\$M)	325.1	390.3	447.8	441.5	430.1
FINANCE COSTS, NET (\$M)	55.1	57.2	61.6	67.6	66.3
UNDERLYING PROFIT AFTER TAX (\$M)	193.0	233.7	268.1	252.8	248.3
REPORTED (LOSS)/PROFIT AFTER TAX (\$M)	(384.2)	169.2	206.0	90.0	241.4
OPERATING CASH FLOWS (\$M)	231.7	388.7	299.8	284.3	142.5
CASH REALISATION RATIO (%) ¹	87.5%	162.6%	112.9%	196.9%	48.4%

FINANCIAL POSITION

SHAREHOLDER EQUITY (\$M)	1,156.6	1,594.0	1,624.2	1,335.1	1,442.8
NET DEBT (HEDGED) (\$M)	667.8	766.9	719.8	910.4	682.4
GEARING RATIO (NET HEDGED) (%)	36.6%	32.5%	30.7%	40.5%	32.1%
RETURN ON FUNDS EMPLOYED (%) ²	15.8%	16.7%	20.0%	20.6%	21.1%

SHARE STATISTICS

FULLY PAID ORDINARY SHARES	928,357,876	888,338,048	880,704,786	771,345,864	768,853,644
WEIGHTED AVERAGE ORDINARY SHARES	907,012,053	882,676,013	859,742,607	770,441,432	767,676,470
UNDERLYING EARNINGS PER SHARE (CENTS)	21.3	26.5	31.2	32.8	32.3
REPORTED (LOSS)/EARNINGS PER SHARE (CENTS)	(42.4)	19.2	24.0	11.7	31.5
DIVIDENDS DECLARED PER SHARE (CENTS)	6.5	18.5	28.0	28.0	27.0
DIVIDEND PAYOUT RATIO (%)	30.5%	69.8%	89.7%	85.4%	83.6%

OTHER STATISTICS

NUMBER OF EMPLOYEES (FULL-TIME EQUIVALENTS)	6,398	6,174	5,794	5,166	5,638
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1. Cash Flow from operations/Reported NPATDA (depreciation and amortisation not tax effected). In respect of FY2015 only, the ratio was calculated using Underlying NPATDA, rather than Reported NPATDA, as the \$577.2m of Significant Items expense was primarily non-cash.

2. In respect of FY2015, ROFE would have been 13.7% if the impact of the impairment charges on the balance sheet was excluded.

TRANSFORMATION UPDATE

On the path to sustainable growth

During the year, we focused on and invested in the four strategic priorities that we are confident will underpin long-term sustainable growth for Metcash and the independent retailers we support:

- 1. Transforming Metcash Food & Grocery**
- 2. Driving consolidation and sustainable network growth**
- 3. World class supply chain**
- 4. Supporting independents**

Transforming Food & Grocery

Metcash implemented its transformation initiatives progressively during the second half of the financial year which are delivering encouraging lead indicators, and we have made progress against our targets.

Retail excellence

We achieved our year one target of 50 Diamond Stores, with 52 stores completing the program and an additional 18 stores refurbished, adopting many components of the 'Diamond toolkit'.

Through the Diamond Store Accelerator (DSA) program, Metcash provides retailers with a proven framework, encompassing our five key growth levers, and also offers assistance in implementing these initiatives. DSA participants receive a tool-kit that helps retailers to identify over-spaced, low-performing categories, which can be reduced to free up shelf space for more attractive categories. The result is improved productivity and products that are better aligned with shoppers' needs, including an increasing number of fresh 'buy as you need' options and localised offers. Retailers also receive support with store refurbishment and guidelines for in-store execution, including business check lists, best practice manuals and processes, training guidelines, and HR policies.

Results from the initial Diamond Stores are excellent, demonstrating the program's ability to shift consumers' perception of independent supermarkets. Our research indicates that shoppers were more satisfied with the range offered and positive about our 'every day' pricing. As a result, shoppers were more likely to recommend the stores to family and friends.

This improved shopper satisfaction translated into substantial sales growth at these initial stores. Retail and wholesale core grocery sales increased by 16% on the back of greater traffic and higher average basket sizes. Now more than 10 months into the program, our initial pilot store has achieved a sustainable uplift of approximately 55% in LfL retail sales.

Next year, we will roll out the DSA program to an additional 100 stores.

SHOPPERS' POSITIVE REACTION TO DIAMOND STORES

CONSUMER OVERALL SATISFACTION	↑ 8%
CONSUMER PRICE PERCEPTION	↑ 9%
CONSUMER VIEW OF FRESH	↑ 14%
CONSUMERS WILLING TO RECOMMEND STORES	↑ 5%

TRANSFORMATION UPDATE ▶

▶
600**Key achievement:** Price Match implemented in ~600 stores.▶
50+**Key achievement:** Diamond Store Accelerator Program complete in 50+ stores.

YEAR ONE KEY ACHIEVEMENTS

- Diamond Store Accelerator program complete in 50+ stores** ✓
- Price Match implemented in ~600 stores** ✓
- Private Label price match implemented in ~1,100 stores** ✓
- New fresh ranges and optimised fresh format in Diamond Stores** ✓
- Growth achieved in Liquor through consolidating the IBA retail network** ✓
- Hardware sales exceed \$1billion for the first time** ✓

DELIVERING RESULTS

- Retail and warehouse sales in Diamond Stores** ↑16%
- Warehouse fresh sales from Diamond Stores** ↑24%
- Price Match stores sales tracking** ↑330 basis points
- Private Label warehouse sales** ↑7.9%
- Liquor EBIT** ↑10.6%
- Hardware EBIT** ↑7.5%

Competitive pricing

During the year, approximately 1,100 stores participated in either our Price Match or Private Label competitive pricing programs.

In FY2015, we activated our Price Match campaign in approximately 600 stores, matching prices of up to 2,200 everyday grocery products with competitors every week. Measuring LfL progress in these stores during the second half of the financial year, we identified a 330 basis points improvement in wholesale sales tracking.

To address the rising importance of private label products, we also implemented our Private Label pricing match strategy in an additional 500 stores, with around 500 Black and Gold products in the program. To further support this initiative, we introduced ~250 updated Black & Gold products onto the shelves. Contemporary packaging and competitive pricing resulted in a 1150 basis point improvement in private label warehouse sales. We also introduced ~30 new mid-tier private label products. The combined outcome of these initiatives has been a 7.9% LfL increase in total private label warehouse sales.

In FY2016, we will extend the Price Match program to further stores backed by a national advertising campaign. We will also accelerate the development of new private label ranges for mid-tier products.

Compelling Fresh offer

During the year, we improved the Fresh offer in Food & Grocery. After conducting category reviews across meat, seafood, deli, bakery and produce, we brought in new ranges in the deli and meat categories, including 'Black Angus' meat. For our increasing number of 'buy-as-you-need' shoppers, we introduced pre-packed salads in more than 400 stores and conducted a trial of 'Your Kitchen' ready-prepared meals. The result was a significant improvement in shoppers' perceptions of the Fresh range in DSA stores. This translated into a LfL growth in Fresh sales in DSA Stores of 23%.

Next year, we will continue to grow the Fresh category sales and contribution through accelerating DSA stores and rolling out the successful trials carried out across the network in FY2015.

Shopper-led way

In FY2015, we focused on product ranging for customers and tailored retail offerings to local catchments. This included developing plans for our key growth categories and identifying opportunities to reduce ranges to accommodate a larger Fresh offering.

In FY2016, we aim to achieve further traction with a consistent approach to category plans across the network.

Retail excellence and network investment

To improve the quality of the store network, during the year we opened 19 stores and extended 16. We also removed 32 stores from the network that were no longer economic.

During the year, the Group recruited 30 additional field staff and developed a retailer tool-kit to assist in developing retailer capabilities. In FY2015, Metcash developed and launched training modules of its Training Academy across all business Pillars. Access to quality training and development is critical for Independent Retailers and their staff to develop their business skills and high standards of customer service.

Convenience Reset

In FY2015, the Convenience business focused on resetting its two core business, Campbells Cash & Carry (CWD) and Convenience Store Distribution (CSD).

CWD now has a national footprint with the acquisition of FNQ and Hanley Group. During the year, the business refocused its merchandise range and began developing house brands across a range of categories which offer increased value to customers. Expansion into the food services market, including pubs and clubs, is expected to build momentum in the coming year.

TRANSFORMATION UPDATE

 1,100

Key achievement: Private Label price strategy implemented in ~1,100 stores.


 \$1b

Key achievement: Hardware sales exceed \$1 billion for the first time.

In the CSD business, the focus was on developing a total wholesale solution for convenience stores and petrol stations. The business added new contracts with BP and Night Owl as well as expanding its relationship with 7-Eleven.

Driving consolidation and sustainable network growth

The Liquor Pillar continued to convert independent operators to the Independents Brand Australia (IBA) retail network while supporting wholesale customers. The business purchased Southern Independent Liquor Group (SILG), which operates in Victoria and Tasmania, trading under the Duncan's and OzLiquor banners. This acquisition added more than 100 retail outlets and more than 400 wholesale customers to the network.

IBA focused on category management and introducing private label products to enhance its value proposition to retailers and their customers. Growth was supported by new product initiatives and digital strategies, including advertising, loyalty and customer relationship management programs, which will all be built on in the year ahead.

The Hardware Pillar continued its strategy of consolidation in the sector with G. Gay & Co and the Yenkens Group joining the Mitre 10 banner. Metcash has added 87 independent hardware retailers since taking control of Mitre 10. The business continued its strategy of improving the performance of its joint ventures by working together through a structured business plan to deliver stronger results.

Mitre10 introduced a new store format and approach known as a "Sapphire" store based on similar principles to the grocery Diamond store. This initiative leverages an array of capabilities to deliver value to retailers and consumers. Key areas of focus for the stores are a new and compelling store layout, competitive pricing and targeting key categories such as paint and power tools.

In a further effort to support retailers, Hardware worked on becoming more efficient through site consolidation, increasing productivity through automation and direct sourcing through China.

In FY2016 there are plans to progress the Sapphire store initiative in a further 10 stores.

World class supply chain

In FY2015, Metcash focused on supply chain efficiency and investment in infrastructure to better meet the needs of retail customers and suppliers. Efficiency initiatives included the Group rationalising its logistics management structure, consolidating its warehouses and improving inventory management. It also adopted a 'shared use' model, combining Liquor distribution with the Food & Grocery non-fresh supply chain.

The Group also deployed a series of automation and systems initiatives. This included completing the fully automated full case picking system, Mustang, in the state-of-the-art distribution facility at Huntingwood NSW. Unfortunately this facility was badly damaged and closed by severe weather in April 2015, which has caused delays in fully commissioning the system. This process will now be completed in FY2017.

Metcash will continue to rationalise, automate and align its supply chains to customer needs to ensure the benefits are leveraged across the business.

Supporting successful independents

During the year, Metcash introduced the first elements of a suite of competitive omni-channel solutions locally tailored for retailers. This began with the launch of the 'Metcash One' digital platform, allowing individual retailers to establish a digital presence. The digital platform, which includes web, email and social media support, is designed to increase engagement with customers and suppliers. The Hardware business introduced Tradies Online and 'click and collect' initiatives during the year.

In FY2015, Metcash introduced its Retail Academy programs for all the Pillars. This investment is important to support and attract retailers to the independent network. These programs aim to develop retailers' skills and capabilities, which will in turn drive value to network members.

Summary

The initial results from our Transformation Plan are positive with the strong take-up of the key initiatives across the IGA retail network and excellent growth achieved in the Liquor and Hardware businesses. Although at an early stage of implementation, the Group is seeing the benefits of a more customer-focused approach to our businesses.

CORPORATE RESPONSIBILITY

\$70m

Since it began in the 1990s, IGA Community Chest has raised and donated over \$70 million to local community organisations.

51%

Reduction in Lost Time Injuries since FY2011

Social Community

Metcash supports community engagement across all its business pillars and continues to manage the administration of the IGA Community Chest program, through which IGA stores raise funds and distribute them to local schools, clubs and charities. Since it began in the 1990s, IGA Community Chest has raised and donated over \$70 million to local community organisations. In FY2015, approximately \$3.1 million was donated nationally via IGA Community Chest.

During the year, these efforts were supplemented by Metcash's direct corporate philanthropy, sponsorship programs and staff time donations. Sponsored organisations included Special Olympics Australia and St Vincent De Paul Society.

In FY2015, Metcash staff volunteered at community initiatives such as the Special Children's Christmas Party held at Rosehill Racecourse, the Business Clean Up Day and Earth Hour. A special employee Christmas Hamper drive at the NSW Corporate Offices resulted in 50 reusable IGA bags and 10 large boxes filled with food items donated to FoodBank. Most recently, staff members donated clothing, goods and held a hamper drive to raise money for Nepal earthquake victims.

Work practices Safety

In FY2015, Metcash continued to improve its overall safety performance reducing the number of Lost Time Injuries ('LTI') by 21% from 136 to 108, and reducing the LTIFR (Lost Time Injury Frequency Rate) by 30% from 14.63 to 10.24. Total workers' compensation claims reduced by 69%, dropping from 1,064 claims made in FY2014 to 329. Total hours lost to injury fell by 39%.

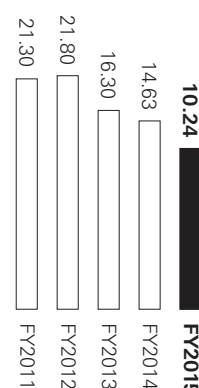
In FY2015 Metcash achieved two significant milestones; a month with the lowest number of LTIs ever recorded (three in March 2015); and the first year without an Improvement Notice being issued by a State Occupational Health and Safety (OHS) Regulator.

These results were driven through strong OHS leadership and behavioural and culture change programs such as Metcash's 'Desired Safety Behaviours' and 'Safety Observation and Feedback' walks. Systems were improved in the areas of controls in contractor compliance, drug and alcohol testing, safety training, incident response and injury management.

No. Lost Time Injuries



LTIFR



During the year, Metcash introduced additional automated order-picking infrastructure into the NSW distribution centre, which will improve productivity while reducing the risk of manual handling injuries. Metcash continues to evaluate the introduction of automated systems in other states.

Metcash's 'Desired Safety Behaviours' will become the cornerstone of the Company's commitment to improving safety in warehouses, supported by new observation and feedback processes. Additionally, work streams focused on improving hazardous chemicals management, training and inductions, and insurance management will be introduced. Metcash management are measured on metrics for remuneration purposes that include safety key performance indicators.

Wellbeing

Metcash has a Wellbeing Policy offering a range of employee benefits that include flexible working arrangements, wellbeing days, health initiatives, paid parental leave and free counselling services.

Work has been done to improve Managers' understanding on the benefits of flexible working arrangements for both employees and the company. This has resulted in our people being able to achieve a better work life balance.

'Keeping in Touch' days have been introduced for employees on parental leave to help manage their return to the business.

A number of mature employees have also leveraged the initiatives to assist in their career transition to retirement.

CORPORATE RESPONSIBILITY

 28%

28% of leadership roles are held by women.

Diversity and inclusion

Improving diversity and inclusion continued to be a focus in FY2015 and there was an improvement in gender balance with a 1.3% increase in women in leadership roles, which now sits at 28%. Women make up 22% of the Board of Directors and 22% of the Senior Executives and General Manager roles are held by women.

As part of the annual remuneration review process, Metcash analyses pay levels by gender, identifies any differences and takes appropriate steps to address them. This has resulted in a further decrease in the female-to-male pay gap.

Metcash has introduced the Diversity & Inclusion Framework as a way of embedding programs and promoting diversity across the organisation. The Framework focuses on five key areas – Cultural Diversity, Gender, Indigenous, Mature Workforce and Disability. This initiative is helping maintain momentum for delivering our evolving diversity program in a timely manner.

Other diversity highlights during the year included:

- the Board setting measurable targets aligned to the Workplace Gender Equality Agency indicators;
- a permanent role being offered to an intern who participated in the Indigenous Internship Program;
- embedding relationships with disability employment providers to increase the representation of employees with a disability; and
- trialling youth programs to provide young people with opportunities for employment.

Ethics

Consistent with prior years, we communicated Metcash's anti-corruption policies to our:

- executive team and Board;
- employees; and
- business partners who are suppliers of Metcash Private Label products.


 26%

Emissions from electricity consumption reduced by 26% from the previous year across all corporate sites.

Environment¹

During the year Metcash completed a number of projects aimed at improving its resource efficiency in areas such as materials, energy and emissions, water and waste.

Materials

During the current reporting period, "Secure Printing" was introduced across all of Metcash's corporate sites which encourages responsible printing by employees by tracking spend. This initiative reduced paper usage by approximately 12,000 reams, equating to a saving of \$371,000 per annum.

Metcash is a signatory to the Roundtable of Sustainable Palm Oil. In the reporting period, Metcash increased the purchase of sustainable palm oil for use in its corporate brands by 19%. Of the Private Label products Metcash produces requiring palm oil, 82% of these contain sustainable palm oil. The Group has plans in place to increase this percentage in coming years.

Energy and emissions

Metcash tracks its energy consumption and emissions in accordance with the National Greenhouse & Energy Reporting (NGER) Act 2007 and in the Company's Carbon Disclosure Project Climate Change response.

During the 2014 calendar year, the Company reduced emissions of electricity consumption by 26% across corporate sites. In the 2013 calendar year, Metcash set a target to reduce electricity consumption at its distribution centres by a further 10% over the next two years, using the 2013 consumption figure as its base. The Company is on track to achieve this goal.

The reduced consumption is being achieved through a number of initiatives, including the introduction of LED lighting, altering lighting configurations and encouraging behavioural changes at corporate office sites and distribution centres.

During calendar year 2014, Metcash engaged external specialists to examine opportunities to improve energy efficiency at all the major distribution centres and also at the Company owned Campbell's stores. A number of new projects have been identified which will be implemented over the coming years including, the installation of new refrigeration units or retrofitting existing refrigeration at distribution centres and Campbell's stores.

1. Environment and sustainability statistics are collected on a calendar year basis and are reported the following financial year.

CORPORATE RESPONSIBILITY ►

►

25%

Metcash now diverts 25% of its total waste away from landfill.

►

257,000 kg

Metcash donated 257,000 kilograms of food to Foodbank.

Water

Metcash is reviewing opportunities to introduce native gardens that require minimal watering at all of its corporate sites to further reduce water consumption.

In May 2015, Metcash's efforts in reducing reliance on water were acknowledged by the Waterwise Business Program. The Company was presented with a Bronze Recognition Award for water savings achieved at the Canning Vale distribution centre in WA.

Biodiversity

During the year the Metcash sustainability team carried out a materiality assessment. It was pleasing to note that no material impacts on biodiversity were identified as a result of Metcash's direct operations.

Effluents and waste

Metcash is a signatory to the Australian Packaging Covenant, which covers Metcash branded product packaging, as well as waste and recycling from all Metcash corporate sites.

In 2014, the Australian Packaging Covenant awarded Metcash the 'Highest Performer Award' for attaining the highest score in the Retailer Category for its work with suppliers on packaging. Key areas measured included the amount of packaging used, 'recyclability' of packaging and the percentage of recycled content in both primary and tertiary packaging.

In 2014, the Company's recycling target of 9% was exceeded and Metcash now diverts 25% of its total waste away from landfill.

	Metric Tonnes	% of total
Waste to Landfill	12,258	75%
Recycling	4,093	25%
Cardboard	2,584	16%
Paper	846	5%
Plastic	653	4%
Co-mingled	10	0%
TOTAL	16,351	100%

Metcash donates usable, but no longer saleable, packaged food products to Foodbank which distributes these products to charities that support Australians in need. In the reporting period, Metcash donated over 257,000 kg of food, providing some 32,500 meals. According to Foodbank, this equates to a social return of over \$560,000.

Foodbank is a non-denominational, non-profit organisation which acts as a pantry to the charities and community groups who feed the hungry. It was first established in 1992 in NSW and now has a presence in every state and the Northern Territory with distribution centres in all state capitals as well as a number of regional centres.

Products and services

During the year, the impact of Metcash products and services on the environment were mitigated by implementing the following:

- eliminating phosphate from all laundry and dishwashing products;
- sourcing the majority of tuna products using sustainable fishing methods. By September 2015, all canned tuna products will be harvested without the use of Fish Aggregating Devices (FAD). (A FAD device is a floating object that attracts fish and takes advantage of the fact that tuna congregate around floating objects); and
- ensuring all Private Label paper towel and toilet tissue products either comply with the Program for the Endorsement of Forest Certification (PEFC) or are Forest Stewardship Certified (FSC).

Compliance

Metcash has not identified any non-compliance with environmental laws or regulations during the reporting period.

Transport

Where practical, vehicle replacements have been with fuel efficient diesel vehicles. In addition Metcash drivers have been trained in more efficient driving techniques.

At the beginning of calendar year 2014, Metcash began to measure domestic and international air travel in order to further investigate Scope 3 emissions (indirect emissions attributed to activities such as travel). This is being done so the Company can gain a better understanding of its environmental footprint. In this first year, it was found that 2,400 tonnes of CO₂e was produced due to air travel. Strategies are now being introduced to reduce these emissions such as using video conferencing to reduce the need for air travel.

OUR BOARD

Our Board

Peter Barnes

Ian Morrice

Patrick Allaway

Fiona Balfour

Michael Butler

Tonianne Dwyer

Neil Hamilton

Edwin Jankelowitz

Mick McMahon

Robert Murray

Greg Watson

PETER L BARNES

B COMMERCE (HONS), MBA
Non-executive Chairman
 Chairman of the Nomination Committee
 Date of Appointment to Metcash Limited: 18 April 2005

Peter Barnes is a Director of News Corporation. Mr Barnes was formerly the Chairman of Samuel Smith & Sons Pty Ltd and Ansell Limited. He was 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.

IAN R MORRICE

MBA
CEO Metcash Group of Companies
 with effect from 30 June 2013
 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 the Kingfisher Group and Dixons Retail. Ian was Group Chief Executive Officer and Group Managing Director of New Zealand's Warehouse Group from 2004 to 2011. Ian is a former Non-executive Director of Myer Holdings and advisor to the Board of Spotlight Retail Group.

PATRICK N J ALLAWAY

BA/LLB
Non-executive Director
 Member of the Audit, Risk & Compliance Committee
 Member of the Nomination Committee
 Date of appointment to Metcash Limited: 7 November 2012

Patrick Allaway is a broad based business person with extensive experience in financial services, and senior executive and non executive director roles in large multi-national

companies. His 30 year career in investment banking has seen him hold positions with Swiss Bank Corporation in Chicago, Zurich and London; and also with Citibank in New York, Sydney and London. Patrick was Managing Director Swiss Bank Capital Markets and Treasury with direct global responsibility for over 1,000 people in 16 countries.

Patrick is a Non-executive Director of Woolworths South Africa, David Jones and Country Road. He is a member of the Audit, Risk and Remuneration Committees for all three companies and is chair of all of these committees for David Jones and Country Road.

Over the past 12 years Patrick has been the Chairman and co-founder of a privately owned boutique corporate advisory business, Saltbush Capital Markets, advising select ASX listed companies. Patrick was also a Non-executive Director of Macquarie Goodman Ltd until 2006 and the Interim Chairman of its Audit Committee. Patrick's key areas of expertise include commercial experience, capital markets, business acquisitions and divestments, business review and strategic development. Patrick has a Bachelor of Arts/Law from Sydney University and is Chairman of Giant Steps Endowment Fund, and a Director of the Sydney University Football Club Foundation Ltd.

FIONA E BALFOUR

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

Non-executive Director

Chair of the Remuneration Committee
 Member of the Nomination Committee
 Date of appointment to Metcash Limited: 16 November 2010

Fiona Balfour is an independent Non-executive Director of Salmat Limited, TAL (Dai-ichi Life) Australia Limited and Aircservices Australia and Treasurer and Councillor of Knox Grammar School; a Fellow of the AICD and a Fellow of Monash University since 2010. She was awarded the National Pearcey Medal in 2006.

OUR BOARD

Fiona has more than thirty years executive experience in the aviation, telecommunications, financial services, education and not-for-profit sectors. Her professional expertise is in information and communications technology. She has extensive experience in global customer-facing business solutions across a variety of technologies including digital channel management. She is a Member and former Councillor of Chief Executive Women, a former Director of SITA SC (Geneva) from 2001 to 2006 and a former Trustee of the National Breast Cancer Foundation from 2007 to 2011.

Fiona was appointed Chair of the Remuneration Committee on 21 October 2014.

MICHAEL R BUTLER

B SC, MBA, FAICD

Non-executive Director

Chairman of the Audit, Risk & Compliance Committee
Member of the Nomination Committee

Date of appointment to Metcash Limited:
8 February 2007

Following an executive career in investment banking and private equity at Bankers Trust, Michael Butler has been a professional non-executive company director since 1999. He is currently Chairman of AMP Superannuation Limited, N.M. Superannuation Pty Ltd and Adairs Limited, and a Director of Utility Services Group Limited. He has previously been a Director and Chairman of various listed public companies.

TONIANNE DWYER

BJuris (Hons)/LLB (Hons)

Non-executive Director

Member of the Audit, Risk & Compliance Committee
Member of the Nomination Committee

Date of appointment to Metcash Limited:
24 June 2014

Having completed a law degree in Western Australia, Toniaanne spent 23 years in London where she had a successful executive career in investment banking and real estate.

Whilst at Hambros Bank/Société Générale she provided financial advice to large listed and private companies from a variety of sectors on corporate actions including listings, mergers and acquisitions, divestments and restructurings, in the UK and Europe.

In 2003 she joined LSE listed Quintain Estates & Development plc where she was appointed Head of Funds Management and in 2006 she was appointed to the Board. Quintain was the developer of the two largest mixed use urban renewal projects in London – at Wembley and on the Greenwich Peninsula. Toniaanne led the creation and development of a successful specialist property fund management business in Health, Student Housing and Science Parks with over £1.25bn in funds under management.

Returning to Australia in 2010, Ms Dwyer currently holds independent directorships in ASX listed DEXUS Property Group, DEXUS Wholesale Property Fund, Cardno Limited and Queensland Treasury Corporation. She is a member of the Senate of the University of Queensland, a Graduate of Australian Institute of Company Directors and a member of Chief Executive Women.

NEIL D HAMILTON

LLB

Non-executive Director

Member of the Remuneration Committee
Member of the Nomination Committee

Date of appointment to Metcash Limited:
7 February 2008

Neil Hamilton has over 30 years' experience in senior management positions and on boards of public companies across law, funds management, investment, insurance and resources.

Neil is Chairman of OZ Minerals Ltd and is a senior advisor to UBS Australia. He is the former Chairman of Challenge Bank Ltd, Western Power Corporation, Mount Gibson Iron Ltd and Iress Market Technology Ltd and was a Director of Insurance Australia Group Ltd and Miclyn Express Offshore Ltd.

EDWIN M JANKELOWITZ

B COMM, CA (SA)

Non-executive Director

Member of the Audit, Risk & Compliance Committee
Member of the Nomination Committee

Date of appointment to Metcash Limited:
18 April 2005

Edwin Jankelowitz 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 40 years in corporate offices of listed companies and was a member of the Income Tax Special Court in South Africa for 20 years.

Edwin is currently Non-executive Chairman of Kervale Investments Pty Ltd and a Non-executive Director of Chester Capital Pty Ltd and Ritchies Stores Pty Ltd.

MICK P MCMAHON

BEcon; Harvard Business School
Advanced Management Program

Non-executive Director

Member of the Remuneration Committee
Member of the Nomination Committee

Date of appointment to Metcash Limited:
27 November 2013

Date of retirement from Metcash Limited: 23 June 2015

Mick McMahon is an internationally experienced business leader with a broad retail and commercial background. Mick commenced his career with Shell in Australia and transferred to the UK in 1999 where he held several senior positions in retail, marketing and strategy.

In 2005, he returned to Australia as the Managing Director, Coles Express and in 2007 he was appointed the Chief Operating Officer, Coles (Supermarkets, Liquor, Express). He was the CEO and Managing Director of ASX listed

SKILLED Group from November 2010 through to January 2015.

Mick is an experienced CEO with extensive retailing and supply chain management experience in supermarkets and convenience, food, grocery and liquor.

Mick is the Executive Chairman of Inghams Enterprises and Chairman of Red Rock Leisure. He has a Bachelor of Economics from the University of Tasmania and has completed the Harvard Business School Management Program.

ROBERT A MURRAY

MA HONS, ECONOMICS

Non-executive Director

Member of the Nomination Committee

Date of appointment to Metcash Limited:
29 April 2015

Robert (Rob) is currently Chairman of Dick Smith Holdings Limited and a Non-executive Director of Southern Cross Austereo and Linfox Logistics Pty Ltd.

Rob was previously the CEO of Lion Nathan and CEO of Nestle Oceania and is a member of the not-for-profit charity Board of the Bestest organisation. His areas of expertise are in retail, FMCG and an in-depth understanding of consumers.

COMPANY SECRETARY

GREG WATSON

LLM, Dip Law

General Counsel and Company Secretary

Greg Watson joined Metcash in 2005 as Legal Counsel and was promoted to General Counsel in 2008. He was appointed Company Secretary in 2010. Greg has 24 years professional and industry experience initially in private legal practice, followed by corporate legal counsel roles with multinational FMCG organisations. Greg is a graduate of the Metcash Executive Leadership Program.

CORPORATE GOVERNANCE

The Directors of Metcash Limited (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	Website 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 17
2.3	The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	Yes	Page 17
2.4	The Board should establish a Nomination Committee.	Yes	Page 17
2.5	Companies should disclose the process for evaluating the performance of the Board, its Committees and individual Directors.	Yes	Page 18
2.6	Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes	Page 18
PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING			
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: – the practices necessary to maintain confidence in Company's integrity; – the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and – the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Website www.metcash.com
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	Yes	Website 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 18
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 18
3.5	Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes	Page 18

CORPORATE GOVERNANCE

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING			
4.1	The Board should establish an Audit Committee.	Yes	Page 19
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; and – has at least three members.	Yes	Page 19
4.3	The Audit Committee should have a formal charter.	Yes	Page 19
4.4	Companies should provide the information indicated in the guide to reporting on Principle 4.	Yes	Page 19
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Website www.metcash.com
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes	Page 20
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	Website www.metcash.com
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes	Page 20
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	Website www.metcash.com
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 21
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 21
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes	Page 21
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	The Board should establish a Remuneration Committee.	Yes	Page 22
8.2	The Remuneration Committee should be structured so that it: – consists of a majority of Independent Directors; – is chaired by an Independent Chair; and – has at least three members.		Website www.metcash.com
8.3	Companies should clearly distinguish the structure of Non-executive Directors' remuneration from that of Executive Directors and senior executives.	Yes	Page 22
8.4	Companies should provide the information indicated in the guide to reporting on Principle 8.	Yes	Page 22

CORPORATE GOVERNANCE

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 will at all times recognise its overriding responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of Metcash's shareholders, as well as its employees, customers and the community. It will work to promote and maintain an ethical environment within Metcash that establishes these principles as basic guidelines for all of its employees and representatives at all times.

The Board reviews and approves the Company's strategic and business plans and guiding policies. Day-to-day management of 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.

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 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 2015 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 Targets. The target plans for the Chief Executive Officer and all senior executives is available to the Board each month for progress review. Each senior executive reviews their progress against their target plan progressively through the year with a formal annual appraisal following the year end. Target plans have been set and agreed with the Board for the Chief Executive Officer for FY2016 and for other senior executives agreed by the CEO.

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 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 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. To that end, on 29 April 2015, the Board appointed Robert Murray as a Non-executive Director and Chair elect.

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

Board Composition

Maintaining a balance of experience and skills is an important factor in Board composition. For details of the skills, experience and expertise of the individual Directors, and the period of office held by each Director, please refer to page 34, headed 'Directors qualifications and experience', in the Operating and Financial Review.

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

As at the date of this report, the Board consisted of ten Directors, nine of whom are considered to be Non-Executive, and eight of whom are considered to be Independent Directors.

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

CORPORATE GOVERNANCE

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; or
- has a material contractual relationship with the Company or another group member other than as a Director of the Company.

The Board has assessed 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.

Those Non-executive Directors are considered to be independent for the reasons set out as follows.

None of the Directors referred to above is substantial shareholders of the Company or associated with a substantial shareholder of the Company (holding 5% or more of the Company's issued shares).

- Messrs Allaway, Barnes, Butler, Hamilton, Murray, Mrs Balfour, and Ms Dwyer are not employed by, nor have they previously been employed by, the Company or another group member. 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.
- Other than as disclosed below, none of the Non-executive Directors is a material supplier or customer of the Company or an officer of, or otherwise associated directly or indirectly with, a material supplier or customer. Materiality is assessed as supplying 2.5% or more of the Company's annual purchases or a customer representing 2.5% or more of the Company's annual sales.
- Fiona Balfour is an independent Non-executive Director of Salmat Limited a distributor of letterbox media and digital catalogues.
- Mick McMahon is the Executive Chairman of Ingham's Enterprises a supplier to the Company.
- Peter Barnes is a Director of News Corporation and former

Chairman of Samuel Smith & Sons Pty Ltd. He is the former Chairman of the Melbourne Business School. Peter was formerly the Chairman of Ansell Limited and 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.

- 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.

Non-executive Director

Mr Edwin Jankelowitz retired as an executive of the Company on 14 January 2011. Mr Jankelowitz remained a Director of the Company from that date. The Board considers Mr Jankelowitz to be a Non-executive Director and not an Independent Director.

Executive Directors

The Board has one Executive Director, Mr Ian Morrice, who was appointed as the Company's Chief Executive Officer on 30 June 2013.

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 Nomination Committee.

The membership of the Nomination Committee consists of only Non-executive Independent Directors. Details of their qualifications and attendance at meetings during the past financial year can be found in this report on pages 34 and 38 respectively of the Operating and Financial Review.

CORPORATE GOVERNANCE

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 and was again conducted in 2015.

The review of the Board evaluates areas including: Board structure and role; Committees; Board composition and succession; meeting processes; strategy and planning; performance monitoring; and communication.

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; and
- 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'.

DIVERSITY POLICY

The Metcash Diversity Policy was approved by the Metcash Board

in 2011. It was supported by an educational program detailing aspirational goals, changes to procedures and gave guidance on how the Policy was to be implemented. The Policy was revised in 2015 and is located on the Company's website (www.metcash.com/community-sustainability/community/people/).

In FY2015, the Company focused on addressing the following matters across the Group:

- the gender imbalance, particularly across leadership levels;
- investment in Indigenous talent through the Company's Indigenous Internship Program; and
- support for mature workers through financial advice and retirement planning.

In FY2016 the Company will focus on implementing the following initiatives:

- alignment of gender pay equity in 'like for like' roles across the Company. This will be rolled out over the next three years with a goal of full compliance by FY2018;
- expanding the Indigenous Internship Program nationwide with an increase in the number of participants from 3 currently to 10 by FY2018; and
- a reduction in substantiated complaints such as harassment and discrimination.

The Company has made further progress in increasing female representation in leadership roles across the Group. In particular;

- women currently comprise just over 31% of Metcash's workforce. There has been a 1.3% increase in the number of females in leadership roles during the year.
- during the year Linda Venables was appointed Chief Logistics Officer – Food, Liquor and Grocery and joined the Executive management Team. Currently 18% of the Company's executive leadership group are women;
- there was an increase in the Company's leadership programs offered during the year, and 29% of participants in these programs were women; and
- two out of nine Non-executive Directors on the Metcash Board are women.

The proportion of women at each level of management across the Metcash Group, as reported in the most recent Workplace Gender Equality Governance Report, is shown opposite.

The Company is now embedding the diversity initiatives as reported and continues to focus on the following key aspects:

- building an inclusive culture which encourages and supports flexible working arrangements, including a full review of parental policies and practices and supporting our mature workforce as they transition into retirement;
- continuing the relationship with Job Support to increase disability employment opportunities; and
- cementing the Indigenous Internship Program with the view to expand nationwide.

CORPORATE GOVERNANCE **PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING****THE BOARD SHOULD ESTABLISH AN AUDIT COMMITTEE**

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

The membership of the Audit Risk & Compliance Committee consists of the Non-executive Directors. Details of their qualifications and attendance at meetings during the past financial year can be found in this report on page 38 of the Operating and Financial Review.

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

COMMITTEE CHARTER

The Committee's Charter, 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 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.

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

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

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

METCASH WORKPLACE PROFILE 26 APRIL 2015

	FEMALE		MALE		FEMALE CASUAL	MALE CASUAL	FEMALE TOTAL	MALE TOTAL	TOTAL	FEMALE %	MALE %
	FULL TIME	PART TIME	FULL TIME	PART TIME							
Non-executive Directors	2	-	7	-	-	-	2	7	9	22.2%	77.8%
Senior Exec	2	-	9	-	-	-	2	9	11	18.2%	81.8%
Senior Managers	57	8	200	1	-	-	65	201	266	24.4%	75.6%
Supervisor / Managers	153	8	371	-	1	-	162	371	533	30.4%	69.6%
Administration Employees	582	137	499	7	59	23	778	529	1,307	59.5%	40.5%
Sales Employees	98	43	261	7	119	102	260	370	630	41.3%	58.7%
Warehouse Employees	297	127	2,160	114	154	323	578	2,597	3,175	18.2%	81.8%
	1,191	323	3,507	129	333	448	1,847	4,084	5,931	31.1%	68.9%

This table includes the primary wholesale operating segments (Food & Grocery, Liquor, Hardware & Automotive) and excludes certain retail subsidiaries (mostly partly owned)

CORPORATE GOVERNANCE

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 it 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 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, the Company 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 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 email, the Company website, corporate social media and direct distribution. The Company's website contains current and historical ASX 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.

CORPORATE GOVERNANCE

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

POLICES FOR THE OVERSIGHT AND MANAGEMENT OF MATERIAL BUSINESS RISKS

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

The Risk and Assurance department with oversight from the Audit Risk & Compliance Committee (ARCC), implements a continuous process of communication with internal stakeholders at each stage of the risk management process. They also conduct annual examinations of the Company'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 Company's 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).

Material business risks that have been identified are located in the Operating and Financial Review at page 31.

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 ARCC 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 ARCC monitors those risk events that could prevent the achievement of the Company's corporate strategies.

All employees are responsible for the management of risk within their areas. Employees are also required to advise management of increasing or new risk exposures and significant operational incidents as they become aware of them.

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 Company 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.

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

The 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 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 ARCC remain responsible for the oversight of the risk management process.

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 report presents a true and fair view, in all material respects, of the Company's financial position and operational results and are in accordance with relevant accounting standards (refer to the Directors' Report).

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

CORPORATE GOVERNANCE **PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY****THE BOARD SHOULD ESTABLISH A REMUNERATION COMMITTEE**

The Board has established a Remuneration Committee.

Remuneration Policy

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

The Company's policy on the prohibition of entering into transactions 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 on the Company's website www.metcash.com.

Non-executive Directors' compensation and retirement benefits

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

Termination entitlements of CEO and senior executives

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

FINANCIAL REPORT ►**FINANCIAL REPORT**
For the year ended 30 April 2015

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DIRECTORS' REPORT

Year ended 30 April 2015

Your Directors submit their report of Metcash Limited (the Company) and its controlled entities (the Group) for the year ended 30 April 2015.

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)
Ian R Morrice (CEO)
Patrick N J Allaway
Fiona E Balfour
Michael R Butler
Tonianne Dwyer (appointed 24 June 2014)
Neil D Hamilton
Edwin M Jankelowitz
Michael (Mick) P McMahon
Robert A Murray (appointed 29 April 2015)
V Dudley Rubin (retired 27 August 2014)

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

OPERATING AND FINANCIAL REVIEW

The *Operating and Financial Review 2015* provides shareholders with a concise overview of Metcash's operations, financial position, business strategies and prospects. The review outlines the impact of key events during the 2015 financial year (FY2015) and highlights material business risks. The review complements the financial report and has been prepared in accordance with the guidance set out in ASIC Regulatory Guide 247.

1. METCASH'S OPERATIONS

1.1. Our Business Model *(Incorporating Corporate Information)*

Metcash's purpose is to develop 'Successful Independents' by supporting independent retailers. As a dedicated wholesale distribution, merchandising and marketing company, Metcash provides retailers with the means to present a compelling proposition for the consumer. Our strengths include: purchasing power; world class logistics systems; extensive merchandising, marketing, retail development and retail operational support.

Metcash deploys these competencies across our three business 'Pillars', which span the food and grocery, liquor and hardware and automotive sectors across Australia. In New Zealand, we also have a small liquor business. In FY2015, these divisions generated revenues of \$13.6 billion through a number of leading retail brands, several of which are owned by Metcash. These include IGA, Cellarbrations, Bottle-O, Mitre 10, Autobarn and Autopro. Other brands supplied, but not owned, by Metcash include 7-Eleven, BP and Liquormart. Metcash competes against the vertically integrated self-service retail chains.

Food & Grocery is Metcash's largest Pillar, representing 68% of total revenues. It services approximately 2,500 grocery stores, of which more than 1,400 are branded IGA. In addition, this Pillar services approximately 50,000 convenience customers. The Liquor division services more than 12,000 pubs, clubs and bottle shops, the Mitre 10 network supplies around 800 outlets and the Automotive services network supplies more than 400 stores and service centres.

Metcash operates major distribution centres in all the mainland states of Australia. These are complemented by a number of smaller warehouses and our Campbell's branch network.

Metcash employs approximately 6,300 people across the Group.

DIRECTORS' REPORT

Year ended 30 April 2015

1.2. Our Strategic Priorities – Transformation Plan

In March 2014, the Group announced details of its five-year *Transformation Plan* (The Plan). FY2015 is year one of the five-year plan. The Plan is focussed on four strategic priorities that underpin the Group's long-term sustainable growth:

1. Transforming the Food & Grocery division, known as Project Diamond
2. Driving consolidation and sustainable network growth
3. Further enhancing the Group's world class supply chain
4. Supporting Independents

Project Diamond is a key initiative for the Food & Grocery Pillar. It targets growth by implementing the following five levers focussed on the end-consumer to drive sales across the network.

- Shopper-led way - ranging products in stores to align with local markets
- Competitive pricing - ensuring every day competitive price across the network
- Compelling fresh - improving the fresh offer in store
- Retail excellence - improving retailer standards across the network
- Network investment - improving the network of stores

The **consolidation and sustainable network growth** initiative is also focussed on converting independent retailers to the Group's liquor, hardware and automotive banners; extending the Group's retail support team; reinvigorating the Group's retail execution; and enhancing category growth opportunities.

Metcash is known for its **supply chain** logistics capabilities and the Group's benchmark is world's best practice. Consequently the Group is looking to drive efficiencies through further infrastructure investment. For example, our continued investment in technology is increasing our flexibility to serve customer needs and reducing the Group's cost of service.

To enable **Successful Independents**, this key initiative in the *Transformation Plan* is directed towards providing better support to independent retailers, including expanding the Group's digital platform by introducing competitive omni-channel solutions. These will be tailored for retailers to provide enhanced analytics and insight capabilities. In addition, the Group has launched a Retail Academy, part of a program designed to attract new retailers to the independent network and provide training to enhance their retailing skills.

1.3. Key financial measures of success

Wholesale sales are the key driver of Metcash's profitability. The Group's *Transformation Plan* targets sustained growth in sales volume by building and supporting a strong network of successful independent retailers.

Metcash supports retailers working with each of its Pillars by assisting with in-store refurbishments, which in Food & Grocery, includes the new Diamond Store Accelerator program.

Within Food & Grocery, Project Diamond has a strong focus on range through category management, providing a compelling fresh and private label offer as well as retail excellence in-store. These levers are designed to better fulfil consumer needs and ultimately increase wholesale sales including increasing our 'Teamwork Score' (the proportion of total products purchased by an independent retailer sourced from Metcash).

Wholesale sales and related margins are also driven by competitive pricing, promotional activities and the level of supplier support through volumetric and other rebates.

Profitability also depends on minimising our 'Cost of Doing Business' (CODB), which comprises the variable and fixed costs of operating the distribution centres and the administrative support functions. As a proportion of these costs are fixed, Metcash can 'leverage' its profitability through sales volume growth. Profitability is also driven by minimising the working capital deployed in the business to reduce funding costs and by ensuring that growth is achieved through solid returns from invested capital.

The above factors apply equally to the Liquor and Hardware & Automotive Pillars.

DIRECTORS' REPORT

Year ended 30 April 2015

2. Key Developments *(Incorporating Significant Changes in the State of Affairs)*

2.1. Acquisitions and Divestments

During FY2015, the Group invested \$42.5 million in bolt-on acquisitions. This included the acquisition of Midas (automotive services), Liquor Traders (Thirsty Camel - Queensland), Far North Wholesalers (convenience) and G.Gay & Co (hardware).

As at the end of the financial year, Metcash had completed its investment in *Project Mustang*, at a cost of approximately \$75 million. The project, centred on the Group's distribution facility in Huntingwood, NSW, utilises the latest European warehouse automation technology. It will significantly automate the goods receipt, order selection, pallet assembly and distribution processes for both the Food & Grocery and Liquor businesses operating within this distribution centre.

Metcash generated \$41.0 million in cash from the disposal of surplus properties, largely relating to owned retail tenancies. The Group will continue to explore opportunities to release capital through the divestment of surplus retail property and assets held for sale.

2.2. Dividends

During the financial year, Metcash paid the FY2014 final dividend of 9.0 cents per share and the FY2015 interim dividend of 6.5 cents per share, both fully franked. Of the total dividends of \$138.7 million, \$54.6 million was paid in cash and \$84.1 million was settled by the issue of 40.0 million shares under the Dividend Reinvestment Plan (DRP).

The Board has announced it will not be declaring a final dividend for FY2015 and that it intends to suspend dividend payments for FY2016.

2.3. Huntingwood Distribution Centre Hail Damage

Metcash's distribution centre at Huntingwood, NSW, suffered significant damage as a result of a torrential hail storm on 25 April 2015. The damage was sufficiently serious to warrant closure of the dry grocery/liquor warehouse (including the automated *Project Mustang* area) and for business continuity plans to be immediately activated. Metcash was able to quickly re-establish supply to NSW customers from Victorian, Queensland, ACT and other temporary distribution centres in NSW. The perishable and frozen warehouses were not impacted. At the date of this report, the dry warehouse remains closed and may not be fully re-opened until early in the 2016 calendar year.

Metcash's insurance policy is expected to cover the hail event for material damage and consequential loss.

As the hail event occurred immediately prior to the end of the FY2015 financial year, the consequential loss from increased costs of working and lost sales was not material during FY2015. The hail event is however anticipated to have an impact on sales and operating costs during FY2016, which will be subject to recovery under the company's insurance policy.

2.4. Change of Key Staff

Mr Adrian Gratwicke was CFO until 31 January 2015 and ceased employment on 30 April 2015. Mr Brad Soller commenced as CFO on 11 February 2015.

Mr Fergus Collins was CEO, Supermarkets Food & Grocery until 1 April 2015 and will cease employment on 1 July 2015. Mr Ian Morrice is managing the Supermarkets Food & Grocery business until a new CEO, Supermarkets Food & Grocery is appointed.

DIRECTORS' REPORT

Year ended 30 April 2015

3. FINANCIAL RESULTS

3.1. Group Overview

Summary Results & Underlying Earnings Reconciliation (Unaudited)	2015 \$m	2014 \$m
Sales revenue	13,626.2	13,392.7
Earnings before interest, tax, depreciation and amortisation (EBITDA)	396.9	460.1
Depreciation and amortisation	(71.8)	(69.8)
Earnings before interest and tax (EBIT)	325.1	390.3
Net finance costs	(55.1)	(57.2)
Underlying profit before tax	270.0	333.1
Tax expense on underlying profit	(75.6)	(97.9)
Non-controlling interests	(1.4)	(1.5)
Underlying earnings (i)	193.0	233.7
Significant items expense	(638.8)	(56.1)
Tax benefit on significant items	61.6	2.1
Net profit/(loss) for the year from continuing operations	(384.2)	179.7
Net profit/(loss) after tax from discontinued operations	-	(10.5)
Net profit/(loss) for the year	(384.2)	169.2
Underlying earnings per share (cents)	21.3	26.5
Reported earnings/(loss) per share (cents)	(42.4)	19.2

The Group generated \$13.6 billion of sales revenue in FY2015, up 1.7% against the prior year. Underlying EBIT of \$325.1 million was in line with the guidance provided to the market in December 2014. Underlying profit of \$193.0 million for FY2015 was down 17.4% on the FY2014 result.

The Group reported a net loss of \$384.2 million for the year (FY2014: profit \$169.2 million). The net loss reflects the inclusion of \$577.2 million after tax of significant items.

Metcash carried out a comprehensive review of the Group's assets. The review took account of the increasingly competitive trading environment, particularly in Food & Grocery. As a result of this review Metcash reduced the carrying value of goodwill and other assets by \$640.0 million. This charge has been included as a significant item and excluded from underlying earnings. The charge comprises an impairment of \$506.7 million in relation to intangible assets (goodwill of \$441.6 million and other intangible assets of \$65.1 million) and a charge of \$133.3 million in relation to other assets and obligations. Impairment items are primarily non-cash and will not impact the Group's debt facilities, compliance with banking covenants or trading terms.

- (i) Underlying earnings represents reported profit after tax from continuing operations attributable to equity holders of the parent, excluding significant items after tax. 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's 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 in Note 3 of these financial statements.

DIRECTORS' REPORT

Year ended 30 April 2015

3.2. Segment Results

	Sales Revenue		EBIT	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Sales Revenue				
Food & Grocery	9,217.8	9,072.4	216.8	293.4
Liquor	3,103.6	3,160.8	57.6	52.1
Hardware & Automotive	1,304.8	1,159.5	57.9	49.9
Corporate	-	-	(7.2)	(5.1)
Metcash Group	13,626.2	13,392.7	325.1	390.3

- *Food & Grocery*

The Food & Grocery segment was impacted by an underlying decline in sales stemming from competitive pressures, on-going deflation and a number of store closures. These factors had an adverse impact on the Pillars' operating leverage. In addition, Food & Grocery incurred significant costs associated with implementing the *Transformation Plan*, including investment in pricing, through initiatives such as Price Match, and other operating investments.

Total Food & Grocery sales revenue was up 1.6%, there was however an underlying weakness in supermarkets' core wholesale sales (excluding tobacco) which were down 2.2%. This reflected an underlying sales decline of 3.3% offset by a 1.1% increase in sales from Diamond Store initiatives. Total sales revenue in the convenience channel increased by 11.3%, largely through new business.

Improved sales were achieved in those stores that implemented the *Price Match* and/or *Black & Gold Partnership Program*, and in particular, for stores that implemented the *Diamond Store Accelerator* program. By the end of FY2015, ~600 stores were on the *Price Match* program, a further ~500 stores had implemented the *Black & Gold Partnership Program* and 52 stores had refurbished their stores under the *Diamond Store Accelerator* program.

Segment EBIT declined from \$293.4 million to \$216.8 million, a decline of 26.1%. The segment experienced significant negative leverage due to the underlying weakness in non-tobacco sales noted above. Although savings were achieved through targeted initiatives these were offset by incremental costs associated with the *Transformation Plan*.

Food & Grocery invested \$40 million in implementing the *Transformation Plan*, including investments in product pricing under the *Price Match* and/or *Black & Gold Partnership Programs* together with investment in digital, capability and training.

- *Liquor*

The Liquor division performed strongly during FY2015. Although sales revenue declined by 1.8% to \$3.1 billion, segment EBIT increased by 10.6% to \$57.6 million. Sales across the core IBA brands grew by 3.7% reflecting strong organic sales volumes and store conversions to the IBA network. Sales declined within the lower margin non-IBA channel, as a number of customers were converted to the IBA network or left the network.

The improved segment EBIT of \$57.6 million was driven by the combination of increased IBA sales volumes, an improved sales mix (with a shift to higher margin categories) and tight control of costs.

DIRECTORS' REPORT

Year ended 30 April 2015

• Hardware & Automotive

In FY2015, the Hardware & Automotive Pillar's sales revenue grew by 12.5% to \$1.3 billion, with EBIT increasing 16.0% to \$57.9 million. Mitre 10 total sales revenue increased by 11.3% to exceed \$1 billion for the first time. The Pillar also generated an increase in 'like-for-like' sales which were up 3.3% for Hardware and 1.1% for Automotive.

Mitre 10 results were achieved through further growth in the network and the rollout of consumer-driven initiatives focussed on range, price and retail excellence. During the year, an additional 16 independent stores were converted to the Mitre 10 banner, bringing the total conversions to 87 since 2010. The most recent groups welcomed to the network included G.Gay & Co, Chermiside and Yenckens. The buoyant construction market and strong housing starts flowed through to increased trade sales.

Automotive performed strongly with overall sales revenue up by 17.8% against last year. During the year the Automotive Pillar focussed on customer value, cost to serve and building brands. The group acquired the Midas Australia network of 89 franchised stores in May 2014. During the year Automotive reduced its cost of doing business through warehouse consolidation and direct sourcing. Despite some headwinds from the depreciating AUD/USD exchange rate, which impacted margins, Automotive EBIT was up against last year.

3.3. Finance Costs and Tax

Net finance costs decreased by 3.7% to \$55.1 million. Savings from lower interest rates, tight working capital management and prudent capital expenditure were partially offset by non-cash expenses associated with the unwinding of net present value discounts of long-term rental subsidies and other provisions.

Tax expense on underlying profit of \$75.6 million represents an effective tax rate of 28.0%, marginally lower than the prior year rate of 29.4% due to the application of capital tax losses and research & development allowances.

4. CASH FLOWS

Summary Cash Flows (Unaudited)	2015 \$m	2014 \$m
Operating cash flows	231.7	388.7
Investing cash flows	(74.9)	(211.8)
Dividends paid and other financing activities	(57.7)	(224.0)
Reduction/(increase) in net debt	99.1	(47.1)

Operating cash flows for the year were \$231.7 million, versus last year's \$388.7 million. The reduced operating cash flows reflect the reduction in underlying EBITDA of \$63.2 million and the reversal of the \$80.0 million working capital timing benefit, due to the timing of Anzac Day, recognised in FY2014.

The underlying cash realisation ratio of 87.5% was below the target level of 100%, due to the reversal in working capital noted above.

Investing cash flow of \$74.9 million was down significantly on the prior year (FY2014: \$211.8 million) reflecting a reduction in acquisition investment to \$42.5 million, reduced capital expenditure of \$85.4 million and an increase in capital recycling to \$41.0 million through the sell down of surplus assets.

Cash dividends paid decreased by \$151.0 million, reflecting the reduced payment levels and the fact that the DRP was underwritten.

As a result of the above cash flows, Metcash applied \$99.1 million towards the repayment of net debt.

DIRECTORS' REPORT

Year ended 30 April 2015

5. FINANCIAL POSITION, COMMITMENTS AND CONTINGENCIES

5.1. Financial Position

Summary Financial Position (Unaudited)	2015 \$m	2014 \$m
Trade receivables and prepayments	989.1	1,009.1
Inventories	712.5	743.8
Trade payables and provisions	(1,695.4)	(1,697.3)
Net working capital	6.2	55.6
Intangible assets	1,284.5	1,765.7
Property, plant and equipment	276.0	308.4
Equity accounted investments	102.1	99.5
Customer loans and assets held for sale	90.6	134.0
Total funds employed	1,759.4	2,363.2
Net debt	(667.8)	(766.9)
Tax, put options and derivatives	65.0	(2.3)
Net assets/equity	1,156.6	1,594.0

- *Net working capital*

Metcash's net working capital reduced to \$6.2 million (FY2014: \$55.6 million), despite a reversal of the prior period timing benefit of approximately \$80 million. This lower working capital balance was achieved due to tight stock control and debtor management and the inclusion of provisions relating to the significant item impairments.

- *Intangible assets*

The reduction in intangible assets largely reflects the write down of goodwill and other intangible assets of \$506.7 million which are disclosed under significant items.

- *Property, plant and equipment*

Metcash invested \$62.3 million in capital expenditure, including the final component of *Project Mustang*. This increase was offset by depreciation and amortisation of \$39.6 million, impairments of \$19.2 million and the disposal of surplus properties.

- *Equity accounted investments*

Metcash has \$102.1 million invested in a number of grocery, hardware and liquor retail joint ventures, where the equity interest typically ranges between 25% - 50%. Grocery retail joint ventures represent the majority of the investment value, with the largest individual investment being our 26% investment in Ritchies Stores Pty Ltd.

- *Customer loans and assets held for sale*

Customer loans represent monies advanced to retailers, principally to assist with funding store development. Assets held for sale includes retail stores that are owned by Metcash and surplus retail freehold property. The \$43.4 million reduction during the year included \$12.0 million from net loan collections and \$23.2 million from asset sales.

- *Net debt*

The Group ended the year with net debt of \$667.8 million (FY2014: \$766.9 million). This is the lowest net debt level since 2010. Metcash had \$703.0 million in available debt facilities at the reporting date.

- *Net assets/equity*

The decrease in the Group's net assets position largely reflected the impairment of goodwill and other assets of \$577.2 million after tax.

DIRECTORS' REPORT

Year ended 30 April 2015

5.2. Commitments, Contingencies and Other Financial Exposures

Metcash's operating lease commitments, which predominantly relate to warehouse and retail stores, are detailed in Note 17 of the financial statements. The increase in commitments from \$1.52 billion to \$1.75 billion is primarily due to an extension of the lease at the Huntingwood, NSW distribution centre and lease commitments for the new corporate office in Ryde, NSW.

The Group is exposed to a contingent liability in relation to an agreement with American Express to offer credit facilities to the Group's retail network. Further details of this agreement and other contingent liabilities are presented in Note 25 of the financial statements.

Metcash has a relatively low exposure to interest rate risk and minimal foreign exchange exposures. Variable interest rate exposures on core debt are hedged in accordance with the Treasury Policy between a minimum and maximum range. At year end 71% of debt was fixed. The fixed interest and foreign exchange exposure on the US\$225.0 million USPP debt facility is effectively converted via hedges into \$210.1 million of variable rate funding. Further details are set out in Note 12.

6. BUSINESS STRATEGIES AND PROSPECTS *(Incorporating Likely Developments and Expected Results)*

6.1. Strategy Update

Metcash's core strategy is to support independent retailers to drive mutually profitable growth. Metcash intends to implement this strategy through the *Transformation Plan*. The key steps in the *Transformation Plan* are outlined in section 1.2

6.2. Group Capital and Asset Management Initiatives

Metcash has taken a number of steps to strengthen its balance sheet and to ensure it is well-placed to invest in its strategic plan. This includes:

- Not declaring a FY2015 final dividend and announcing its intention to suspend FY2016 dividends;
- Releasing capital through the divestment of surplus properties and assets
- Disciplined capital expenditure and tight working capital management

On 15 June 2015, Metcash announced it had reached agreement with Burson Group Limited (ASX: BAP) for the sale of the entire issued share capital of Metcash Automotive Holdings Pty Ltd ("Metcash Automotive") for a total consideration of \$275 million. This represents both the Group's and the minority shareholder's interests in Metcash Automotive. Metcash expects to receive net proceeds after tax of ~\$210 million from the sale. The transaction is expected to complete in July 2015. The Metcash Automotive business generated \$256.4 million in sales and contributed \$27.8 million in EBIT during FY2015. Proceeds from the sale will be invested in the Group's balance sheet and business.

6.3. Material Business Risks

As required by S299A(1) of the Corporations Act 2001, and in accordance with ASIC Regulatory Guide 247 - Effective Disclosure in an Operating Review, Metcash has identified the significant risks that may impact on the Group achieving its strategic goals and business operations.

The business risks and the mitigating factors put in place to address those risks are set out below:

a) *Market conditions*

Adverse market conditions including; increased competition, a decline in economic activity, continuing price deflation, and adverse interest rate and foreign exchange movements may lead to a decline in sales and profitability.

In order to address these risks Metcash is implementing Project Diamond within the Food & Grocery business, which is focussed on driving sales across the network. Similar initiatives are being introduced in other business Pillars. Metcash has also commenced initiatives within the *Transformation Plan* in relation to the supply chain and cost of doing business. Metcash's policy is to hedge key interest rate and foreign exchange exposures.

b) *Strategy*

Metcash's strategy may not be responsive to consumer demands and changes in business approach may prove unsuccessful.

The *Transformation Plan* has been designed to address this risk. A transformation office has been established to monitor progress and ensure effective implementation of the *Transformation Plan*. Metcash will continue to modify its approach to be responsive to market changes.

DIRECTORS' REPORT

Year ended 30 April 2015

c) *Independent retail sector health*

A decline in the financial strength of the independent retailers could lead to a reduction in sales and an impairment of assets.

Metcash's strategy is to support successful independent retailers. Key initiatives embedded in the *Transformation Plan* include improving in-store execution, the retail academy, brand building through Diamond standards, analytic insights and e-initiatives. Metcash has an established governance structure to identify, monitor and manage retail risks and exposures.

d) *Operational*

Inefficiency or failure within the supply chain or in key support systems, including technology, could impact the ability to deliver product to customers or result in increased costs. Metcash may be unable to deliver on the operational initiatives in the *Transformation Plan*.

Metcash is focussed on aligning its supply chain to customers and suppliers and reducing its cost-to-serve through operational excellence and automation. Business continuity plans are in place and are activated in the event there is a failure within the system, this was evidenced following the hail storm that impacted the Huntingwood distribution centre in April 2015.

e) *Funding*

Inability to adequately fund the business' operations and growth plans may lead to difficulty in executing the strategy.

Metcash maintains a prudent approach towards capital management, which includes optimising working capital, targeted capital expenditure, capital and asset recycling and careful consideration of its dividend payout policy. In addition, banking facilities are maintained with sufficient tenor, diversity and headroom to fund business operations.

f) *Regulatory and compliance*

Metcash must comply with various regulatory requirements, which include OH&S, food safety, environmental, workplace industrial, public liability, privacy & security, financial and legal. Any regulatory breach could have a material negative impact on the wellbeing of our stakeholders, the Group's reputation or its financial performance.

Metcash maintains a strong 'safety-first' culture and has established standards and 'Chain of Responsibility' policies to identify and limit risk. Metcash also maintains an approved supplier program and product recall mechanisms in order to manage food safety. Core values and governance structures have been deployed to ensure compliance with regulatory requirements.

g) *People risk*

Failure to attract and retain a high performing workforce may impact business performance.

Metcash invests in its people through training and development opportunities, by promoting diversity and workplace flexibility and maintaining succession planning. The short and long-term incentive schemes align the company's remuneration structure to shareholders' interests.

6.4. Future Outlook

The difficult trading conditions currently being experienced in the Food & Grocery Pillar are expected to continue in FY2016. The Group has taken significant steps to address these challenges through the *Transformation Plan* and will have a stronger balance sheet as a result of the capital initiatives announced.

The Group is now one year into the *Transformation Plan* and the initial signs are positive. Key programs such as Price Match, Private Label and Diamond Store refurbishments have received strong support from our retail network.

The remaining Pillars performed strongly in FY2015 and it is expected these businesses will continue to grow in FY2016.

However the improved sales from the strategic initiatives in the Food & Grocery Pillar, together with the growth opportunities in the other Pillars, will not offset the headwinds in Food & Grocery in FY2016.

The Group is adapting to address the tough market conditions, accelerating key initiatives and reducing its cost base.

Metcash remains confident that the strategy it is deploying will ultimately prove to be effective and beneficial to shareholders. Store sales are improving, they are more competitive, the improving Fresh proposition will be accelerated and a further 100 stores will transition to the Diamond program during the year. The Company will continue to invest in order to improve the quality and consistency of the network.

End of the Operating and Financial Review.

DIRECTORS' REPORT

Year ended 30 April 2015

SHAREHOLDER RETURNS

	YEAR ENDED 30 APRIL				
	2015	2014	2013	2012	2011
Reported earnings per share (cents)	(42.4)	19.2	24.0	11.7	31.5
Underlying earnings per share (cents)	21.3	26.5	31.2	32.8	32.3
Dividend declared per share (cents)	6.5	18.5	28.0	28.0	27.0
Dividend payout ratio on earnings per share (%) (i)	30.5	65.4	85.9	82.1	80.8
Weighted average shares outstanding (millions)	907.0	882.7	859.7	770.4	767.7
Return on equity (%) (ii)	14.0	14.5	18.1	18.2	17.6
Average equity (\$m)	1,375.3	1,609.1	1,479.7	1,389.0	1,410.2
Share price at the reporting date (\$)	1.33	2.78	4.10	3.98	4.08

- (i) Calculated using underlying earnings per share as detailed in the operating and financial review
(ii) Calculated using underlying earnings as detailed in the operating and financial review.

EARNINGS PER SHARE

	2015 Cents	2014 Cents
Basic earnings per share	(42.4)	19.2
Diluted earnings per share	(42.4)	19.2

DIVIDENDS ON ORDINARY SHARES

	Cents	\$m
Final dividend for the 2015 year (i)	-	-
Dividends paid during the year:		
Interim dividend for the 2015 year - paid in January 2015	6.5	58.7
Final dividend for the 2014 year - paid in July 2014	9.0	80.0
Gross total dividends paid during the 2015 financial year	15.5	138.7
Shares issued under the DRP		(38.2)
Shares issued under DRP underwriting agreement		(45.9)
Net dividends paid during the 2015 financial year	15.5	54.6
Total dividends declared in respect of the 2015 financial year	6.5	58.7

- (i) On 4 June 2015 the Board announced that a final dividend will not be paid for FY2015 and that it intends to suspend dividend payments for FY2016.

SUBSEQUENT EVENTS

On 15 June 2015, Metcash announced it had reached agreement with Burson Group Limited (ASX: BAP) for the sale of the entire issued share capital of Metcash Automotive Holdings Pty Ltd ("Metcash Automotive") for a total consideration of \$275 million. This represents both the Group's and the minority shareholder's interests in Metcash Automotive. Metcash expects to receive net proceeds after tax of ~\$210 million from the sale. The transaction is expected to complete in July 2015. The Metcash Automotive business generated \$256.4 million in sales and contributed \$27.8 million in EBIT during FY2015. Proceeds from the sale will be invested in the Group's balance sheet and business.

On 26 May 2015, Metcash entered into 2 bilateral loans of \$100.0 million each. These bilateral loans both expire in May 2016 and may only be drawn down to repay other existing debt facilities. In the event that a sale of Metcash's interest in Metcash Automotive is completed during the life of the loan, then the loans must be repaid in full and the facility cancelled.

Except as noted above, there were 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' REPORT

Year ended 30 April 2015

DIRECTORS QUALIFICATIONS AND EXPERIENCE

The qualifications and experience of Directors is set out below.

Peter L Barnes

B COMMERCE (HONS), MBA

Non executive Chairman

Chairman of the Nomination Committee

Date of appointment to Metcash Limited: 18 April 2005

Peter Barnes is a Director of News Corporation. Mr Barnes was formerly the Chairman of Samuel Smith & Sons Pty Ltd and Ansell Limited. He was 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.

Ian R Morrice

MBA

CEO Metcash Group of Companies with effect from 30 June 2013

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 the Kingfisher Group and Dixons Retail. Ian was Group Chief Executive Officer and Group Managing Director of New Zealand's Warehouse Group from 2004 to 2011. Ian is a former Non executive Director of Myer Holdings and advisor to the Board of Spotlight Retail Group.

Patrick N J Allaway

BA/LLB

Non executive Director

Member of the Audit, Risk & Compliance Committee

Member of the Nomination Committee

Date of appointment to Metcash Limited: 7 November 2012

Patrick Allaway is a broad based business person with extensive experience in financial services, and senior executive and non executive director roles in large multi-national companies. His 30 year career in investment banking has seen him hold positions with Swiss Bank Corporation in Chicago, Zurich and London; and also with Citibank in New York, Sydney and London. Patrick was Managing Director Swiss Bank Capital Markets and Treasury with direct global responsibility for over 1,000 people in 16 countries.

Patrick is a Non executive Director of Woolworths South Africa, David Jones and Country Road. He is a member of the audit, risk and remuneration committees for all three companies and is chair of all of these committees for David Jones and Country Road.

Over the past 12 years Patrick has been the Chairman and co-founder of a privately owned boutique corporate advisory business, Saltbush Capital Markets, advising select ASX listed companies. Patrick was also a Non executive Director of Macquarie Goodman Ltd until 2006 and the Interim Chairman of its Audit Committee. Patrick's key areas of expertise include commercial experience, capital markets, business acquisitions and divestments, business review and strategic development. Patrick has a Bachelor of Arts/Law from Sydney University and is Chairman of Giant Steps Endowment Fund, and a Director of the Sydney University Football Club Foundation Ltd.

Fiona E Balfour

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

Non executive Director

Chair of the Remuneration Committee

Member of the Nomination Committee

Date of appointment to Metcash Limited: 16 November 2010

Fiona Balfour is an independent non-executive director of Salmat Limited, TAL (Dai-ichi Life) Australia Limited and Airservices Australia and Treasurer and Councillor of Knox Grammar School; a Fellow of the AICD and a Fellow of Monash University since 2010. She was awarded the National Pearcey Medal in 2006. Fiona has more than thirty years executive experience in the aviation, telecommunications, financial services, education and not-for-profit sectors. Her professional expertise is in information and communications technology. She has extensive experience in global customer-facing business solutions across a variety of technologies including digital channel management. She is a Member and former Councillor of Chief Executive Women, a former Director of SITA SC (Geneva) from 2001 to 2006 and a former Trustee of the National Breast Cancer Foundation from 2007 to 2011.

Fiona was appointed Chair of the Remuneration Committee on 16 October 2014.

DIRECTORS' REPORT

Year ended 30 April 2015

Michael R Butler

B SC, MBA, FAICD

Non executive Director

Chairman of the Audit, Risk & Compliance Committee

Member of the Nomination Committee

Date of appointment to Metcash Limited: 8 February 2007

Following an executive career in investment banking and private equity at Bankers Trust, Michael Butler has been a professional non-executive company director since 1999. He is currently chairman of AMP Superannuation Limited, N.M. Superannuation Pty Ltd and Adairs Limited, and a director of Utility Services Group Limited. He has previously been a director and chairman of various listed public companies.

Tonianne Dwyer

BJuris (Hons)/LLB (Hons)

Non executive Director

Member of the Audit, Risk & Compliance Committee

Member of the Nomination Committee

Date of appointment to Metcash Limited: 24 June 2014

Having completed a law degree in Western Australia, Tonianne spent 23 years in London where she had a successful executive career in investment banking and real estate. Whilst at Hambros Bank/Societie Generale she provided financial advice to large listed and private companies from a variety of sectors on corporate actions including listings, mergers and acquisitions, divestments and restructurings, in the UK and Europe.

In 2003 she joined LSE listed Quintain Estates & Development plc where she was appointed Head of Funds Management and in 2006 she was appointed to the Board. Quintain was the developer of the two largest mixed use urban renewal projects in London – at Wembley and on the Greenwich Peninsular. Tonianne led the creation and development of a successful specialist property fund management business in Health, Student Housing and Science Parks with over £1.25bn in funds under management.

Returning to Australia in 2010, Ms Dwyer currently holds independent directorships in ASX listed DEXUS Property Group, DEXUS Wholesale Property Fund, Cardno Limited and Queensland Treasury Corporation. She is a member of the Senate of the University of Queensland, a Graduate of Australian Institute of Directors and a member of Chief Executive Women.

Neil D Hamilton

LLB

Non executive Director

Member of the Remuneration Committee

Member of the Nomination Committee

Date of appointment to Metcash Limited: 7 February 2008

Neil Hamilton has over 30 years' experience in senior management positions and on boards of public companies across law, funds management, investment, insurance and resources.

Neil is Chairman of OZ Minerals Ltd and is a senior advisor to UBS Australia. He is the former Chairman of Challenge Bank Ltd, Western Power Corporation, Mount Gibson Iron Ltd and Iress Market Technology Ltd and was a director of Insurance Australia Group Ltd and Miclyn Express Offshore Ltd.

Edwin M Jankelowitz

B COMM, CA (SA)

Non executive Director

Member of the Audit, Risk & Compliance Committee

Member of the Nomination Committee

Date of appointment to Metcash Limited: 18 April 2005

Edwin Jankelowitz 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 40 years in corporate offices of listed companies and was a member of the Income Tax Special Court in South Africa for 20 years.

Edwin is currently Non executive Chairman of Kervale Investments Pty Ltd and a Non executive Director of Chester Capital Pty Ltd and Ritchies Stores Pty Ltd.

DIRECTORS' REPORT

Year ended 30 April 2015

Mick P McMahon

BEcon; Harvard Business School Advanced Management Program

Non executive Director

Member of the Remuneration Committee

Member of the Nomination Committee

Date of appointment to Metcash Limited 27 November 2013

Mick McMahon is an internationally experienced business leader with a broad retail and commercial background. Mick commenced his career with Shell in Australia and transferred to the UK in 1999 where he held several senior positions in retail, marketing and strategy.

In 2005, he returned to Australia as the Managing Director, Coles Express and in 2007 he was appointed the Chief Operating Officer, Coles (Supermarkets, Liquor, Express). He was the CEO and Managing Director of ASX listed SKILLED Group from November 2010 through to January 2015.

Mick is an experienced CEO with extensive retailing and supply chain management experience in supermarkets and convenience, food, grocery and liquor.

Mick is the Executive Chairman of Inghams Enterprises and Chairman of Red Rock Leisure. He has a Bachelor of Economics from the University of Tasmania and has completed the Harvard Business School Management Program.

Robert A Murray

MA Hons, Economics

Non executive Director

Member of the Nomination Committee

Date of appointment to Metcash Limited 29 April 2015

Robert (Rob) is currently Chairman of Dick Smith Holdings Limited and a Non executive Director of Southern Cross Austereo and Linfox Logistics Pty Ltd.

Rob was previously the CEO of Lion Nathan and CEO of Nestle Oceania and is a member of the not-for-profit charity Board of the Bestest organisation. His areas of expertise are in retail, FMCG and an in-depth understanding of consumers.

V Dudley Rubin

CA (SA), H DIP BDP, MBA

Non executive Director

Member of the Audit, Risk & Compliance Committee

Member of the Nomination Committee

Date of appointment to Metcash Limited: 18 April 2005

Date of retirement from Metcash Limited: 27 August 2014

Dudley Rubin is a chartered accountant and is a director of various companies trading in Africa. He has over 30 years' industry experience and has been involved with the Metcash business as a director since May 1998.

COMPANY SECRETARY

Greg Watson

LLM, Dip Law

General Counsel and Company Secretary

Greg Watson joined Metcash in 2005 as Legal Counsel and was promoted to General Counsel in 2008. He was appointed Company Secretary in 2010. Greg has 24 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' REPORT

Year ended 30 April 2015

COMMITTEE MEMBERSHIP

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

AUDIT, RISK & COMPLIANCE	REMUNERATION	NOMINATION
Michael R Butler (Chairman)	Neil D Hamilton (Chairman) ⁽ⁱⁱⁱ⁾	Peter L Barnes (Chairman)
Patrick N J Allaway	Fiona E Balfour (Chairman) ^(iv)	Patrick N J Allaway
Tonianne Dwyer ⁽ⁱ⁾	Peter L Barnes ^(v)	Fiona E Balfour
Edwin M Jankelowitz	Mick P McMahon	Michael R Butler
V Dudley Rubin ⁽ⁱⁱ⁾		Tonianne Dwyer ⁽ⁱ⁾
		Neil D Hamilton
		Edwin M Jankelowitz
		Mick P McMahon
		Robert A Murray ^(vi)
		V Dudley Rubin ⁽ⁱⁱ⁾

(i) Ms Dwyer was appointed to the committee on 24 June 2014.

(ii) Mr Rubin retired as a member of the committees on 27 August 2014.

(iii) Mr Hamilton retired as chairman of the committee on 16 October 2014.

(iv) Mrs Balfour was appointed as chairman of the committee on 16 October 2014.

(v) Mr Barnes retired as a member of the committee on 26 August 2014.

(vi) Mr Murray was appointed a Non executive Director and member of the committee on 29 April 2015.

DIRECTORS' REPORT

Year ended 30 April 2015

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:

	Board of Directors		Remuneration Committee		Audit, Risk & Compliance Committee		Nomination Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Peter L Barnes	11	11	3	3	-	-	3	3
Ian R Morrice	11	11	-	-	-	-	-	-
Patrick N J Allaway	11	11	-	-	6	6	3	3
Fiona E Balfour	11	11	6	6	-	-	3	3
Michael R Butler	11	11	-	-	6	6	3	3
Tonianne Dwyer ⁽ⁱ⁾	8	8	-	-	5	5	1	1
Neil D Hamilton	11	11	6	6	-	-	3	3
Edwin M Jankelowitz	11	9	-	-	6	6	3	3
Mick P McMahon	11	11	6	6	-	-	3	3
Robert A Murray ⁽ⁱⁱ⁾	1	1	-	-	-	-	-	-
V Dudley Rubin ⁽ⁱⁱⁱ⁾	4	3	-	-	2	2	2	2

(i) Ms Dwyer was appointed Non-executive Director on 24 June 2014.

(ii) Mr Murray was appointed Non-executive Director on 29 April 2015.

(iii) Mr Rubin retired as Non-executive Director on 27 August 2014.

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 in Metcash Limited:

	Number of ordinary shares
Peter L Barnes	201,243
Ian R Morrice	22,517
Patrick N J Allaway	106,786
Fiona E Balfour	32,804
Michael R Butler	60,749
Tonianne Dwyer ⁽ⁱ⁾	40,000
Neil D Hamilton	121,318
Edwin M Jankelowitz	320,000
Mick P McMahon	30,000
Robert A Murray ⁽ⁱⁱ⁾	-
V Dudley Rubin ⁽ⁱⁱⁱ⁾	30,000

(i) Ms Dwyer was appointed as a Non-executive Director on 24 June 2014.

(ii) Mr Murray was appointed Non-executive Director on 29 April 2015.

(iii) Mr Rubin retired as Non-executive Director on 27 August 2014.

SHARE OPTIONS & PERFORMANCE RIGHTS

Unissued shares

At the date of this report, there were 14,528,495 unissued ordinary shares under performance rights (14,686,780 at the reporting date). There were no unissued ordinary shares under option at the reporting date or at the date of this report. Refer to Note 19 of the financial statements for further details of the performance rights and options.

Shares issued as a result of options and performance rights

On 15 April 2015, 47,565 shares were issued to executives, which represented the 25% deferred component of the FY2014 STI reward (refer Note 19). No other shares in the Company were issued to employees and executives during or since the end of the financial year in respect of the exercise of options or performance rights.

DIRECTORS' REPORT

Year ended 30 April 2015

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 R A Longes, F J Conroy, C P Curran, T A Haggai, R A Allan, J J David, Sir Leo Hielscher, B A Hogan, M Wesslink, J L Jardim (Lou Jardin), C dos Santos, M Jablonski, A Reitzer and D Rubin 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 statements 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.

DIRECTORS' REPORT

Year ended 30 April 2015

REMUNERATION REPORT

The Metcash Limited Remuneration Committee presents the Remuneration Report for the year ended 30 April 2015. The report outlines the remuneration arrangements for Key Management Personnel ('KMP') comprising the Group Executives and Non-Executive Directors.

1. MESSAGE FROM THE CHAIR OF THE REMUNERATION COMMITTEE (UNAUDITED)

Dear shareholder

I am pleased to present the Remuneration Report for the year ended 30 April 2015 ('FY2015'), my first as Committee Chair. During the year, the Committee undertook a full program to ensure alignment of executive remuneration to business outcomes that drive shareholder value. The Committee is also aware that key executive talent is always in demand and looks to ensure the Company is responsive to the market.

During the year, we refreshed the Remuneration Committee Charter to ensure it reflects best practice. I invite you to peruse the updated document which can be found in the Corporate Governance section of the Company's website at www.metcash.com.

Remuneration framework in FY2015

The Committee continued to oversee the application and development of the Company's remuneration framework in FY2015. Specifically:

- KMP fixed remuneration increases were kept low, with individual increases averaging 2.7%. The CEO's fixed remuneration has not increased since his appointment in March 2013;
- the short-term incentive ('STI') opportunity for target performance offered to senior executives was reduced from 73% of maximum to 50% of maximum for FY2015. The Committee considered this appropriate due to the challenging business conditions and emphasis on expense management during the year;
- as foreshadowed in last year's Remuneration Report, performance rights under the Transformation Incentive plan were granted to executive KMP and a further 74 senior managers. These rights will be tested against challenging ROFE, Revenue and Underlying EPS hurdles;
- the CEO, Mr Morrice, and the newly appointed CFO, Mr Soller, were also granted additional performance rights which will be tested against Metcash's ROFE and relative total shareholder returns. All the performance rights granted to Mr Morrice in FY2015 were approved by shareholders at the Company's AGM held in August 2014; and
- remuneration benchmarking policy was changed so that, instead of being constrained to a specific size of company, Metcash roles are now benchmarked to similar roles in other Australian companies wherever they exist and for which remuneration data is available. The Committee believes this approach better reflects the diverse companies from which Metcash recruits and will enable better setting of Metcash executive KMP remuneration.

Short and long-term incentive outcomes in FY2015

Short-term incentive

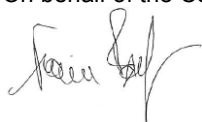
- The CEOs of the hardware and liquor pillars were awarded STI payments which reflected the strong performance of their businesses in FY2015.
- The CEO of the supermarkets business was not awarded an STI payment as his division fell short of threshold performance requirements.
- At the corporate level, the profit target was below threshold, resulting in no STI for the CEO and former CFO. The pillar CEOs, all of whom had a corporate component in their STI opportunity, also did not receive payment for this component.

These STI outcomes demonstrate the Committee's commitment to linking remuneration to the underlying performance of the business.

Long-term incentive

At the 2014 AGM, the Board undertook to provide an update to shareholders on the progress of the Transformation Incentive, which has now completed one year out of its three-year performance period. The Company is performing within expectation against the Group Sales Revenue metric, however needs to make up significant ground against the Underlying Earnings Per Share metric over the next two years of the plan. Shareholders are reminded that performance measurement is still at an early stage, and does not provide a clear indication of the plan's final result. In the context of current market conditions, the Board is currently examining options for the retention and attraction of key staff.

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



Fiona Balfour
Chair, Remuneration Committee

DIRECTORS' REPORT

Year ended 30 April 2015

2. EXECUTIVE REMUNERATION GUIDE (UNAUDITED)

2.1 Overview

This short guide is intended to provide shareholders with an overview of KMP remuneration outcomes for FY2015 having regard to the Company's FY2015 performance. 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.

2.2 Company Performance

The 2015 financial year was challenging. The key focus was the implementation of the Group's Transformation Plan, announced on 21 March 2014. Operational deleverage, tough market conditions and costs associated with the Transformation Plan impacted Metcash's core food and grocery business. Solid performances were delivered by the liquor, hardware and automotive divisions. The Board and Executives have remained focussed on the plan and maximising profitability, in spite of these challenges.

Sales revenue for the year increased by 1.7% to \$13,626.2 million. Underlying EBIT declined by 17% to \$325.1 million, with underlying profit after non-controlling interests and tax for the year decreasing by 17% to \$193.0 million and underlying EPS declining by 20% to 21.3 cents per share. Net profit for the year attributable to equity holders of the parent decreased to a \$384.2m loss (2014: \$169.2 million profit). A five year summary of the Group's performance against key performance metrics can be found in Table 5.2.

Further details, together with a full reconciliation between underlying earnings and reported profit, is included in the Operating and Financial Review section of the Directors' Report. The effect of these items is shown in the reported amounts below.

2.3 FY2015 Remuneration Outcomes

2.3.1 Short-term incentive

The remuneration of executives is reflective of Company performance for FY2015. The key metrics used in determining the quantum of the STI payable are sales revenue which was \$13,626.2 million (2014: \$13,392.7 million), underlying earnings before interest and tax of \$325.1 million (2014: \$390.3 million) and underlying profit before tax which was \$270.0 million (2014: \$333.1 million).

Within the Group, each Business Pillar and the Corporate Head Office 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, sales revenue and underlying profit before tax. The Board utilises a matrix to measure performance starting at a level that the Board considers to be the minimum level of acceptable performance to qualify for an STI payment (including the cost of the STI payments as the scheme is self-funding), moving to a target at which approximately 50% (2014: 73%) of the STI is payable with the ability 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.

STI payments for KMP for the year were paid at an average of approximately 17% of the maximum entitlement, with the remainder being forfeited. This reflected the Group falling short of its minimum profit targets, whilst business pillar achievement levels ranged from 0% of maximum in the case of Supermarkets and Convenience to 92.5% of maximum in the case of Mitre 10.

In accordance with the STI rules for KMP, 75% of STI awarded will be paid in July 2015. The remaining 25% will be deferred and released through the issue of Metcash ordinary shares conditional upon the Executive remaining employed by the Company on 15 April 2016. The number of shares issued will be calculated by dividing the 25% STI award dollar value by the volume weighted average price of Metcash ordinary shares for the five business days prior to 15 August 2015. The shares will be issued by 30 April 2016, but will be restricted from trading until 15 August 2016. The actual results by KMP are presented in Table 6.1.

DIRECTORS' REPORT

Year ended 30 April 2015

2. EXECUTIVE REMUNERATION GUIDE (UNAUDITED) (continued)

2.3.2 Long-term incentive

The Metcash LTI scheme is designed to incentivise and reward the Company's executives for implementing strategies to achieve specific growth targets which are aligned to the Company's overall strategy of increasing returns to shareholders.

Current LTI plans	
The Group has two plans currently on issue. The Transformation Incentive Plan (TI) and Additional Transformation Incentive Plan (ATI) were established in FY2015 and have various targets related to Group Sales Revenue, Underlying Earnings Per Share (UEPS), Return on Funds Employed (ROFE) and Relative Total Shareholder Return (RTSR). These targets are based on the Transformation Plan announced on 21 March 2014. The TI and ATI were introduced specifically to incentivise senior management to successfully execute the Transformation Plan with the TI granted to select senior management and the ATI granted exclusively to the Group CEO and CFO. Full details of these plans are outlined in Section 7 of this report.	
Transformation Incentive	TI Performance Rights were granted on 17 October 2014, with a three-year performance period and a deferral of an additional year for a portion of rights that vest. TI hurdles, vesting conditions and plan details are outlined in Section 7 of this report.
Additional Transformation Incentive	ATI Performance Rights were granted to the CEO, Mr Morrice on 17 October 2014, split over four and five-year performance periods. ATI Performance Rights were granted to the CFO, Mr Soller on 11 February 2015 with a four-year performance period. ATI hurdles, vesting conditions and plan details are outlined in Section 7 of this report.

Legacy LTI plans	
These prior period LTI plans are measured against various underlying EPS growth targets over a three-year period. The current year underlying EPS decreased by 19.6% to 21.3 cents per share. Accordingly, Tranches 1-3 of the Legacy LTI plan have now concluded with nil vesting. Full details of these plans are outlined in Section 8 of this report.	
Tranche 2 (FY2012-FY2014)	Tranche 2 Performance Rights, granted in December 2011 did not achieve the minimum performance hurdle and were forfeited on 30 June 2014.
Tranche 3 (FY2013-FY2015)	Tranche 3 Performance Rights, granted in December 2012 did not achieve the minimum performance hurdle and will be forfeited on 7 September 2015.

DIRECTORS' REPORT

Year ended 30 April 2015

2. EXECUTIVE REMUNERATION GUIDE (UNAUDITED) (continued)

2.4 Executive remuneration in FY2015

The accounting standards require the calculation of remuneration on an accrual basis including the use of sophisticated valuation models for long term share based incentives. They also require the recognition of long-term incentives over their performance 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.

To avoid potential confusion in interpreting remuneration table values, the Board has provided details of actual remuneration paid or payable to executives during the reporting period in the table below.

These figures represent the fixed remuneration actually paid over FY2015, the value of STI that will be paid as a result of performance in FY2015 (75% cash component) the value of STI awarded for FY2014 performance but paid in FY2015 (25% deferred component), the value of any LTI awards that vested in FY2015 and the value of any other payments. The accounting value of remuneration received during the 2015 financial year, reported in accordance with statutory obligations and the accounting standards, is presented in Table 10.1 of this report.

Table 2.1 Remuneration received (unaudited)

Name	Fixed ⁽¹⁾ \$	STI ⁽²⁾ \$	LTI ⁽³⁾ \$	Termination \$	Other ⁽⁴⁾ \$	Total \$
I Morrice	1,510,526	-	-	-	-	1,510,526
B Soller ⁽⁵⁾	186,589	-	-	-	63,683	250,272
A Gratwicke ⁽⁶⁾	628,347	-	-	663,750	-	1,292,097
F Collins ⁽⁷⁾	771,233	64,043	-	650,250	30,697	1,516,223
M Laidlaw	669,846	427,144	-	-	15,662	1,112,652
S Marshall	576,323	182,725	-	-	19,251	778,299
Total	4,342,864	673,912	-	1,314,000	129,293	6,460,069

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

(2) The STI amount represents the 75% 2015 financial year incentive payable to the KMP in cash in July 2015 and the 25% 2014 financial year incentive deferred equity component that vested in April 2015. The 25% 2015 financial year incentive deferred equity component is not included in the table because the reward is conditional upon employment of the KMP until 15 April 2016.

(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 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.

(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 benefits' in Table 10.1 of the Remuneration Report, plus accrued long service leave and reductions in such leave entitlements and discretionary bonus payments.

(5) Mr Soller commenced as CFO on 11 February 2015 with his annual fixed remuneration set at \$800,000. The amounts disclosed above reflect Mr Soller's remuneration from 11 February 2015 to 30 April 2015.

(6) Mr Gratwicke was CFO from 1 May 2014 to 31 January 2015 and ceased employment on 30 April 2015. The amounts disclosed above reflect Mr Gratwicke's remuneration from 1 May 2014 to 31 January 2015 as KMP and his termination payment in lieu of a notice period. In addition, Mr Gratwicke received fixed remuneration of \$212,500 between 1 February 2015 and his cessation of employment on 30 April 2015.

(7) Mr Collins was CEO, Supermarkets MFG from 1 May 2014 to 1 April 2015 and will cease employment on 1 July 2015. The amounts disclosed above reflect Mr Collins' remuneration from 1 May 2014 to 1 April 2015 as KMP and his termination payment in lieu of a notice period. In addition, Mr Collins will receive fixed remuneration of \$216,500 between 1 April 2015 and his cessation of employment on 1 July 2015.

DIRECTORS' REPORT

Year ended 30 April 2015

3. WHO DOES THIS REPORT COVER? (AUDITED)

This Remuneration Report, which comprises Sections 3 to 12 inclusive, is prepared in accordance with 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 2001* 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 Key Management Personnel (KMP).

Non-executive Directors⁽¹⁾

Name	Position
Peter Barnes	Chairman
Patrick Allaway	Director
Fiona Balfour	Director
Michael Butler	Director
Tonianne Dwyer	Director - appointed 24 June 2014
Neil Hamilton	Director
Edwin Jankelowitz	Director
Mick McMahon	Director
Rob Murray	Director - appointed 29 April 2015
Dudley Rubin	Director - retired 27 August 2014

(1) All Non-executive Directors held their current positions for the entire 2015 financial year unless otherwise stated.

KMP

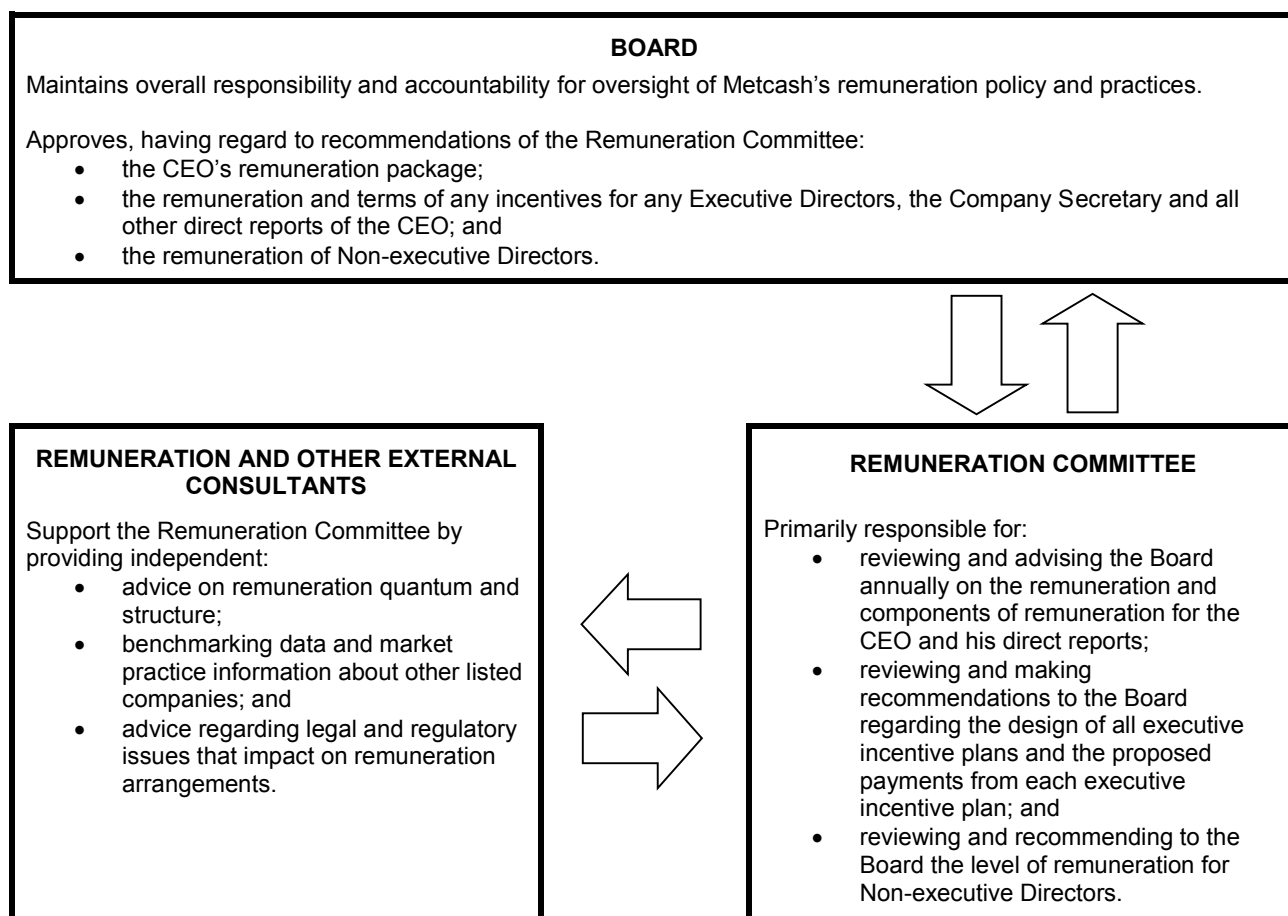
Name	Position	Period acting as KMP
Ian Morrice	Chief Executive Officer (CEO) & Director	Full year
Brad Soller	Chief Financial Officer (CFO)	11 February 2015 to 30 April 2015
Adrian Gratwicke	Chief Financial Officer (CFO)	1 May 2014 to 31 January 2015
Fergus Collins	Chief Executive Officer, Supermarkets MFG	1 May 2014 to 1 April 2015
Mark Laidlaw	Chief Executive Officer, Hardware	Full year
Scott Marshall	Chief Executive Officer, ALM	Full year

DIRECTORS' REPORT

Year ended 30 April 2015

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.



In performing its role, the Board and Remuneration Committee directly commission and receive information, advice and recommendations from independent external advisers. In 2012, the Board reviewed the process for engaging and seeking advice from external advisers and adopted a protocol setting out the process for receiving remuneration recommendations in relation to KMP which, among other things, is designed to ensure that the recommendations made are free from undue influence by management. One of the key outcomes of this review was that the Chairman of the Remuneration Committee appoints and engages directly with remuneration consultants in relation to KMP remuneration matters.

During the 2015 financial year, the Remuneration Committee employed the services of PricewaterhouseCoopers to assist in the review of the Company's rewards framework under the Board approved protocol. Fees of \$97,000 were paid to PricewaterhouseCoopers in respect of this review.

In addition, PricewaterhouseCoopers also provided taxation advice, consulting services and advisory services to management of the Group. A total of \$820,499 was paid to PricewaterhouseCoopers for these services.

The Board is satisfied that the remuneration recommendations made by PricewaterhouseCoopers were made free from any undue influence. In addition to the internal protocols referred to above, PricewaterhouseCoopers provided a formal declaration confirming that their recommendations were made free from undue influence by the members of the KMP to whom the recommendations related. In addition, the Remuneration Committee engaged Herbert Smith Freehills to provide independent governance and legal advice in relation to senior executive remuneration matters, which did not constitute a remuneration recommendation.

DIRECTORS' REPORT

Year ended 30 April 2015

5. KMP REMUNERATION (AUDITED)

5.1 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 KMP with shareholder interests by rewarding high performance that results in increased shareholder value. The particular principles that guide the Remuneration Committee when they set KMP remuneration are listed below:

- **Attract and retain talent** - Metcash operates in the highly competitive food, liquor, hardware and automotive 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 by reference to benchmarking data relating to companies with whom Metcash competes for talent. 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 KPIs are designed to provide appropriate alignment between management and shareholders.

5.2 Metcash's current Key Performance Indicators (KPIs):

- **Short-term incentive**

Metcash's STI 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 incentives 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. If the targets are met, 75% of the reward is payable immediately in cash and the remaining 25% is deferred and settled in shares, conditional upon subsequent employment. Performance criteria are disclosed in Section 6 of the remuneration report.

The Group's STI scorecard for FY2015 includes an individual performance factor, which is linked to key milestones under the Transformation Plan. Group and divisional financial metrics are used to determine the pool of funds available to be awarded, and the individual performance factor links individual short-term incentive reward levels directly to the Transformation Plan.

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

The CEO, subject to Remuneration Committee approval, may award discretionary bonus payments to Executives outside the STI scheme where circumstances warrant such a payment.

- **Long-term incentive**

The Company's 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 (of between three to five years) and are aligned with metrics that increase Company value.

The Board sets and reviews the performance hurdle rates for each new grant of Performance Rights. The performance hurdles in the current LTI plans include Group Sales Revenue, Underlying Earnings per Share, Return on Funds Employed and Relative Total Shareholder Return. The target, minimum and stretch performance hurdles 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.

- **Determination of underlying earnings**

Certain performance hurdles are based on underlying earnings as the key measure of earnings growth. To provide an accurate and consistent basis of measuring this earnings growth, a calculation is performed to determine underlying earnings. This reflects reported earnings from continuing operations excluding significant items (whether positive or negative). A reconciliation of underlying earnings to net profit is included in the Operating and Financial Review in the Directors' Report.

DIRECTORS' REPORT

Year ended 30 April 2015

5. KMP REMUNERATION (AUDITED) (continued)

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.

5.3 Remuneration Framework - key aspects of KMP Remuneration

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 a reward, dependent on performance against set key performance indicators (KPIs). If these KPIs are met, 75% of the STI reward amount is payable immediately in cash and the remaining 25% is deferred for 15 months and released through the issue of Metcash shares conditional upon the KMP being employed by the Company on 15 April of the year subsequent to the performance year. The STI program and the related KPIs are intended to motivate and reward high performance and link performance and reward. The plan is structured to encourage the relevant individual to exceed annual revenue 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 revenue and underlying profit measures).
What is the maximum potential STI level?	KMP are eligible to receive an STI award of up to a maximum of 100% of fixed remuneration, depending on their performance against KPIs.

Long-Term Incentive (LTI)	
What is the LTI program?	The LTI program is an equity-based 'at risk' component of KMP remuneration linked to the Company's long-term performance. Metcash operates a Performance Rights Plan, which gives members of the KMP an opportunity to receive shares in the Company if they achieve outcomes linked to the creation of long-term sustainable growth for shareholders over a performance period of three to five years. There are currently two programmes on issue, the Transformation Incentive and the Additional Transformation Incentive. 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 KMP with the opportunity to receive equity-based reward and thereby aligns their interests with shareholders' interests and encourages them to take a shareholder's perspective.
What are the performance measures?	The Group uses a number of performance measures as the basis for the LTI plan performance hurdles. These include the following: • Group Sales Revenue, which reflects the Group's volume of operating activity. • Underlying Earnings per Share, which represents reported earnings per share from continuing operations excluding significant items. This best reflects the underlying ongoing profitability of the Group. • Return on Funds Employed, which reflects the efficiency with which working and invested capital is used to generate ongoing operating profitability. • Relative Total Shareholder Return, which represents the Group's returns to shareholders compared to other listed entities. The Board uses a combination of the above performance measures as hurdles in order to best reflect the size, duration and scope of each specific tranche of LTI.
What happens to LTIs when an executive ceases employment?	Ordinarily, in the event of cessation of employment, a KMP's unvested Performance Rights will lapse; however this is subject to Board discretion, which may be exercised in circumstances such as death and disability, retirement, redundancy or special circumstances.

DIRECTORS' REPORT

Year ended 30 April 2015

5. KMP REMUNERATION (AUDITED) (continued)

5.3 Remuneration Framework - key aspects of KMP Remuneration (continued)

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 according to the scope and nature of the executive's role as well as performance and experience. Metcash's policy is to set fixed remuneration with regard to markets in which it competes for talent. The present positioning is at the 62.5 th percentile of that range after having considered the need for remuneration levels to be competitive with those of Metcash's competitors (which include much larger businesses) to enable the Company to attract and retain quality staff.
How and when is fixed remuneration reviewed?	The Remuneration 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.

5.4 Proportion of fixed and 'at risk' remuneration

The relative proportions of KMP annualised total remuneration during FY2015 are set out below.

Table 5.1 Proportion of fixed and 'at risk' remuneration

Name	Fixed Remuneration	'At risk' – performance-based ⁽¹⁾		
		STI	LTI - TI	LTI - ATI
I Morrice ⁽²⁾	30%	30%	22%	18%
B Soller ⁽³⁾	67%	-	23%	10%
A Gratwicke ⁽⁴⁾	57%	43%	-	-
Other KMP	39%	39%	22%	-

(1) These amounts are based on the KMP's maximum STI and LTI opportunities. The LTI reflects the maximum opportunity annualised over the relevant LTI performance period.

(2) Mr Morrice's participation in the TI and ATI schemes was approved by the shareholders at the 2014 AGM.

(3) Mr Soller commenced as CFO on 11 February 2015 and is not eligible for the Group's FY2015 STI scheme.

(4) Mr Gratwicke ceased employment on 30 April 2015. Details of his remuneration can be found in Table 10.1.

The Group introduced the Transformation Incentive (TI) LTI scheme in FY2015. The TI replaces the FY2014, FY2015 and FY2016 long term incentive scheme grants and has vesting periods of three and four years.

The Group introduced the Additional Transformation Incentive (ATI) LTI scheme in FY2015. The ATI was exclusively offered to the Group CEO and CFO. Full details of the ATI are provided in Section 7.

5.5 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 – Five-year performance against key annual performance metrics

Financial Year	Share Performance				Sales Performance	Earnings Performance		Liquidity	
	Underlying EPS	Reported EPS	Closing share price	Dividend p/share	Sales revenue	Underlying EBIT	Reported NPAT	Cash flow from Operations	Gearing (Debt / (Debt+Equity))
	(cents)	(cents)	(\$)	(cents)	(\$b)	(\$m)	(\$m)	(\$m)	(%)
FY2015	21.3	(42.4)	1.33	6.5	13.6	325.1	(384.2)	231.7	36.6%
FY2014	26.5	19.2	2.78	18.5	13.4	390.3	169.2	388.7	32.5%
FY2013	31.2	24.0	4.10	28.0	13.0	447.8	206.0	299.8	30.7%
FY2012	32.7	11.7	3.98	28.0	12.5	441.5	90.0	284.3	40.5%
FY2011 ⁽¹⁾	32.3	31.5	4.08	27.0	12.4	430.1	241.4	142.5	32.1%

(1) Opening share price for FY2011 was \$4.15

DIRECTORS' REPORT

Year ended 30 April 2015

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 (KPI) are established and measured at different levels throughout the business:

- Group 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. If these KPI are met, 75% of the STI award is paid in July of each year after the release of the audited accounts. The remaining 25% is deferred for 15 months and released through the issue of Metcash ordinary shares, conditional upon the KMP being employed by the Company on 15 April of the year subsequent to the performance year. Any STI not awarded is forfeited. The tables below set out the outcome of the assessment process for KMP for FY2015.

Table 6.1 STI vesting

Name	Maximum STI (\$)	Achieved (%)	Achieved		Forfeited (\$)
			Cash ⁽¹⁾ (\$)	Deferred Equity ⁽²⁾ (\$)	
I Morrice (Executive Director & CEO)					
<i>Group revenue and underlying PBT</i>	1,500,000	0%	-	-	1,500,000
B Soller (CFO) ⁽³⁾					
<i>Group revenue and underlying PBT</i>	-	-	-	-	-
A Gratwicke (Former CFO) ⁽⁴⁾					
<i>Group revenue and underlying PBT</i>	637,500	0%	-	-	637,500
F Collins (Former CEO, Supermarkets MFG) ⁽⁵⁾					
<i>Group revenue and underlying PBT</i>	198,688	0%	-	-	198,688
<i>Sales and EBIT for Supermarkets</i>	596,063	0%	-	-	596,063
M Laidlaw (CEO, Hardware)					
<i>Group revenue and underlying PBT</i>	170,723	0%	-	-	170,723
<i>Sales and EBIT for Mitre 10</i>	512,168	93%	355,316	118,439	38,413
S Marshall (CEO, ALM)					
<i>Group revenue and underlying PBT</i>	144,375	0%	-	-	144,375
<i>Sales and EBIT for ALM</i>	433,125	56%	182,725	60,908	189,492

(1) 75% of STI reward amount payable in cash in July 2015.

(2) 25% of STI reward amount deferred and released through the issue of Metcash ordinary shares, conditional upon the Executive being employed by the Company on 15 April 2016. The number of shares to be issued will be calculated by dividing the STI dollar value by the Metcash VWAP for the five days ending on 15 August 2015. The shares will be issued by 30 April 2016, but will be restricted from trading until 15 August 2016.

(3) Mr Soller commenced as CFO on 11 February 2015 and was not eligible for the Group's FY2015 STI scheme. Mr Soller received an individual performance bonus payment in FY2015. Details of the individual performance bonus are outlined in Section 10.

(4) Mr Gratwicke was Group CFO from 1 May 2014 to 31 January 2015 and ceased employment on 30 April 2015.

(5) Mr Collins was CEO, Supermarkets MFG from 1 May 2014 to 1 April 2015 and will cease employment on 1 July 2015.

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

- Group underlying profit before tax (PBT); and
- Group revenue from continuing operations as disclosed in the Statement of Comprehensive Income.

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 also 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 FY2015, the maximum STI payable was set at a stretch above target revenue and earnings levels. Target revenue and earnings were based on FY2015 budget levels, which incorporated the benefits and additional operating expenditure associated with the Transformation Plan. Threshold performance against KPIs were not achieved for the Group or Supermarkets MFG during FY2015 which resulted in no STI being awarded. Mitre 10 and ALM results outperformed target revenue and earnings levels, with Mitre 10 achieving stretch targets for revenue.

DIRECTORS' REPORT

Year ended 30 April 2015

7. LONG-TERM INCENTIVE (AUDITED)

7.1 Objective

The objective of the LTI program is 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'). 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 three to five year period;
- Performance Rights which do not vest are forfeited;
- Performance Rights are offered at no cost to participants;
- 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;
- Ordinarily, in the event of cessation of employment, a KMP's unvested Performance Rights will lapse; however this is subject to Board discretion, which may be exercised in circumstances such as death and disability, retirement, redundancy or special circumstances;
- When testing performance conditions, the Board has full discretion in relation to its calculation and to include or exclude items if appropriate, including to better reflect shareholder expectations or management performance;
- Some or all of a participant's Performance Rights may vest even if a performance condition has not been satisfied, if, using its discretion, the Board considers that to do so would be in the interests of the Group;
- If a participant's performance falls below 'meets expectations' at any time before the Performance Rights vest or before they are converted to shares, the Board has discretion to lapse some or all of the participant's Performance Rights, even if all other targets have been met; and
- If there is a change in control of the Group, the Board retains full discretion to vest or lapse some or all Performance Rights.

In FY2015, the Group issued the Transformation Incentive (TI) and Additional Transformation Incentive (ATI) Performance Rights under the Rights Plan.

7.2 Transformation Incentive (TI)

The TI was introduced specifically to incentivise senior management to successfully execute the Transformation Plan, which was announced on 21 March 2014. The TI is assessed at the conclusion of a three-year performance period, based on the FY2017 financial results. For all KMP except the CFO, 67% of any rights eligible to vest will vest on 15 August 2017 and the remaining 33% will be deferred so that they vest on 15 April 2018. For the CFO, 50% of any rights eligible to vest will vest on 15 August 2017 and the remaining 50% deferred so that they vest on 15 April 2018.

The TI plan hurdles are based upon meeting specified Group Sales Revenue and Underlying Earnings per Share (UEPS) targets during FY2017, while meeting a 13% Return on Funds Employed (ROFE) threshold for each of FY2015, FY2016 and FY2017. These hurdles were based on the Group's Transformation Plan and achievement of minimum thresholds requires significant outperformance of market expectations for FY2017 Group UEPS. The TI hurdles and the resultant TI vesting is as follows:

Table 7.1 Transformation Incentive hurdles and vesting

TI Hurdles	Minimum (FY2017)	Stretch (FY2017)
Group Sales Revenue - Hurdle	\$14,116m	\$14,990m
UEPS - Hurdle	25.97 cents	28.71 cents
Vesting	50%	100%

Pro-rata vesting occurs for Group Sales Revenue and UEPS performance in between the minimum and target hurdles and target and stretch hurdles based on a grid. Failure to achieve the minimum Group Sales Revenue and UEPS hurdles will result in nil vesting. Failure to reach the 13% ROFE threshold FY2015, FY2016 or FY2017 will result in nil vesting, regardless of Group Sales Revenue and UEPS performance.

In the event that the Group Sales Revenue and UEPS performance hurdles are achieved in FY2017 and the threshold ROFE is achieved in FY2015, FY2016 and FY2017, then for all KMP except the CFO, 67% of any rights eligible to vest will vest on 15 August 2017 ('TI 67%') and the remaining 33% will be deferred so that they vest on 15 April 2018 ('TI 33% deferred'). For the CFO, 50% of any rights eligible to vest will vest on 15 August 2017 ('TI 50%') and the remaining 50% deferred so that they vest on 15 April 2018 ('TI 50% deferred').

DIRECTORS' REPORT

Year ended 30 April 2015

7. LONG-TERM INCENTIVE (AUDITED) (continued)

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

Table 7.2 Transformation Incentive Performance Rights granted to KMP

Participants	TI Component	Grant Date	Vesting date	Number of rights granted	Fair value per right
I Morrice	TI (67%)	17 Oct 2014	15 Aug 2017	854,093	\$2.23
	TI (33% deferred)	17 Oct 2014	15 Apr 2018	427,046	\$2.16
B Soller	TI (50%)	11 Feb 2015	15 Aug 2017	170,819	\$1.27
	TI (50% deferred)	11 Feb 2015	15 Apr 2018	170,819	\$1.23
F Collins ⁽¹⁾	TI (67%)	17 Oct 2014	15 Aug 2017	370,249	\$2.23
	TI (33% deferred)	17 Oct 2014	15 Apr 2018	185,125	\$2.16
M Laidlaw	TI (67%)	17 Oct 2014	15 Aug 2017	291,625	\$2.23
	TI (33% deferred)	17 Oct 2014	15 Apr 2018	145,813	\$2.16
S Marshall	TI (67%)	17 Oct 2014	15 Aug 2017	246,619	\$2.23
	TI (33% deferred)	17 Oct 2014	15 Apr 2018	123,310	\$2.16

(1) Mr Collins forfeited on a pro-rata basis Performance Rights which relate to the period following his cessation as a KMP on 1 April 2015. Mr Collins has discretion to retain Performance Rights relating to his service between 1 May 2014 and 1 April 2015. To reflect his pro-rata service over the performance period, Mr Collins forfeited 257,080 TI (67%) and 128,540 TI (33% deferred) Performance Rights prior to his cessation as a KMP on 1 April 2015.

Apart from Mr Collins performance rights, no performance rights outlined in Table 7.2 above vested or were forfeited in FY2015.

7.3 Additional Transformation Incentive (ATI)

The ATI was offered to the CEO and CFO. The ATI was granted to the CEO, Mr Morrice after concluding that an increase to his total remuneration package was warranted, having regard to the remuneration levels of his peers and the size, scale and challenges of his role leading a complex and multi-faceted business. In the circumstances, the Board concluded that it was more appropriate to deliver the increase through a strategically appropriate 'at risk' long-term incentive, rather than to increase his fixed remuneration or short-term incentive opportunity.

The ATI was granted to the newly appointed CFO, Mr Soller recognising the impact of his role on shareholder returns.

Consistent with the TI scheme, the minimum and stretch hurdles were based on the Group's Transformation Plan.

The CEO's ATI covers two performance periods and two performance conditions tested separately during each performance period. The ATI granted to the CFO relates to a single performance period, which includes two independently tested performance conditions.

Table 7.3 Additional Transformation Incentive attributes

ATI Hurdles	Proportion of total ATI (%)		Minimum	Stretch
	I Morrice	B Soller		
FY2018 performance period				
ROFE - Hurdle (%) ⁽¹⁾	17%	50%	16.0%	19.0%
ROFE - Vesting (%)			50%	100%
RTSR - Hurdle ⁽²⁾	17%	50%	50 th	75 th
RTSR - Vesting (%)			50%	100%
FY2019 performance period				
ROFE - Hurdle (%) ⁽¹⁾	33%	0%	16.0%	21.0%
ROFE - Vesting (%)			50%	100%
RTSR - Hurdle ⁽³⁾	33%	0%	50 th	75 th
RTSR - Vesting (%)			50%	100%

(1) Represents the ROFE for the final year of the respective performance period.

(2) Represents the percentile RTSR ranking against the comparator group over the FY2015-FY2018 performance period.

(3) Represents the percentile RTSR ranking against the comparator group over the FY2015-FY2019 performance period.

The Group's Relative Total Shareholder Return (RTSR) comparator group comprises entities within the S&P/ASX 100 Index as at 1 May 2014, excluding financial services companies, mining companies and real estate investment trusts. The Board has the discretion to adjust the comparator group to take into account events including but not limited to delistings, takeovers, mergers or de-mergers that might occur during the specified performance periods.

DIRECTORS' REPORT

Year ended 30 April 2015

7. LONG-TERM INCENTIVE (AUDITED) (continued)

Pro-rata vesting occurs between the minimum and target hurdles and target and stretch hurdles. Failure to reach the minimum hurdles will result in nil vesting.

Table 7.4 Additional Transformation Incentive Performance Rights granted to Group CEO and CFO

Participants	ATI Component	Number of rights granted	Grant Date	Vesting date	Fair value per right
FY2018 performance period					
I Morrice	ROFE	266,904	17 Oct 2014	15 Aug 2018	\$2.10
	RTSR	266,904	17 Oct 2014	15 Aug 2018	\$1.28
B Soller	ROFE	85,410	11 Feb 2015	15 Aug 2018	\$1.20
	RTSR	85,410	11 Feb 2015	15 Aug 2018	\$0.09
FY2019 performance period					
I Morrice	ROFE	533,808	17 Oct 2014	15 Aug 2019	\$1.98
	RTSR	533,808	17 Oct 2014	15 Aug 2019	\$1.25

None of the performance rights outlined in Table 7.4 above vested or were forfeited in FY2015.

8. LONG-TERM INCENTIVE – LEGACY PLANS (AUDITED)

Details set out below relate to performance rights issued as part of legacy LTI schemes issued under the Rights Plan. The last tranche of Performance Rights granted under this scheme was in FY2013.

The Tranche 3 (FY2013-FY2015) plan hurdles were set at between 4% ('lower bound hurdle rate') and 7% ('upper bound hurdle rate') compound underlying EPS growth, both adjusted upwards or downwards for the effects of actual year-on-year inflation/deflation, over a three-year vesting period as follows:

- Achievement of an underlying EPS growth rate equivalent to the lower bound hurdle rate resulted in nil vesting; and
- Achievement of an underlying EPS growth rate equivalent to the upper bound hurdle rate resulted in 100% vesting.

Pro-rata vesting occurred for EPS growth between the lower and upper bound hurdle rates. Any rights that did not vest are forfeited.

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

Table 8.1 Performance Rights granted to KMP

Participants	Tranche	Grant Date	Vesting date	Number of rights granted	Fair value per right	Vested in FY2015	Forfeited in FY2015
A Gratwicke	Tranche 3 (FY2013-FY2015)	Dec-2012	7-Sep-2015	100,841	\$2.30	0%	100% ⁽¹⁾
F Collins	Tranche 3 (FY2013-FY2015)	Dec-2012	7-Sep-2015	87,488	\$2.30	0%	100% ⁽²⁾
M Laidlaw	Tranche 3 (FY2013-FY2015)	Dec-2012	7-Sep-2015	81,239	\$2.30	0%	100% ⁽²⁾
S Marshall	Tranche 3 (FY2013-FY2015)	Dec-2012	7-Sep-2015	25,150	\$2.30	0%	100% ⁽²⁾

(1) Mr Gratwicke forfeited his Tranche 3 Performance Rights on 31 October 2014.

(2) The Tranche 3 Performance Rights did not achieve the minimum underlying EPS performance hurdle. Accordingly, these Performance Rights will be forfeited on 7 September 2015.

DIRECTORS' REPORT

Year ended 30 April 2015

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 ⁽¹⁾	Metcash Notice ⁽¹⁾	Redundancy ⁽¹⁾
I Morrice	Ongoing unless notice given	6 months	12 months	12 months
B Soller ⁽²⁾	Ongoing unless notice given	3 months	6 months	6 months
A Gratwicke ⁽³⁾	Ongoing unless notice given	3 months	9 months	Metcash Notice + 6 months
F Collins ⁽⁴⁾	Ongoing unless notice given	3 months	9 months	Metcash Notice + 6 months
M Laidlaw	Ongoing unless notice given	3 months	9 months	Metcash Notice + 6 months
S Marshall	Ongoing unless notice given	3 months	6 months	Metcash Notice + 6 months

(1) 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.

(2) Mr Soller commenced as CFO on 11 February 2015.

(3) Mr Gratwicke was CFO from 1 May 2014 to 31 January 2015 and ceased employment on 30 April 2015.

(4) Mr Collins was CEO, Supermarkets MFG from 1 May 2014 to 1 April 2015 and will cease employment on 1 July 2015.

Ordinarily, in the event of cessation of employment, a KMP's unvested Performance Rights will lapse; however this is subject to Board discretion, which may be exercised in circumstances such as death and disability, retirement, redundancy or special circumstances.

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.

DIRECTORS' REPORT

Year ended 30 April 2015

10. REMUNERATION TABLES (AUDITED)

Table 10.1 Fixed and 'At Risk' Remuneration

2015	Fixed Remuneration	STI (Cash) ⁽¹⁾	Other benefits	Post-employment benefits – superannuation	Termination benefits	Leave ⁽²⁾	LTI (Share based payments)	STI (Share based payments) ⁽¹⁾	Total	Performance Related
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
CEO										
I Morrice	1,491,911	-	-	18,615	-	-	977,813	-	2,488,339	39.3%
Executives										
B Soller ⁽³⁾	182,519	-	67,328 ⁽⁴⁾	4,070	-	-	26,792	-	280,709	32.0%
A Gratwicke ⁽⁵⁾	614,428	-	-	13,919	663,750	-	-	-	1,292,097	0.0%
F Collins ⁽⁶⁾	754,183	-	12,833	17,050	650,250	17,864	70,668	32,022	1,554,870	6.6%
M Laidlaw	651,231	355,316	-	18,615	-	15,662	182,103	154,353	1,377,280	50.2%
S Marshall	557,708	182,725	-	18,615	-	19,251	153,999	60,908	993,206	40.0%
Total	4,251,980	538,041	80,161	90,884	1,314,000	52,777	1,411,375	247,283	7,986,501	28.3%

(1) The STI (Cash) reward amount included in the table represents 75% of the total reward amount under the FY2015 plan, which is payable in cash in July 2015. The STI (Share Based Payments) reward amount represents the current year expense in relation to the 25% component of the FY2015 plan and FY2014 plan total reward amounts that are deferred and settled in shares. These components are recognised in the financial results over the performance and forfeiture periods, which together are referred to as the 'service period'. The service period for the FY2015 plan commenced on 1 May 2014 and concludes on 15 April 2016 and the service period for the FY2014 plan commenced on 1 May 2013 and concluded on 15 April 2015.

(2) This includes the movement in long service leave entitlement.

(3) Mr Soller commenced as CFO on 11 February 2015 with his annual fixed remuneration set at \$800,000. The amounts disclosed above reflect Mr Soller's remuneration from 11 February 2015 to 30 April 2015.

(4) As outlined in Section 5, Mr Soller was not eligible for the FY2015 STI scheme. Mr Soller received an individual performance bonus of \$79,355 (FY2015 expense: \$63,161) for achievement of specific objectives in FY2015. Consistent with the Executive STI scheme 75% of the bonus is payable in cash in July 2015 with the remainder deferred, settled in shares and recognised over the service period from 11 February 2015 to 15 April 2016.

(5) Mr Gratwicke was CFO from 1 May 2014 to 31 January 2015 and ceased employment on 30 April 2015. The amounts disclosed above reflect Mr Gratwicke's remuneration from 1 May 2014 to 31 January 2015 as KMP and his termination payment in lieu of a notice period. In addition, Mr Gratwicke received remuneration of \$212,500 between 1 February 2015 and his cessation of employment on 30 April 2015. All amounts paid to Mr Gratwicke are in accordance with his contractual entitlements.

(6) Mr Collins was CEO, Supermarkets MFG from 1 May 2014 to 1 April 2015 and will cease employment on 1 July 2015. The amounts disclosed above reflect Mr Collins' remuneration from 1 May 2014 to 1 April 2015 as KMP and his termination payment in lieu of a notice period. In addition, Mr Collins will receive fixed remuneration of \$216,750 between 1 April 2015 and his cessation of employment on 1 July 2015. All amounts paid to Mr Collins are in accordance with his contractual entitlements.

DIRECTORS' REPORT

Year ended 30 April 2015

10. REMUNERATION TABLES (AUDITED) (continued)

Table 10.1 Fixed and 'At Risk' Remuneration (continued)

2014	Fixed Remuneration	STI (Cash) ⁽¹⁾	Other benefits	Post-employment benefits – superannuation	Termination benefits	LTI and Leave ⁽²⁾	LTI (Share based payments)	STI (Share based payments) ⁽¹⁾	Total	Performance Related
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
CEO										
I Morrice ⁽³⁾	1,523,045	-	643,610	17,558	-	-	-	-	2,184,213	0.0%
Executives										
A Gratwicke	805,249	-	-	17,558	-	(412,348)	-	80,684	491,143	(72.6)%
F Collins	768,421	192,130	14,000	17,558	-	43,282	-	110,772	1,146,163	26.4%
M Laidlaw	639,161	215,483	-	17,558	-	13,681	-	90,081	975,964	31.3%
S Marshall ⁽⁴⁾	186,735	67,021	-	6,426	-	-	-	-	260,182	25.8%
Former KMP ⁽⁵⁾	1,073,113	-	-	13,972	2,570,551	11,568	-	81,113	3,750,317	2.2%
Total	4,995,724	474,634	657,610	90,630	2,570,551	(343,817)	-	362,650	8,807,982	4.5%

(1) The STI (Cash) reward amount included in the table represents 75% of the total reward amount under the FY2014 plan, which was paid in cash in July 2014. The STI (Share Based Payments) reward amount represents the current year expense in relation to the 25% component of the FY2014 plan and FY2013 plan total reward amounts that are deferred and settled in shares. These components are recognised in the financial results over the performance and forfeiture periods, which together are referred to as the 'service period'. The service period for the FY2014 plan commenced on 1 May 2013 and concluded on 15 April 2015 and the service period for the FY2013 plan commenced on 1 May 2012 and concluded on 15 April 2014.

(2) This includes the movement in long service leave entitlement. Negative amounts represent long service leave utilised in excess of current year entitlement accrued, or represent negative revaluation of LTIs.

(3) Mr Morrice was appointed as an Executive Director on 1 March 2013 and became the CEO on 30 June 2013. The Company provided Mr Morrice with reasonable relocation and rental assistance as per company policy. Other benefits represent payments made during FY2014 for relocation expenses amounting to \$643,610. The total relocation sum accounts for removal costs from New Zealand, rental accommodation, stamp duty, agent and legal fees as well as associated FBT charges.

(4) Mr Marshall became CEO of ALM on 21 December 2013, with his fixed remuneration set at \$550,000 per annum. The amounts disclosed above reflect Mr Marshall's pro-rata remuneration from 21 December 2013 to 30 April 2014 as KMP.

(5) Former KMP comprises Mr Reitzer (former CEO) and Mr Morabito (former COO of Food & Grocery). Details of their individual remuneration can be found in the FY2014 remuneration report.

DIRECTORS' REPORT

Year ended 30 April 2015

10. REMUNERATION TABLES (AUDITED) (continued)

Table 10.2 Options

Name	Grant date	Number of Options exercised during the year		Number of Options lapsed during the year	
		2015	2014	2015	2014
A Gratwicke	7 February 2008	-	-	-	500,000
M Laidlaw	7 February 2008	-	-	-	350,000
S Marshall	7 February 2008	-	-	-	350,000

All options issued to KMP as part of legacy LTI schemes lapsed on 7 February 2014. No KMP held options issued by the Company at any time during FY2015.

11. OTHER DIRECTOR AND KMP TRANSACTIONS (AUDITED)

Table 11.1 Performance Rights holding of Key Management Personnel

Name	Balance at 1 May 2014	Granted during the year	Vested during the year	Changed, forfeited or lapsed during the year	Balance at 30 April 2015	Balance at report date
I Morrice	-	2,882,563	-	-	2,882,563	2,882,563
B Soller	-	512,458	-	-	512,458	512,458
A Gratwicke	174,045	-	-	(174,045)	-	-
F Collins ⁽¹⁾	143,213	577,794	(22,420)	(698,587)	-	-
M Laidlaw	127,440	462,583	(25,145)	(46,201)	518,677	518,677
S Marshall	46,467	369,929	-	(21,317)	395,079	395,079
Total	491,165	4,805,327	(47,565)	(940,150)	4,308,777	4,308,777

(1) Mr Collins continued to hold 257,242 Performance Rights following his cessation as KMP on 1 April 2015.

Table 11.2 Shareholding of Key Management Personnel

Name	Balance at 1 May 2014	Granted as remuneration ⁽¹⁾	On market trade	Other adjustments ⁽²⁾	Balance at 30 April 2015	Balance at report date
Directors						
P Barnes	187,685	-	-	13,558	201,243	201,243
I Morrice	21,000	-	-	1,517	22,517	22,517
P Allaway	54,000	-	50,000	2,786	106,786	106,786
F Balfour	30,594	-	-	2,210	32,804	32,804
M Butler	56,656	-	-	4,093	60,749	60,749
T Dwyer	-	-	40,000	-	40,000	40,000
N Hamilton	20,620	-	100,000	698	121,318	121,318
E Jankelowitz	320,000	-	-	-	320,000	320,000
M McMahon	30,000	-	-	-	30,000	30,000
R Murray	-	-	-	-	-	-
D Rubin	17,500	-	-	(17,500)	-	-
Executives						
B Soller	-	-	-	-	-	-
A Gratwicke	118,883	-	-	(118,883)	-	-
F Collins ⁽³⁾	46,406	22,420	3,352	(72,178)	-	-
M Laidlaw	30,482	25,145	-	-	55,627	55,627
S Marshall	-	-	-	-	-	-
Total	933,826	47,565	193,352	(183,699)	991,044	991,044

(1) Shares granted as remuneration reflect the 25% component of the FY2014 STI plan total reward amount that was deferred and issued as shares on 15 April 2015. These shares are restricted from trading until 15 August 2015.

(2) Other adjustments represent shares issued to KMP as part of the Dividend Reinvestment Plan on 25 July 2014 and 9 January 2015 and changes in KMP composition.

(3) Mr Collins received 3,352 shares as part of the Dividend Reinvestment Plan and continued to hold 72,178 shares following his cessation as KMP on 1 April 2015.

DIRECTORS' REPORT

Year ended 30 April 2015

12. NON-EXECUTIVE DIRECTORS (AUDITED)

12.1 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.

Non-executive Directors fund their own share purchases. All Non-executive Directors must comply with Metcash's share trading policy.

12.2 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 \$1,600,000 was agreed by members at the Annual General Meeting held on 30 August 2012.

The Remuneration 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.

12.3 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.

12.4 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 at the 30 August 2012 Annual General Meeting.

Table 12.1 Non-executive Director Fee Structure

The below table reflects the Non-executive Director fee structure at 30 April 2015.

Name	Base Fee \$	Chair Fee \$	Committee Fee \$	Superannuation \$	Total \$
P Barnes ⁽¹⁾	118,450	172,500	-	18,615	309,565
F Balfour ⁽²⁾	118,450	28,840	-	13,931	161,221
M Butler	118,450	28,840	-	13,931	161,221
P Allaway	118,450	-	11,845	12,324	142,619
T Dwyer ⁽³⁾	118,450	-	11,845	12,324	142,619
N Hamilton ⁽⁴⁾	118,450	-	11,845	12,324	142,619
E Jankelowitz	118,450	-	11,845	12,324	142,619
M McMahon	118,450	-	11,845	12,324	142,619
R Murray ⁽⁵⁾	118,450	-	-	11,253	129,703

(1) Mr Barnes stepped down from the Remuneration Committee on 26 August 2014.

(2) Ms Balfour was appointed as Chairman of the Remuneration Committee on 16 October 2014.

(3) Ms Dwyer was appointed as a Non-executive Director on 24 June 2014.

(4) Mr Hamilton stepped down as Chairman of the Remuneration Committee on 15 October 2014.

(5) Mr Murray was appointed as a Non-executive Director on 29 April 2015.

DIRECTORS' REPORT

Year ended 30 April 2015

12. NON-EXECUTIVE DIRECTORS (AUDITED) (continued)

12.5 Non-executive Directors' Remuneration for 2015

The fees paid or payable to Non-executive Directors in relation to the 2015 financial year are set out in the following table. The amounts paid reflect changes made following the aggregate fee limit increase approved at the 30 August 2012 Annual General Meeting and, for certain Directors, changes in roles.

Table 12.2 Non-executive Director Remuneration

Name	Financial Year	Fixed Fees ⁽¹⁾	Post-Employment (Superannuation) ⁽²⁾	Total
		\$	\$	\$
P Barnes	2015	294,757	18,615	313,372
	2014	302,795	17,449	320,244
F Balfour	2015	139,577	13,206	152,783
	2014	130,295	11,971	142,266
M Butler	2015	147,290	13,931	161,221
	2014	147,290	13,532	160,822
P Allaway	2015	130,295	12,324	142,619
	2014	130,295	11,971	142,266
T Dwyer ⁽³⁾	2015	111,085	10,547	121,632
N Hamilton	2015	138,008	13,049	151,057
	2014	147,290	13,532	160,822
E Jankelowitz	2015	130,863	12,376	143,239
	2014	119,585	10,988	130,573
M McMahon	2015	130,295	12,324	142,619
	2014	44,983	4,161	49,144
R Murray ⁽⁴⁾	2015	910	96	1,006
D Rubin ⁽⁵⁾	2015	43,432	4,017	47,449
	2014	130,295	11,971	142,266
Total	2015	1,266,512	110,485	1,376,997
	2014	1,152,828	95,575	1,248,403

(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) Ms Dwyer was appointed as a Non-executive Director on 24 June 2014.

(4) Mr Murray was appointed as a Non-executive Director on 29 April 2015.

(5) Mr Rubin retired from the Board of Directors on 27 August 2014.

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 director in cash upon ceasing to be a director of Metcash Limited.

Retirement benefit (fixed)	\$
P Barnes	211,619

This concludes the remuneration report.

DIRECTORS' REPORT

Year ended 30 April 2015

CEO AND CFO DECLARATION

The Chief Executive Officer and Chief Financial Officer declare:

- (a) With regard to the integrity of the financial statements of Metcash Limited (the Company) for the financial year ended 30 April 2015, 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 2015 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 2015:
- (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 2015, no changes or other matters have arisen that would have a material effect on the operation of risk management and internal control and control systems of the Company.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 April 2015 has been received and is included on page 121.

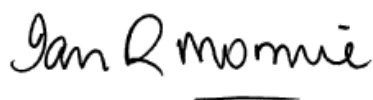
NON-AUDIT SERVICES

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.

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

Tax compliance and advisory	\$ 443,831
Assurance-related	\$ 115,200

Signed in accordance with a resolution of the Directors.



Ian Morrice
Director

Sydney, 15 June 2015

STATEMENT OF **COMPREHENSIVE INCOME**

Year ended 30 April 2015

	Notes	2015 \$m	2014 \$m
Sales revenue		13,626.2	13,392.7
Cost of sales		(12,364.7)	(12,144.5)
Gross profit		1,261.5	1,248.2
Other income	3(i)	132.5	140.7
Distribution costs		(516.9)	(479.5)
Administrative costs		(546.6)	(516.0)
Share of profit of equity-accounted investments	9	3.1	4.8
Significant items	3(vi)	(638.8)	(56.1)
Finance costs	3(vii)	(63.6)	(65.1)
Profit/(loss) from continuing operations before income tax		(368.8)	277.0
Income tax expense from continuing operations	4	(14.0)	(95.8)
Net profit/(loss) for the year from continuing operations		(382.8)	181.2
Net loss after tax for the year from discontinued operations	24	-	(10.5)
Net profit/(loss) for the year		(382.8)	170.7
Net profit/(loss) for the year is attributable to:			
Equity holders of the parent		(384.2)	169.2
Non-controlling interests		1.4	1.5
		(382.8)	170.7
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation adjustments		0.3	1.1
Cash flow hedge adjustment		(5.5)	5.0
Income tax expense/(benefit)		1.8	(1.7)
Other comprehensive income/(loss) for the year, net of tax		(3.4)	4.4
Total comprehensive income/(loss) for the year		(386.2)	175.1
Total comprehensive income/(loss) for the year is attributable to:			
Equity holders of the parent		(387.6)	173.6
Non-controlling interests		1.4	1.5
		(386.2)	175.1
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company:			
- basic earnings per share (cents)	23	(42.4)	20.4
- diluted earnings per share (cents)	23	(42.4)	20.4
Earnings per share for profit/(loss) from discontinued operations attributable to the ordinary equity holders of the Company:			
- basic earnings per share (cents)	23	-	(1.2)
- diluted earnings per share (cents)	23	-	(1.2)
Earnings/(loss) per share attributable to ordinary equity holders of the Company:			
- basic earnings per share (cents)	23	(42.4)	19.2
- diluted earnings per share (cents)	23	(42.4)	19.2

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

STATEMENT OF FINANCIAL POSITION

As at 30 April 2015

	Notes	2015 \$m	2014 \$m
ASSETS			
Current assets			
Cash and cash equivalents		83.3	24.7
Trade receivables and loans	7	1,014.5	1,037.8
Inventories		712.5	743.8
Assets held for sale		26.1	41.1
Derivative financial instruments	8	0.2	1.8
Prepayments and other assets		13.5	13.9
Total current assets		1,850.1	1,863.1
Non-current assets			
Derivative financial instruments	8	104.2	46.3
Trade receivables and loans	7	25.6	50.3
Equity-accounted investments	9	101.7	99.2
Other financial assets		0.4	0.3
Property, plant and equipment	10	276.0	308.4
Net deferred tax assets	4	124.4	70.4
Intangible assets and goodwill	11	1,284.5	1,765.7
Total non-current assets		1,916.8	2,340.6
TOTAL ASSETS		3,766.9	4,203.7
LIABILITIES			
Current liabilities			
Trade and other payables		1,419.1	1,457.1
Interest bearing loans and borrowings	12	63.2	15.3
Derivative financial instruments	8	0.8	1.6
Provisions	13	127.6	127.2
Income tax payable		9.1	23.9
Other financial liabilities	14	22.3	13.0
Total current liabilities		1,642.1	1,638.1
Non-current liabilities			
Interest bearing loans and borrowings	12	794.8	824.9
Provisions	13	144.4	106.0
Derivative financial instruments	8	6.3	0.1
Other financial liabilities	14	22.7	40.6
Total non-current liabilities		968.2	971.6
TOTAL LIABILITIES		2,610.3	2,609.7
NET ASSETS		1,156.6	1,594.0
EQUITY			
Contributed equity	15	2,391.9	2,308.1
Other equity	15	(765.9)	(765.9)
Other reserves	15	(1.3)	(2.9)
Retained earnings/(accumulated losses)		(475.8)	47.1
Parent interest		1,148.9	1,586.4
Non-controlling interests		7.7	7.6
TOTAL EQUITY		1,156.6	1,594.0

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

STATEMENT OF CHANGES IN EQUITY

Year ended 30 April 2015

	Contributed equity \$m	Other equity \$m	Share-based payments reserve \$m	Retained earnings/ losses \$m	Foreign currency translation reserve \$m	Cash flow hedge reserve \$m	Owners of the parent \$m	Non-controlling interests \$m	Total equity \$m
At 1 May 2014	2,308.1	(765.9)	0.1	47.1	(4.5)	1.5	1,586.4	7.6	1,594.0
Total comprehensive income, net of tax	-	-	-	(384.2)	0.3	(3.7)	(387.6)	1.4	(386.2)
Transactions with owners in their capacity as owners:									
Dividends paid including DRP (Note 5(a))	84.1	-	-	(138.7)	-	-	(54.6)	(1.3)	(55.9)
Share issue costs net of tax (Note 15(a))	(0.3)	-	-	-	-	-	(0.3)	-	(0.3)
Share-based payments	-	-	5.1	-	-	-	5.1	-	5.1
Share-based payments exercised (Note 15(b))	-	-	(0.1)	-	-	-	(0.1)	-	(0.1)
At 30 April 2015	2,391.9	(765.9)	5.1	(475.8)	(4.2)	(2.2)	1,148.9	7.7	1,156.6
At 1 May 2013	2,284.9	(765.9)	0.6	106.7	(5.6)	(1.8)	1,618.9	5.3	1,624.2
Total comprehensive income, net of tax	-	-	-	169.2	1.1	3.3	173.6	1.5	175.1
Transactions with owners in their capacity as owners:									
Dividends paid including DRP (Note 5(a))	23.4	-	-	(229.0)	-	-	(205.6)	(1.5)	(207.1)
Share issue costs net of tax (Note 15(a))	(0.2)	-	-	-	-	-	(0.2)	-	(0.2)
Share-based payments	-	-	0.7	-	-	-	0.7	-	0.7
Share-based payments exercised (Note 15(b))	-	-	(1.0)	-	-	-	(1.0)	-	(1.0)
Business combinations (Note 22)	-	-	-	-	-	-	-	2.3	2.3
Transfers	-	-	(0.2)	0.2	-	-	-	-	-
At 30 April 2014	2,308.1	(765.9)	0.1	47.1	(4.5)	1.5	1,586.4	7.6	1,594.0

Refer Note 15 for details on equity and reserves.

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

STATEMENT OF **CASH FLOWS**

Year ended 30 April 2015

	Notes	2015 \$m	2014 \$m
Cash flows from operating activities			
Receipts from customers		14,945.9	14,652.7
Payments to suppliers and employees		(14,312.8)	(13,846.0)
Dividends received		5.4	1.6
Interest received		8.5	7.9
Finance costs		(43.6)	(51.5)
Income tax paid, net of tax refunds		(83.2)	(68.2)
Indirect taxes paid		(288.5)	(307.8)
Net cash generated by operating activities	6	231.7	388.7
Cash flows from investing activities			
Proceeds from sale of business assets		41.0	15.0
Payments for acquisition of business assets		(62.3)	(81.1)
Payments for intangibles		(23.1)	(23.0)
Payment on acquisition of businesses net of cash acquired	22(a)	(32.0)	(108.6)
Costs paid on acquisition of businesses		(0.5)	(3.2)
Payment on acquisition of equity-accounted investments		(10.0)	(15.2)
Proceeds from sale of discontinued operations		-	4.7
Proceeds from loans repaid by other entities		28.2	36.5
Loans to other entities		(16.2)	(36.9)
Net cash used in investing activities		(74.9)	(211.8)
Cash flows from financing activities			
Share based payments exercised	15	(0.1)	(1.0)
Share issue costs	15	(0.3)	(0.2)
Proceeds from borrowings		6,064.0	5,896.3
Repayments of borrowings		(6,101.1)	(5,882.3)
Payment of dividends on ordinary shares	5	(54.6)	(205.6)
Payment of dividends to non-controlling interests		(1.6)	(3.5)
Repayment of finance lease principal		(4.5)	(6.2)
Net cash used in financing activities		(98.2)	(202.5)
Net increase/(decrease) in cash and cash equivalents		58.6	(25.6)
Add opening cash and cash equivalents		24.7	50.3
Cash and cash equivalents at the end of the year		83.3	24.7

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

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

1. **CORPORATE INFORMATION**

The financial statements of Metcash Limited (the Company) and its controlled entities (the Group) for the year ended 30 April 2015 were authorised for issue in accordance with a resolution of the Directors on 15 June 2015.

Metcash Limited is a for profit company limited by ordinary shares incorporated and domiciled 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. The registered office of the Company is at 50 Waterloo Road, Macquarie Park NSW 2113.

The basis of preparation for these financial statements and the significant accounting policies applied are summarised in Appendix A.

2. **SEGMENT INFORMATION**

Identification of chief operating decision maker

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. Discrete financial information about these operating segments is reported on at least a monthly basis.

Identification of reportable segments

The information reported to the CEO is aggregated based on product types and the overall economic characteristics of industries in which the Group operates. The Group's reportable segments are therefore as follows:

- Food & Grocery activities comprise the distribution of dry grocery, perishable and general merchandise supplies to retail outlets.
- Liquor activities comprise the distribution of liquor products to retail outlets and hotels.
- Hardware & Automotive comprises the distribution of hardware supplies and automotive parts and accessories to retail outlets.

The Automotive and Hardware operating segments have been combined as one reportable segment as these segments, separately, do not meet the quantitative thresholds prescribed by AASB 8 *Operating Segments*.

The Group previously announced Project Mustang, which is a \$75 million warehouse automation project centred on the Group's new distribution facility in Huntingwood, NSW, utilising the latest European technology. The project was completed during the current year, significantly automating the goods receipt, order selection, pallet assembly and distribution processes for both the Food & Grocery and Liquor businesses that operate within this distribution centre.

Future plans to further integrate Food & Grocery and Liquor may lead to their aggregation into one reportable segment as these plans are implemented. In anticipating this change, the Group has integrated its supply chain workforce into a centralised function.

Geographical distribution

Geographically the Group operates predominantly in Australia. The New Zealand operations represent less than 5% of revenue, results and assets of the Group.

Segment accounting policies

- With effect from 1 May 2014, segment results were amended to include customer contracts amortisation expense. Comparatives have been adjusted to reflect this change.
- The selling price between segments is at normal selling prices and is paid under similar terms and conditions as any other customers of the Group.
- In the prior year, the Food & Grocery segment results included wholesale sales to Franklins retail stores except those stores that had either closed or were expected to close as at prior reporting dates.
- Segment results exclude results from discontinued operations. Refer to Note 24.

Major customers

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

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

2. SEGMENT INFORMATION (continued)

Business segments	Food & Grocery		Liquor		Hardware & Automotive		Results from continuing operations	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Sales to external customers	9,217.8	9,072.4	3,103.6	3,160.8	1,304.8	1,159.5	13,626.2	13,392.7
Inter-segment revenue	30.3	32.3	31.0	33.8	-	-	61.3	66.1
Total segment revenue	9,248.1	9,104.7	3,134.6	3,194.6	1,304.8	1,159.5	13,687.5	13,458.8
Segment profit before tax	216.8	293.4	57.6	52.1	57.9	49.9	332.3	395.4
The above excludes the segment results from discontinued operations (Refer to Note 24) and significant items (Refer to Note 3).								
i) Segment revenue reconciliation to the statement of comprehensive income								
Total segment revenue							2015 \$m	2014 \$m
Inter-segment revenue elimination							13,687.5	13,458.8
Total revenue from continuing operations							(61.3)	(66.1)
							13,626.2	13,392.7
ii) Segment profit before tax reconciliation to the statement of comprehensive income								
Segment profit before tax							2015 \$m	2014 \$m
Corporate/unallocated costs							332.3	395.4
Share based payments							(2.1)	(4.4)
Net finance costs							(5.1)	(0.7)
Significant items (refer Note 3(vii))							(55.1)	(57.2)
							(638.8)	(56.1)
Net profit/(loss) from continuing operations before income tax							(368.8)	277.0

NOTES TO THE *FINANCIAL STATEMENTS*

Year ended 30 April 2015

3. REVENUES AND EXPENSES

	2015 \$m	2014 \$m
(i) Other income		
Lease income – rent	91.3	91.6
Lease income – outgoing recoveries	31.0	32.6
Interest from other persons/corporations	8.5	7.9
Net gain from disposal of property, plant and equipment	1.7	8.6
	132.5	140.7
(ii) Operating lease rental		
Minimum lease rental payments - warehouse and other	117.0	108.8
Minimum lease rental payments - stores	87.4	83.6
(iii) Employee benefit expense		
Salaries and wages	487.6	454.0
Defined contribution plan expense	41.4	37.5
Other employee benefit expenses	19.0	15.4
Share based payments	5.1	0.7
	553.1	507.6
(iv) Depreciation and amortisation		
Depreciation of property, plant and equipment	39.6	38.0
Amortisation of software	16.4	15.4
Amortisation of customer relationships and licence agreements	15.8	16.4
	71.8	69.8
(v) Provisions for impairment, net of reversals		
Trade receivables and loans	20.7	22.6
Inventories	15.2	15.1
Retail development assets	-	2.0
Customer contracts	-	1.9
Property, plant and equipment	-	4.4
	35.9	46.0
(vi) Significant items ^(a)		
Intangibles impairment - goodwill	441.6	-
Intangibles impairment - customer contracts	52.5	1.7
Intangibles impairment - software	12.6	-
Impairment of property and investments	39.5	14.4
Onerous lease and other provisions	65.1	0.4
Impairment of retailer assets and loans	28.7	18.2
Total impairments and related charges	640.0	34.7
Acquisition and restructure costs	7.0	21.4
MAH put option re-measurement gain (Note 14(i))	(8.2)	-
Total significant items expense before tax	638.8	56.1
Income tax benefit attributable to these items	(61.6)	(12.9)
ATO audit - Action Stores and FTC	-	10.8
Total significant items expense after tax	577.2	54.0
(vii) Finance costs		
Interest expense	52.7	49.8
Deferred borrowing costs	0.8	3.2
Finance costs from discounting of provisions (Refer appendix A (xxii))	10.1	12.1
	63.6	65.1

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

3. REVENUES AND EXPENSES (continued)

(a) Significant items

As a consequence of the increasingly competitive trading environment, particularly in relation to Food & Grocery, the full benefits from the Transformation Plan not being realised in FY2015, and the rationalisation of the retail store network, resulting in store closures, the Group has recognised impairments to goodwill and other assets which are outlined as significant items below.

Total impairments and related charges - \$640.0 million

(i) Goodwill

As detailed in Note 11, the Cash Generating Unit (CGU) impairment tests resulted in an impairment of goodwill of \$422.1 million in the Food & Grocery segment and \$19.5 million in the Hardware CGU.

The goodwill impairment within Food & Grocery reflects the increasingly competitive trading environment and the full benefit from the Transformation Plan not being realised in FY2015. The key market factors expected to affect Food & Grocery include:

- Intense competition; with the major chains continuing to invest in price and the discount retailers expanding into South Australia and Western Australia;
- Consumer focus on value and consumer trends impacting sales mix; and
- Deflationary pricing continuing

These factors, together with the rationalisation of the retail store network resulted in a number of store closures, and has led to a weakness in underlying sales. Metcash is expected to continue to invest in pricing and other initiatives within the Transformation Plan. As a result, the sales volume and EBITDA forecasts used in the current year impairment tests are lower than those used in the prior year. These changes, along with modest forecast growth rates and an increase in the discount rate, have had a significant impact over the five-year projection period as well as on the terminal value, resulting in an impairment of \$422.1 million.

Hardware is expected to face similar competition from the major chains. Whilst sales increased in FY2015 and are expected to continue to increase over the forecast period, margins are expected to moderate relative to the prior year valuation. These factors resulted in an impairment of \$19.5 million.

(ii) Other intangibles

Customer contract impairments of \$52.5 million in the Food & Grocery segment reflect the competitive environment outlined above. Customer contracts recognised on the acquisition of FAL in Western Australia and Franklins in NSW, were impaired following a revision to cash flows over their remaining estimated useful lives, which are based on approved strategic plans and forecasts, expected customer attrition rates, based on historical and projected future customer retention expectations and revised discount rates, as outlined in Note 11(b) for the Food & Grocery CGU.

Metcash has identified certain software components which are not and are not intended to be used, resulting in an impairment of \$12.6 million.

(iii) Other impairments

In the Food & Grocery segment, Metcash has a programme to dispose of surplus retail property and store assets that are held for sale. In light of current store performance, retailer financial health and the anticipated disposals programme, specific impairments have been recognised against these assets.

The competitive and margin pressures outlined above have also led to rationalisation across the retail sector, with certain retail stores experiencing more difficult trading conditions. Metcash established an onerous lease provision against its head lease exposures in respect of those stores where the level of rental subsidy or other financial support is expected to exceed Metcash returns. Metcash has also made provision against retailer assets and loans that are no longer considered recoverable.

Other significant items – net \$1.2 million

The current year restructure cost of \$7.0 million relates to redundancy costs associated with the *Organisational Review* initiative, which will reduce future operating costs. The gain of \$8.2 million in respect of the re-measurement of the Metcash Automotive Holdings (MAH) put option liability is detailed in Note 14(i).

NOTES TO THE *FINANCIAL STATEMENTS*

Year ended 30 April 2015

4. INCOME TAX

	2015 \$m	2014 \$m
The major components of income tax expense are:		
Current income tax charge	70.2	104.0
Adjustments in respect of income tax of previous years	(2.8)	(2.5)
Deferred income tax relating to origination and reversal of temporary differences	(53.4)	(5.7)
Income tax expense reported in the statement of comprehensive income	14.0	95.8
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit/(loss) before income tax	(368.8)	277.0
At the Group's statutory income tax rate of 30% (2014: 30%)	(110.6)	83.1
Expenditure not allowable for income tax purposes – continuing operations	0.8	2.9
Expenditure not allowable for income tax purposes – significant items	130.0	4.1
Other amounts assessable for income tax purposes	-	0.2
Other amounts not assessable for income tax purposes	(1.3)	(1.9)
Other amounts allowable for income tax purposes	(2.1)	(0.9)
Adjustments in respect of income tax of previous years	(2.8)	(2.5)
ATO audit settlement	-	10.8
Income tax expense reported in the statement of comprehensive income	14.0	95.8
Income tax expense		
ATO audit settlement	-	10.8
Income tax attributable to significant items in profit from continuing operations before tax	(61.6)	(12.9)
Income tax attributable to other continuing operations	75.6	97.9
Total income tax expense attributable to continuing operations	14.0	95.8
Income tax benefit attributable to discontinued operations	-	(4.5)
	14.0	91.3

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

4. INCOME TAX (continued)

	2015 \$m	2014 \$m
Deferred tax liabilities		
Intangibles	42.8	60.6
Accelerated depreciation for tax purposes	-	1.8
Set off against deferred tax assets	(42.8)	(62.4)
	-	-
Deferred tax assets		
Provisions	147.0	116.5
Unutilised tax losses	5.0	7.5
Accelerated depreciation for accounting purposes	7.2	-
Other	8.0	8.8
Set off from deferred tax liabilities	(42.8)	(62.4)
	124.4	70.4
Recognised net deferred tax assets		
Opening balance	70.4	61.8
Credited/(charged) to net profit for the year	53.4	5.7
Credited/(charged) to other comprehensive income for the year	1.8	(1.7)
Adjustment attributable to finalisation of ABG acquisition	-	1.3
Adjustments related to business combinations (Note 22)	(1.2)	3.3
Closing balance	124.4	70.4

At 30 April 2015, there is no recognised or unrecognised deferred income tax liability (2014: nil) for taxes that would be payable on the unremitted earnings 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 \$16.6 million (2014: \$16.0 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.

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.

NOTES TO THE *FINANCIAL STATEMENTS*

Year ended 30 April 2015

5. DIVIDENDS PAID AND PROPOSED

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

	2015 \$m	2014 \$m
Dividends paid on ordinary shares during the year		
Final fully franked dividend for 2014: 9.0c (2013: 16.5c) (i)	80.0	145.3
Interim fully franked dividend for 2015: 6.5c (2014: 9.5c) (ii)	58.7	83.7
Dividends declared during the year	138.7	229.0
Shares issued under the DRP (i) (ii)	(38.2)	(23.4)
Shares issued under DRP underwriting agreement (i) (ii)	(45.9)	-
Cash dividends paid on ordinary shares during the year	54.6	205.6
Dividends declared (not recognised as a liability as at 30 April 2015)		
Final fully franked dividend for 2015: nil (2014: 9.0c) (iii)	-	80.0

Dividend Reinvestment Plan

On 2 December 2013, the Group reopened the Dividend Reinvestment Plan (DRP) under which eligible shareholders may elect to reinvest all or part of their dividends in acquiring additional Metcash shares. The Directors may determine offers of discounts from time to time. The full terms and conditions of the DRP were announced on 2 December 2013 and amended on 19 May 2014.

- (i) The DRP participation relating to the FY2014 final dividend was underwritten by a financial institution up to 50% participation. Of the \$80.0 million declared for the FY2014 final fully franked dividend, \$58.1 million was paid in cash and \$21.9 million was settled by the issue of 8,234,662 shares under the DRP. A further 6,736,864 shares were issued to the underwriter for \$18.1 million received in cash.
- (ii) The DRP participation relating to the FY2015 interim dividend was underwritten by a financial institution up to 75% participation. Of the \$58.7 million declared for the FY2015 interim fully franked dividend, \$42.4 million was paid in cash and \$16.3 million was settled by the issue of 9,287,771 shares under the DRP. A further 15,760,531 shares were issued to the underwriter for \$27.8 million received in cash.
- (iii) On 4 June 2015 the Board announced that a final dividend will not be paid for FY2015.

(b) Franking credit balance of Metcash Limited

	2015 \$m	2014 \$m
Franking account balance as at the end of the financial year at 30% (2014: 30%)	62.8	58.2
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	9.1	19.7
Amount of franking credit on dividends declared but not recognised as a distribution to shareholders during the year	-	(34.3)
	71.9	43.6

(c) Tax rates

Dividends paid and declared have been fully franked at the rate of 30% (2014: 30%).

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

6. CASH AND CASH EQUIVALENTS

	2015 \$m	2014 \$m
(a) Reconciliation of net profit after tax to net cash flows from operations		
Net profit/(loss) for the year	(382.8)	170.7
<i>Adjustments for:</i>		
Depreciation and amortisation	71.8	69.8
Impairment losses (non-significant items)	35.9	46.0
Net profit on disposal of property, plant and equipment	(1.7)	(8.6)
Net loss on disposal of discontinued operations	-	1.1
Share of profit of equity-accounted investments	(3.1)	(4.8)
Dividends received from equity-accounted investments	5.4	1.6
Dividends paid to holders of put options written over non-controlling interests (Note 14(i))	0.3	1.0
Deferred borrowing costs	0.8	3.2
Share based payments	5.1	0.7
Credit value adjustments (Note 16)	3.5	2.5
<i>Significant items not related to operating activities:</i>		
Automotive - Acquisition costs	-	3.7
Impairments and related charges (Note 3(vi))	640.0	34.7
MAH put option re-measurement gain (Note 3(vi))	(8.2)	-
Restructure costs	7.0	-
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in trade and other receivables	17.5	(24.1)
(Increase)/decrease in assets held for sale	12.4	8.1
(Increase)/decrease in other current assets	(1.3)	(8.4)
(Increase)/decrease in inventories	16.1	(5.1)
(Increase)/decrease in property, plant and equipment	-	(1.7)
Increase/(decrease) in payables and provisions	(118.6)	73.8
(Increase)/decrease in deferred tax assets	(53.6)	(5.7)
Increase/(decrease) in tax payable	(14.8)	30.2
Cash from operating activities	231.7	388.7
(b) Non-cash financing and investing activities		
Acquisition of assets by means of finance lease	4.2	4.4

NOTES TO THE *FINANCIAL STATEMENTS*

Year ended 30 April 2015

7. TRADE RECEIVABLES AND LOANS

	2015 \$m	2014 \$m
Current		
Trade receivables - securitised ⁽ⁱ⁾ (Note 16)	744.3	788.1
Trade receivables - non-securitised ⁽ⁱ⁾	200.9	182.8
Allowance for impairment loss	(54.3)	(62.6)
	890.9	908.3
Marketing and other receivables ⁽ⁱⁱ⁾	82.6	83.4
Trade and other receivables	973.5	991.7
Customer loans ⁽ⁱⁱⁱ⁾	61.4	52.1
Allowance for impairment loss	(20.4)	(6.0)
Customer loans	41.0	46.1
Total trade receivables and loans - current	1,014.5	1,037.8
Non-current		
Customer loans ⁽ⁱⁱⁱ⁾	23.5	46.8
Other receivables ⁽ⁱⁱ⁾	2.1	3.5
Total trade receivables and loans – non-current	25.6	50.3

- (i) Trade receivables are non-interest bearing and repayment terms vary by business unit. At 30 April 2015, 75.1% of trade receivables are required to be settled within 30 days (2014: 82.4%), 24.2% have terms extending from 30 to 60 days (2014: 16.8%) and 0.7% have terms greater than 60 days (2014: 0.8%). 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.
- (ii) Marketing and other receivables are non-interest bearing. Receivables with repayment terms of less than 12 months are classified as current. These receivables are all neither past due nor impaired.
- (iii) Customer loans with repayment terms of less than 12 months are classified as current. As at 30 April 2015, \$5.0 million (2014: \$10.6 million) of loans are non-interest-bearing and \$79.9 million (2014: \$88.3 million) of loans have a weighted average annual interest rate of 9.2% (2014: 9.4%).

Impaired trade receivables and customer loans

During the year ended 30 April 2015, receivables of the value of \$44.2 million (2014: \$37.9 million) were considered non-recoverable and written off. As at 30 April 2015, trade receivables and customer loans with a carrying value of \$74.7 million (2014: \$68.6 million) were provided for as impaired.

Movement in allowance for impairment loss	2015 \$m	2014 \$m
Opening balance	68.6	53.9
Accounts written off as non-recoverable	(44.2)	(37.9)
Reclassifications from provisions and disposal groups	-	10.8
Arising from business combinations	0.9	-
Charged as an expense during the year – continuing operations	49.4	40.8
Charged as an expense during the year - discontinued operations	-	1.0
Closing balance	74.7	68.6

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 April 2015

7. TRADE RECEIVABLES AND LOANS (continued)

Ageing of trade receivables and loans

As at 30 April 2015, the ageing analysis of unimpaired trade receivables and loans for the Group is as follows:

Days overdue	Trade receivables				Customer loans				Marketing and other receivables			
	2015 \$m	2015 %	2014 \$m	2014 %	2015 \$m	2015 %	2014 \$m	2014 %	2015 \$m	2015 %	2014 \$m	2014 %
Neither past due nor impaired	818.1	91.8%	801.7	88.3%	55.7	86.4%	83.5	89.9%	56.5	66.7%	86.2	99.2%
Less than 30 days	61.2	6.9%	88.0	9.7%	0.8	1.2%	1.2	1.3%	26.2	30.9%	0.5	0.6%
Between 30 and 60 days	8.1	0.9%	8.8	1.0%	0.2	0.3%	0.6	0.6%	0.3	0.4%	-	-
Between 60 and 90 days	3.5	0.4%	4.1	0.4%	2.1	3.3%	2.4	2.6%	0.9	1.1%	-	-
Between 90 and 120 days	-	-	2.3	0.3%	0.5	0.7%	0.3	0.3%	0.1	0.1%	-	-
More than 120 days	-	-	3.4	0.3%	5.2	8.1%	4.9	5.3%	0.7	0.8%	0.2	0.2%
Total	890.9	100%	908.3	100.0%	64.5	100.0%	92.9	100.0%	84.7	100.0%	86.9	100.0%

The Group expects that the unimpaired trade receivables and loans presented above are fully recoverable.

Customer loan security

The Group has access to security against most customer loans in the event of default. Security held may include bank and personal guarantees, fixed and floating charges and security over property and other assets. Due to the large number and the varied nature of security held, their fair value cannot be practicably estimated. A provision for impairment is raised when the fair value of the security does not cover the carrying value of the loan and the loan is not deemed to be recoverable.

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

8. DERIVATIVE FINANCIAL INSTRUMENTS

	2015 \$m	2014 \$m
Current assets		
Foreign currency forward contracts	0.2	1.8
	0.2	1.8
Non-current assets		
Cross currency interest rate swaps – US Private Placement (Note 12(v))	104.2	46.2
Interest rate swap contracts	-	0.1
	104.2	46.3
Current liabilities		
Interest rate swap contracts	0.6	0.6
Foreign currency forward contracts	0.2	1.0
	0.8	1.6
Non-current liabilities		
Interest rate swap contracts	6.3	0.1
	6.3	0.1

NOTES TO THE *FINANCIAL STATEMENTS*

Year ended 30 April 2015

9. EQUITY-ACCOUNTED INVESTMENTS

Equity-accounted investments of the Group represent both associates and joint ventures and are structured through equity participation in separate legal entities. Metcash invests capital to support the independent retail network, strengthen relationships and fund growth. Relationships with co-investors are governed by contractual agreements which allow the Group to exercise either significant influence or joint control over these entities. Where the Group exercises joint control, all key operating decisions are agreed unanimously, regardless of ownership interest.

The principal place of business for all of the Group's equity-accounted investments is Australia.

The following table presents key information about the nature, extent and financial effects of the Group's interests in joint ventures and associates.

Investee	Principal activities	Reporting date	2015 %	2014 %
Associates				
Abacus Independent Retail Property Trust	Retail property investment	30 June	25.0	25.0
Ritchies Stores Pty Ltd	Grocery retailing	30 June	26.0	26.0
BMS Retail Group Pty Ltd ⁽¹⁾	Grocery retailing	30 June	-	25.1
Kangaroo Flat Supermarket Pty Ltd ⁽¹⁾	Grocery retailing	30 June	-	25.1
BMS Retail Group Holdings Pty Ltd ⁽¹⁾	Grocery retailing	30 June	25.1	25.1
Dramet Holdings Pty Ltd	Grocery retailing	30 June	26.0	26.0
Dart Trading Co Pty Ltd ⁽³⁾	Grocery retailing	30 June	-	26.0
Bamlane Pty Ltd ⁽³⁾	Grocery retailing	30 June	-	26.0
Mundin Pty Ltd ⁽³⁾	Grocery retailing	30 June	-	26.0
G'Butt Pty Ltd ⁽³⁾	Grocery retailing	30 June	-	26.0
Mussen Pty Ltd ⁽³⁾	Grocery retailing	30 June	-	26.0
Ullly Pty Ltd ⁽³⁾	Grocery retailing	30 June	-	26.0
Joint ventures				
Adcome Pty Ltd	Grocery retailing	30 April	45.0	45.0
Lecome Pty Ltd	Grocery retailing	30 April	50.0	50.0
Progressive Trading Pty Ltd	Grocery retailing	30 April	52.2	52.2
Metfood Pty Limited	Merchandise services	30 April	50.0	50.0
Plumpton Park Developments Pty Limited	Property development	30 June	-	50.0
Northern Hardware Group Pty Ltd	Hardware retailing	30 June	49.9	49.9
Timberten Pty Ltd	Hardware retailing	30 June	40.0	40.0
Waltock Pty Limited	Hardware retailing	30 June	49.0	49.0
Banner 10 Pty Ltd	Hardware retailing	30 June	49.0	49.0
BRJ Pty Ltd	Hardware retailing	30 June	36.0	36.0
G Gay Hardware Pty Ltd	Hardware retailing	30 June	49.0	-
Woody's Timber & Hardware Pty Ltd	Hardware retailing	30 June	49.0	-
LA United Pty Ltd ⁽²⁾	Liquor retailing and hospitality	30 June	26.0	-
Mermaid Tavern (Trading) Pty Ltd	Liquor retailing and hospitality	30 April	50.0	50.0
Sunshine Coast Hotels Pty Ltd	Liquor retailing and hospitality	30 June	50.0	50.0
Queens Arms Hotel New Farm Pty Ltd	Liquor retailing and hospitality	30 April	50.0	50.0
Queens Arms Freehold Pty Ltd	Property investment	30 April	50.0	50.0

1. During the current year, the BMS retail group completed a corporate restructure by which Long Gully Supermarket Pty Ltd became the parent entity. Long Gully Supermarket Pty Ltd was then renamed BMS Retail Group Holdings Pty Ltd. Although the restructure did not have an impact on Metcash's effective interest in the retail group, Metcash no longer holds a direct equity interest in BMS Retail Group Pty Ltd and Kangaroo Flat Supermarkets Pty Ltd.
2. The Group has a direct ownership of 26.0% in LA United Pty Ltd ('LA United'), and an indirect ownership of 18.5% via the 100% interest in Liquor Traders Pty Ltd.
3. These entities were deregistered during the current year.

NOTES TO THE *FINANCIAL STATEMENTS*

Year ended 30 April 2015

9. EQUITY-ACCOUNTED INVESTMENTS (continued)

At the reporting date, the equity-accounted investments are not individually material to the Group. The following tables present the summarised financial information in aggregate for all investments.

Share of investees' profit

	2015 \$m	2014 \$m
Profit before income tax from continuing operations	4.4	6.9
Income tax expense	(1.3)	(2.1)
Profit after income tax from continuing operations	3.1	4.8
Total comprehensive income	3.1	4.8

At the reporting date, the Group's share of unrecognised losses is not material.

Share of investees' net assets

	2015 \$m	2014 \$m
Current assets	89.9	81.2
Non-current assets	145.6	139.8
Total assets	235.5	221.0
Current liabilities	(114.8)	(92.9)
Non-current liabilities	(45.6)	(64.4)
Total liabilities	(160.4)	(157.3)
Net assets	75.1	63.7

Contingent liabilities and commitments

The Group has entered into certain put option arrangements with co-investors in three equity-accounted investments, which if exercised would result in an increase in Metcash's ownership interest in the investment. 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. At the reporting date, the aggregate exercise price is estimated to be \$10.8 million (2014: \$2.3 million).

The Group has granted a financial guarantee contract relating to the bank loan of a joint venture, Adcome Pty Ltd. Under the contract, the bank has the right to require Metcash to repay the debt under certain prescribed circumstances of default. The estimate of the maximum amount payable in respect of the guarantee, if exercised, is \$47.5 million (2014: \$46.0 million). Had the guarantee been exercised at 30 April 2015, the amount payable would have been \$42.6 million (2014: \$44.0 million). The fair value of the financial guarantee contract at the reporting date was \$0.7 million (2014: \$1.9 million) and is recognised as a financial liability (Note 14).

In addition, the Group had granted put options in prior years relating to the sale of retail store assets to certain equity-accounted investees. At the reporting date, the aggregate exercise price is estimated to be \$nil (2014: \$nil).

The Group has determined that the probability of material outflow relating to put arrangements over all other retail stores and equity-accounted investments is remote.

Restrictions

There are no material restrictions on the ability of the investees to transfer funds to the Group.

NOTES TO THE *FINANCIAL STATEMENTS*

Year ended 30 April 2015

10. PROPERTY, PLANT AND EQUIPMENT

	Land & buildings \$m	Plant & equipment \$m	Total \$m
Year ended 30 April 2015			
Opening balance	88.0	220.4	308.4
Additions	2.3	63.7	66.0
Acquisition from business combinations (Note 22)	-	1.4	1.4
Disposals	(14.7)	(4.2)	(18.9)
Assets reclassified to retail development assets	(16.7)	(5.4)	(22.1)
Impairments	(15.3)	(3.9)	(19.2)
Depreciation	(0.7)	(38.9)	(39.6)
Closing balance	42.9	233.1	276.0
At 30 April 2015			
Cost	83.2	525.6	608.8
Accumulated depreciation and impairment	(40.3)	(292.5)	(332.8)
Net carrying amount	42.9	233.1	276.0
Year ended 30 April 2014			
Opening balance	85.7	192.8	278.5
Additions	-	83.6	83.6
Assets reclassified from/(to) retail development assets and intangibles	4.0	(14.4)	(10.4)
Acquisition from business combinations (Note 22)	4.3	12.5	16.8
Disposals	(4.5)	(3.3)	(7.8)
Impairments	(0.7)	(13.6)	(14.3)
Depreciation	(0.8)	(37.2)	(38.0)
Closing balance	88.0	220.4	308.4
At 30 April 2014			
Cost	112.3	464.7	577.0
Accumulated depreciation and impairment	(24.3)	(244.3)	(268.6)
Net carrying amount	88.0	220.4	308.4

Additions to plant and equipment include additions of \$27.4 million (2014: \$56.6 million) to assets under construction. The closing balance of plant and equipment includes assets under construction with a carrying value of \$16.7 million (2014: \$83.1 million).

During the year, borrowing costs of \$2.9 million (2014: \$1.6 million) were capitalised to the cost of qualifying assets – largely costs expended on Project Mustang. Borrowing costs were capitalised at rates of between 3.9% and 4.3% (2014: between 4.1% and 4.9%).

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 April 2015 is \$9.7 million (2014: \$10.2 million).

NOTES TO THE *FINANCIAL STATEMENTS*

Year ended 30 April 2015

11. INTANGIBLE ASSETS AND GOODWILL

	Software development costs	Customer contracts	Goodwill	Trade names and other	Total
	\$m	\$m	\$m	\$m	\$m
Year ended 30 April 2015					
At 1 May 2014					
Net carrying amount	81.3	201.5	1,422.7	60.2	1,765.7
Reclassifications	(0.8)	(1.8)	2.0	0.6	-
Additions	19.6	2.8	-	-	22.4
Arising from business combinations (Note 22)	-	5.2	9.7	20.4	35.3
Impairments	(12.6)	(52.5)	(441.6)	-	(506.7)
Amortisation	(16.4)	(15.0)	-	(0.8)	(32.2)
At 30 April 2015					
Net carrying amount	71.1	140.2	992.8	80.4	1,284.5
At 30 April 2015					
Cost (gross carrying amount)	217.4	278.3	1,434.4	86.5	2,016.6
Accumulated amortisation and impairment	(146.3)	(138.1)	(441.6)	(6.1)	(732.1)
Net carrying amount	71.1	140.2	992.8	80.4	1,284.5
Year ended 30 April 2014					
At 1 May 2013					
Net carrying amount	78.2	215.1	1,367.5	47.2	1,708.0
Additions	18.7	3.3	-	-	22.0
Transfers (to)/from property, plant & equipment	(0.5)	1.3	-	-	0.8
Arising from business combinations	0.3	2.9	50.9	15.4	69.5
Adjustment attributable to finalisation of ABG acquisition	-	-	6.7	-	6.7
Settlement of pre-existing relationships	-	(2.2)	-	-	(2.2)
Reclassified to retail development assets	-	-	(2.4)	-	(2.4)
Impairments	-	(3.6)	-	-	(3.6)
Disposals	-	(1.3)	-	-	(1.3)
Amortisation	(15.4)	(14.0)	-	(2.4)	(31.8)
At 30 April 2014					
Net carrying amount	81.3	201.5	1,422.7	60.2	1,765.7
At 30 April 2014					
Cost (gross carrying amount)	198.6	272.1	1,422.7	65.5	1,958.9
Accumulated amortisation and impairment	(117.3)	(70.6)	-	(5.3)	(193.2)
Net carrying amount	81.3	201.5	1,422.7	60.2	1,765.7

(a) 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. (Refer Appendix A(xv)). An impairment of \$12.6 million was recognised relating to software as set out in Note 3(vi).

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

11. INTANGIBLE ASSETS AND GOODWILL (continued)

(a) Description of the Group's 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 and any impairment losses. Customer contracts are amortised over 5 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. (Refer Appendix A(xv)). An impairment of \$52.5 million was recognised relating to customer contracts as set out in Note 3(vi).

Trade names and other

Trade names are acquired either through business combinations or through direct acquisition. The carrying amount represents costs less accumulated amortisation and 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 are subject to impairment testing on an annual basis or whenever there is an indication of impairment. Trade names are considered to have a finite useful life when there is an intention to discontinue use of the name in which case it is amortised over its estimated remaining useful life. (Refer Appendix A(xv)).

(b) Impairment tests for goodwill and intangibles with indefinite useful lives

Goodwill

(i) Description of cash generating units

Goodwill acquired through business combinations is allocated to the lowest level within the entity at which the goodwill is monitored, being the four cash-generating units (or 'CGU's) - Food & Grocery, Liquor, Hardware and Automotive.

Indefinite life intangibles primarily comprise trade names and licences.

(ii) Current year assessment

Except when indicators of impairment exist, goodwill and indefinite life intangibles are tested for impairment annually.

The recoverable amounts were determined based on value in use calculations using cash flow projections covering a five year period, which are based on approved strategic plans or forecasts. Estimates beyond the five year period are calculated using terminal growth rates that are applicable to the trading environment in which the CGU operates.

(iii) Allocation of CGU's

The carrying amounts of goodwill and indefinite life intangibles that are allocated to the Group's CGUs are as follows:

Cash-generating units	Allocated goodwill		Other indefinite life intangibles		Pre-tax discount rates	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m	2015 %	2014 %
Food & Grocery	756.7	1,171.1	1.1	1.3	15.9%	13.4%
Liquor	98.8	97.5	17.6	2.0	14.1%	13.8%
Hardware	65.6	85.1	27.2	26.9	14.2%	14.0%
Automotive	71.7	69.0	34.5	30.0	14.5%	14.9%

(iv) Key assumptions used in assessment

The valuations used to support the carrying amounts of intangible assets are based on forward looking key assumptions that are, by nature, uncertain. The nature and basis of the key assumptions used to estimate future cash flows and the discount rates used in the projections, when determining the recoverable amount of each CGU, are set out below and in (iii) above:

Operating cash flows

Operating cash flow projections are extracted from the most recent approved strategic plans or forecasts that relate to the existing asset base. For each CGU, the cash flow projections for a five year period have been determined based on expectations of future performance. Key assumptions in the cash flows include sales volume growth, costs of sales and costs of doing business. These assumptions are based on expectations of market demand and past experience.

The Food & Grocery and Hardware cash flow projections are based on risk adjusted forecasts allowing for estimated changes in the business, the competitive trading environment, legislation and economic growth.

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

11. **INTANGIBLE ASSETS AND GOODWILL (continued)**

(b) **Impairment tests for goodwill and intangibles with indefinite useful lives (continued)**

(iv) *Key assumptions used in assessment (continued)*

Discount rates

Discount rates are based on the weighted average cost of capital ('WACC') for the Group adjusted for an asset-specific risk premium assigned to each CGU. The asset-specific risk premium is determined based on risk embedded within the cash flow projections and other factors specific to the industries in which the CGUs operate.

The calculation of WACC is market-driven and key inputs include target capital structure, equity beta, market risk premium, risk-free rate of return and debt risk premium.

Terminal growth rates

Cash flows beyond the projection period are extrapolated indefinitely using estimated long-term growth rates applicable to the trading environment in which the CGUs operate. Terminal growth rates applied to long-term cash flows in the current assessment were Hardware 1.0% (2014: 1.4%) and all other CGUs were 1.5% (2014: 1.4%).

(v) *Results of assessment*

Changes to the forecast cash flows had a significant impact over the five-year projection period and the estimated terminal value, resulting in an impairment of goodwill of \$422.1 million in Food & Grocery and \$19.5 million in Hardware. The recoverable amount of the Food & Grocery CGU was \$1,164.2 million and the Hardware CGU was \$263.7 million, based on value in use calculations. Further details are provided in Note 3(vi). No impairment of goodwill was identified in any of the Group's other CGUs (2014: nil).

(vi) *Sensitivity to changes in key assumptions*

As a result of the impairments noted above, the future forecast cashflows of both the Food & Grocery and Hardware CGUs are now in line with the current carrying values of these CGUs. As a result, any adverse changes in assumptions which are not offset by a positive change in another assumption would lead to a reduced valuation, on a value-in-use basis, and accordingly would result in further impairment.

The following items are reasonable sensitivity changes to key assumptions that will increase the impairment charge. These sensitivities assume that the specific assumption moves in isolation, while other assumptions are held constant.

Food & Grocery CGU

- A decrease of 5% in the year one to year five and terminal year forecast EBITDA will result in an additional impairment charge of \$79.7 million; or
- A decrease of 0.5% in the terminal growth rate (from 1.5% to 1.0%) will result in an additional impairment charge of \$34.3 million; or
- An increase of 1.0% in post-tax discount rates (from 11.34% to 12.34%) will result in an additional impairment charge of \$102.9 million.

Hardware CGU

- A decrease of 5% in the year one to year five and terminal year forecast EBITDA will result in an additional impairment charge of \$17.0 million; or
- A decrease of 0.25% in the terminal growth rate (from 1.0% to 0.75%) will result in an additional impairment charge of \$5.4 million; or
- An increase of 1.0% in post-tax discount rates (from 10.14% to 11.14%) will result in an additional impairment charge of \$27.1 million.

Other CGUs

At the assessment date, no reasonably possible change in key assumptions would cause the carrying amount of the other CGUs to exceed their respective recoverable amounts. Pre-tax discount rates would need to increase to 21.5% and 17.1% in the Liquor and Automotive CGUs, respectively, to trigger an impairment.

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

12. INTEREST BEARING LOANS AND BORROWINGS

	2015 \$m	2014 \$m
Current		
Bilateral loans ⁽ⁱⁱⁱ⁾	58.6	9.5
Finance lease obligations ⁽ⁱ⁾	4.6	5.8
	63.2	15.3
Non-current		
Finance lease obligations ⁽ⁱ⁾	5.3	4.4
Bank loans - working capital ⁽ⁱⁱ⁾	-	15.0
Bilateral loans ⁽ⁱⁱⁱ⁾	2.2	50.0
Bank loans - syndicated ^(iv)	475.0	500.0
US private placement ^(v)	317.0	258.7
Deferred borrowing costs	(4.7)	(3.2)
	794.8	824.9

- (i) Finance leases have an average lease term of 4 years with the option to purchase the asset at the completion of the lease term for the asset's market value. The weighted average interest rate implicit in the lease is 6.47% (2014: 7.42%). Certain lease liabilities are secured by a charge over the leased asset.
- (ii) Working capital bank loans are represented by three unsecured revolving facilities totalling \$275.0 million, one of which expires in May 2017 (\$75.0 million) and two of which expire in June 2017 (total of \$200.0 million). Interest payable on any loans drawn under these facilities is based on BBSY or the RBA cash rate plus a margin. These bank loans are subject to certain financial undertakings as detailed in Note 12(vi) below.
- (iii) Bilateral loans are 5 separate loans – three variable rate term loans of \$50.0 million, \$5.6 million and \$2.2 million; a \$2.5 million fixed rate loan secured against freehold property and a \$0.5 million overdraft. The \$50.0 million loan is based on BBSY plus a margin and is subject to the financial undertakings as detailed in Note 12(vi) below.
- (iv) Syndicated bank loans are senior unsecured loan note subscription facilities. The existing facilities were due to expire in December 2015 (\$250.0 million), June 2018 (\$200.0 million) and June 2019 (\$225.0 million). Interest payable on the facilities is based on BBSY plus a margin and interest rate resets are quarterly. The applicable margin is dependent upon an escalation matrix linked to the senior leverage ratio achieved. These facilities were presented as non-current at 30 April as the Group had an unconditional agreement in place to refinance \$350.0 million of facilities under a syndicated revolving senior unsecured loan that will expire June 2020. This refinancing was completed on 24 March 2015 and takes effect on 9 June 2015. These bank loans are subject to certain financial undertakings as detailed in Note 12(vi) below.
- (v) US private placement (USPP) comprises three tranches of fixed coupon debt of US\$70.0 million maturing September 2018, US\$35.0 million maturing September 2019, and US\$120.0 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\$225.0 million of USPP fixed interest rate debt into \$210.1 million of floating rate debt with interest payable on a quarterly basis at BBSW plus a margin.

The US\$225.0 million USPP debt has been revalued at the reporting date to \$317.0 million (2014: \$258.7 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 (\$104.2 million – Note 8), the cash flow hedge reserve (negative \$1.9 million – Note 15), other payables (negative \$0.6 million), associated deferred tax liability (negative \$0.8 million – Note 4) and retained earnings (\$6.0 million). Together, these six components reflect the \$210.1 million of hedged debt.

The USPP debt is subject to certain financial undertakings as detailed in Note 12(vi) below.

- (vi) The core borrowings of the Group must comply with three primary covenants which apply to the syndicated bank facility, the working capital bank facilities, the \$50.0 million bilateral facility and the USPP debt. These covenants are: a fixed charges cover ratio (Underlying 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 Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)) and minimum shareholders' funds (a fixed figure representing the Group share capital and reserves).

NOTES TO THE *FINANCIAL STATEMENTS*

Year ended 30 April 2015

12. INTEREST BEARING LOANS AND BORROWINGS (continued)

(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, working capital and bilateral bank loans and the USPP debt, after taking into account cross currency and interest rate swaps, at the end of the financial year was 4.65% (2014: 4.86%).

(b) Defaults or breaches

At the reporting date, there were no material defaults or breaches on the Group's core borrowings.

(c) Interest rate risk and liquidity risk

Details regarding interest rate risk and liquidity risk are disclosed in Note 16.

13. PROVISIONS

	Employee entitlements \$m	Rental subsidy \$m	Onerous arrangements \$m	Other \$m	Total \$m
30 April 2015					
Current	94.9	7.8	21.8	3.1	127.6
Non-current	5.6	85.7	53.1	-	144.4
	100.5	93.5	74.9	3.1	272.0
30 April 2014					
Current	88.4	27.6	10.2	1.0	127.2
Non-current	5.1	85.1	15.8	-	106.0
	93.5	112.7	26.0	1.0	233.2

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

	Rental subsidy \$m	Onerous arrangements \$m	Total \$m
1 May 2014	112.7	26.0	138.7
Expense arising/(released) during the year	(9.1)	55.3	46.2
Arising from business combinations	-	0.6	0.6
Utilised during the year	(17.2)	(7.5)	(24.7)
Finance cost discount rate adjustment	7.1	0.5	7.6
30 April 2015	93.5	74.9	168.4
1 May 2013	179.3	20.4	199.7
Expense arising/(released) during the year			
- continuing operations	-	9.1	9.1
- discontinued operations	(2.6)	1.6	(1.0)
Attributable to ABG acquisition adjustment	-	1.1	1.1
Reclassified to trade receivables impairment provision	(9.7)	-	(9.7)
Utilised during the year	(64.6)	(7.4)	(72.0)
Finance cost discount rate adjustment			
- continuing operations	8.2	1.2	9.4
- discontinued operations	2.1	-	2.1
30 April 2014	112.7	26.0	138.7

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

13. PROVISIONS (continued)

(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 'back-to-back' commercial terms and conditions, whereby the lease expense to the landlord matches the lease rental to the retailer.

In certain circumstances, 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) Onerous arrangements

The provision represents the present value of various obligations which are deemed to be onerous. These obligations include onerous retail head lease exposures, property make-good, restructuring and other costs. Depending on the nature of these obligations, they are expected to be settled over the term of the lease, at the conclusion of the lease or otherwise when the obligation vests.

14. OTHER FINANCIAL LIABILITIES

	2015 \$m	2014 \$m
Current		
Put options written over non-controlling interests (i)	21.4	11.7
Financial guarantee contracts (ii)	0.7	1.2
Lease incentives	0.2	0.1
	22.3	13.0
Non - current		
Put options written over non-controlling interests (i)	19.3	34.9
Financial guarantee contracts (ii)	-	0.7
Lease incentives	1.1	1.3
Other payables	2.3	3.7
	22.7	40.6

(i) Certain minority shareholders have the right under put options to require Metcash to acquire their shareholding, subject to specific terms and conditions. Where such an arrangement is deemed to be part of the business combination a financial liability is recognised on the acquisition date measured at the present value of the redemption amount under the option. The liability is subsequently remeasured at each reporting date at the estimated redemption value, with any change in redemption value recorded in administrative costs within profit and loss and the net present value unwind is recorded as a finance cost.

In accordance with the acquisition agreement, Metcash has, under certain circumstances, the right to acquire the remaining 16.8% equity interest in the Metcash Automotive Holdings group (MAH). The minority shareholder also has the right, under certain circumstances, to require Metcash to acquire its shareholding in MAH. The purchase consideration is broadly based on an EBITDA multiple calculation less net debt. The estimated redemption amount of \$29.0 million under the put option has been recognised as a financial liability. A revaluation gain of \$8.2 million was recorded during the year against this liability. Refer Note 3(vi) for further details.

(ii) The Group has granted a financial guarantee relating to the bank loan of its joint venture Adcome Pty Ltd, which has been recorded at a fair value of \$0.7 million (2014: \$1.9 million). Refer Note 9 for further details.

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

15. CONTRIBUTED EQUITY AND RESERVES

(a) Ordinary shares

	2015		2014	
	Number of shares	\$m	Number of shares	\$m
<i>Movements in ordinary shares on issue</i>				
At 1 May	888,338,048	2,308.1	880,704,786	2,284.9
Issued during the year:				
- Shares issued under the DRP/underwritten	40,019,828	84.1	7,633,262	23.4
- Share issue costs net of tax	-	(0.3)	-	(0.2)
At 30 April	928,357,876	2,391.9	888,338,048	2,308.1

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Shares have no par value.

(b) Other reserves

Share-based payments reserve

This reserve is used to record the value of equity benefits provided to employees and executives as part of their remuneration. Refer to Note 19 for further details of these plans. Once a performance right has lapsed the Group no longer has any obligation to convert these performance rights into share capital. The amount transferred to retained earnings represents the value of share based payments previously recognised as an expense through the Statement of Comprehensive Income that have now lapsed.

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. The cash flow hedge reserve movements through comprehensive income are as follows:

	2015 \$m	2014 \$m
Opening balance	1.5	(1.8)
Settled during the year	(1.8)	2.7
Movement in fair value of derivatives	(3.7)	2.3
Tax impact of above movements	1.8	(1.7)
Closing balance	(2.2)	1.5

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.

(c) Other equity

The other equity account is used to record the reverse acquisition adjustment on application of AASB 3 *Business Combinations* in 2005. Refer Appendix A (iv).

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

16. **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 Appendix A.

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 2015, the principal hedged was \$525.0 million with a weighted average hedge maturity of 1.5 years and a weighted average interest rate of 2.95%. 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 \$525.0 million (2014: \$400.0 million) had a net fair value at the end of the financial year of negative \$6.9 million (2014: negative \$0.6 million). These contracts are exposed to fair value movements based on changes to the interest rate curve.

At the reporting 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:

	2015 \$m	2014 \$m
Financial assets		
Cash and cash equivalents	83.3	24.7
Financial liabilities		
Bank loans - working capital	-	(15.0)
Bilateral loans	(58.3)	(57.0)
Bank loans – syndicated	(475.0)	(500.0)
US private placement ⁽ⁱ⁾	(210.1)	(210.1)
Less: Interest rate swaps notional principal value - designated as cash flow hedges	525.0	400.0
	(218.4)	(382.1)
Net exposure	(135.1)	(357.4)

(i) The US private placement liability is presented inclusive of the associated cross currency interest rate swap hedge contracts which effectively convert the US\$225.0 million facility into \$210.1 million of variable rate funding (Note 12(v)).

Refer to Note 12 for details of bank loans, bilateral loans and US private placement.

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

16. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

The Group's treasury policy requires core debt to be 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 2015, the interest rate swap hedges of \$525.0 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 the reporting 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)	
	2015	2014	2015	2014
	\$m	\$m	\$m	\$m
If interest rates were to increase by 0.25%	(0.2)	(0.5)	(1.2)	0.9
If interest rates were to decrease by 0.25%	0.2	0.5	1.2	(0.9)

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 stressed 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 53% have been utilised at 30 April 2015. The Group monitors forecasts of liquidity reserves on the basis of expected cash flow.

Remaining contractual maturities

Remaining contractual liabilities consist of non-interest bearing trade and other payables amounting to \$1,419.1 million (2014: \$1,457.1 million) for the Group and are due in one year or less.

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maturity analysis of financial liabilities based on contracted date

The following table reflects the gross contracted values of financial liabilities categorised by their contracted dates of settlement. Except where these exposures are provided for, these are also the expected dates of settlement. The risk implied from the values shown in the table reflects a balanced view of cash 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.

	1 year or less \$m	1 - 5 years \$m	More than 5 years \$m	Total \$m
Year ended 30 April 2015				
Trade and other payables	1,419.1	-	-	1,419.1
Finance lease liability	4.7	6.5	-	11.2
Financial guarantee contracts	0.7	-	-	0.7
Put options written over non-controlling interests	21.4	19.3	-	40.7
Bank and other loans	85.7	623.0	184.6	893.3
Derivative liabilities - net settled	3.6	3.3	-	6.9
Derivative liabilities - gross settled				
- Inflows	(21.5)	-	-	(21.5)
- Outflows	21.7	-	-	21.7
Net maturity	1,535.4	652.1	184.6	2,372.1
Year ended 30 April 2014				
Trade and other payables	1,457.1	-	-	1,457.1
Finance lease liability	5.9	5.7	-	11.6
Financial guarantee contracts	1.2	0.7	-	1.9
Put options written over non-controlling interests	11.7	37.4	-	49.1
Bank and other loans	44.5	549.3	405.5	999.3
Derivative liabilities - net settled	0.9	(0.1)	-	0.8
Derivative liabilities - gross settled				
- Inflows	(44.6)	-	-	(44.6)
- Outflows	45.8	-	-	45.8
Net maturity	1,522.5	593.0	405.5	2,521.0

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. The table does not include derivative assets (refer to Note 8). Under the terms of these agreements, the settlements at expiry include a both a cash payment and receipt. Based on the valuations performed, these cash flows are expected to be a net inflow.

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

16. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

At the reporting 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 ⁽ⁱ⁾	675.0	475.0	-	-	200.0
US private placement ⁽ⁱⁱ⁾	210.1	210.1	-	-	-
Securitisation facility ⁽ⁱⁱⁱ⁾	250.0	-	-	-	250.0
Bank guarantee facility	22.5	-	22.5	-	-
Bilateral loans	65.5	60.8	0.1	-	4.6
Working capital/guarantees	150.0	-	26.6	-	123.4
Working capital	125.0	-	-	-	125.0
	1,498.1	745.9	49.2	-	703.0
Cash & cash equivalents	-	-	-	83.3	83.3
	1,498.1	745.9	49.2	83.3	786.3

- (i) At 30 April 2015, the Group had an agreement in place to refinance facilities maturing in June 2015 (\$50.0 million) and December 2015 (\$250.0 million). The total facility is \$350.0 million and can be utilised from 9 June 2015. Refer Note 12(iv) for further details.
- (ii) The US Private Placement liability is presented inclusive of the associated cross currency interest rate swap hedge contracts which effectively convert the US\$225.0 million facility into \$210.1 million of variable rate funding. Refer Note 12(v) for further details.
- (iii) Under the \$250.0 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 the facility agreement and is currently committed until May 2016 (\$175.0 million) and May 2017 (\$75.0 million). 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 \$744.3 million (2014: \$788.1 million) had been securitised, with nil (2014: nil) funds drawn under the facility. Accordingly, 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 statements.

NOTES TO THE *FINANCIAL STATEMENTS*

Year ended 30 April 2015

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 obtain 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.

As identified in Note 7 (Trade Receivables and Loans), the current level of impairment provision represents 5.7% of the receivables balance.

The Group's derivative financial instruments are with financial institutions with credit ratings of AA- to A+ and at 30 April 2015, the mark-to-market position of derivative financial assets is \$104.4 million. This valuation includes a credit valuation adjustment of \$6.0 million attributable to derivatives counterparty default risk. The changes in counterparty risk had no material effect in the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

The Group has granted a financial guarantee relating to the bank loan of its associate, Adcome Pty Ltd, refer to Note 9 for details.

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 2% 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\$225.0 million USPP facility have been hedged using cross currency interest rate swaps (Note 12(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.

NOTES TO THE *FINANCIAL STATEMENTS*

Year ended 30 April 2015

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

For the purpose of the Group's capital management, capital includes all accounts classified as equity on the statement of financial position.

The Board's intention is to retain adequate funds within the business to reinvest in future growth opportunities and otherwise return earnings to shareholders.

The Board has announced that it will not be declaring a final dividend in FY2015 and that it intends to suspend dividend payments for FY2016.

The Board and management set out to achieve and maintain appropriate Statement of Financial Position ratios. Certain Statement of Financial Position ratios are imposed under the Group's banking facilities, as summarised in Note 12.

Management monitor capital through the gearing ratio (debt / debt plus total equity). The gearing ratios at 30 April 2015 and 2014 were 36.6% and 32.5% respectively. This is within an acceptable target range.

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). Details are disclosed in Note 19.

Other than the Board's announcement regarding dividends, no changes were made in objectives, policies or processes for managing capital during the reporting periods presented.

NOTES TO THE *FINANCIAL STATEMENTS*

Year ended 30 April 2015

16. 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.

During the year there were no transfers between Level 1 and Level 2 fair value measurements.

Financial instruments

For financial instruments measured at fair value that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At the reporting date, the Group held derivative financial instruments which are all reported at Level 2 fair value measurements. The carrying value of derivative financial assets were \$104.4 million (2014: \$48.1 million) and derivative financial liabilities were \$7.1 million (2014: \$1.7 million).

Other financial instruments measured at fair value are not deemed material to the Group and related fair value changes are not likely to have a significant impact on the Group's profit or loss, total assets and liabilities or equity.

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

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps and foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves for various currencies.

Assets held for sale and property

Certain items of the Group's assets held for sale and property are measured at fair value less costs to sell (FVLCS) on a non-recurring basis where historical cost exceeds FVLCS and where a value-in-use (VIU) approach is not appropriate to determine recoverable amount.

In these specific instances, the determination of FVLCS is based primarily on industry accepted valuation techniques such as discounted cash flow models, average weekly sales or cap rate valuations with inputs that are not market observable (Level 3). These assets are not considered to be material to the Group as a whole.

NOTES TO THE *FINANCIAL STATEMENTS*

Year ended 30 April 2015

17. COMMITMENTS

(a) Operating lease commitments

The Group has entered into head leases in respect of a number of retail stores, which typically operate over a period of between 5 to 25 years. Most of these properties are sub-let to retailers under substantially similar terms and conditions (Note 17(b)). Where the lease is considered onerous, or a rental subsidy provision has been recognised on acquisition, a provision is recognised (refer Note 13). The Group has also entered into commercial leases on other land and buildings, which include distribution centres and offices, and in respect of forklifts and other assets.

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:

	2015 \$m	2014 \$m
Within 1 year	222.4	206.4
After 1 year but not more than 5 years	730.5	650.9
More than 5 years	794.0	665.7
Aggregate lease expenditure contracted for at reporting date	1,746.9	1,523.0

(b) Operating lease receivables

Certain properties under operating lease have been sublet to third parties. The future lease payments expected to be received at the reporting date are:

	2015 \$m	2014 \$m
Within 1 year	98.1	96.2
After 1 year but not more than 5 years	326.6	306.7
More than 5 years	339.5	337.5
Aggregate lease income contracted for at the reporting date	764.2	740.4

(c) Finance lease commitments

The Group has finance leases for various vehicles and equipment. The weighted average interest rate implicit in the leases is 6.47% (2014: 7.42%). 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	
	2015 \$m	2014 \$m	2015 \$m	2014 \$m
Within 1 year	4.7	5.9	4.6	5.8
After 1 year but not more than 5 years	6.5	5.7	5.3	4.4
More than 5 years	-	-	-	-
	11.2	11.6	9.9	10.2
Less amounts representing finance charges	(1.3)	(1.4)	-	-
Present value of minimum lease payments	9.9	10.2	9.9	10.2

(d) Capital expenditure commitments

At 30 April 2015, the Group had no material commitments for capital expenditure.

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

18. RELATED PARTY DISCLOSURES

A list of the Group's subsidiaries is included in Appendix B and a list of joint ventures and associates is included in Note 9.

(a) Transactions with related parties

Related party	2015 \$m	2014 \$m
Group		
<i>Joint ventures and associates</i>		
Sales to joint ventures and associates	1,238.1	1,275.7
Lease charges to joint ventures and associates	18.2	20.2
Dividends received from joint ventures and associates	5.4	1.6
Sale of businesses to joint ventures and associates	8.3	-
Parent		
<i>Joint ventures and associates</i>		
There were no transactions between the parent and its equity-accounted investments during the year (2014: nil).		
<i>Subsidiaries</i>		
Dividend received	145.0	400.0
Interest expense	186.8	180.0

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 4.

(b) Compensation of key management personnel of the Group

	2015 \$m	2014 \$m
Short-term	6.1	7.3
Long-term	0.1	(0.3)
Post-employment	0.2	0.2
Termination benefits	1.3	2.6
Share-based payments	1.7	0.3
Total	9.4	10.1

(c) Other transactions with key management personnel

- (i) Mrs Balfour is a director of Salmat Limited and TAL Limited. Mr Butler is Chairman of AMP Superannuation Ltd and an Advisory Board Member of Market Eye Pty Ltd. Ms Dwyer is a director of DEXUS Property Group. Mr McMahon is Executive Chairman of Inghams Enterprises and Chairman of Red Rock Leisure. Mr Murray is a director of Linfox Logistics Pty 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 1.0% of Metcash's annual purchases and is not considered material.

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

18. RELATED PARTY DISCLOSURES (continued)

(d) Amounts due from and payable to related parties

	2015 \$m	2014 \$m
Group		
<i>Joint ventures and associates</i>		
Trade receivables – gross	100.6	104.8
Provision for impairment	(10.2)	(25.7)
	90.4	79.1
<i>Loans receivable – gross</i>	9.7	8.6
Provision for impairment	(3.3)	-
	6.4	8.6
Parent		
<i>Subsidiaries</i>		
Loans receivable	2,715.1	2,891.3
Loans payable	4,258.0	4,322.5

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.

NOTES TO THE *FINANCIAL STATEMENTS*

Year ended 30 April 2015

19. SHARE-BASED PAYMENTS

(a) Description of share-based payment arrangements

During FY2015 and FY2014 the Group had the following share-based payment incentive schemes for employees:

Scheme name	Description
Short-Term Incentive (STI) schemes	
STI program	The STI scheme includes a 25% deferred component.
Long-Term Incentive (LTI) schemes	
Transformation Incentive (TI)	
TI (67%)	LTI issued to incentivise key employees to successfully execute the Transformation Plan.
TI (33% deferred)	Transformation Incentive LTI deferred for an additional 8 months.
Additional Transformation Incentive (ATI)	
ATI FY2018 (ROFE)	LTI issued to the Group CEO and CFO, designed to incentivise the Group CEO and CFO to achieve or exceed a specified Return on Funds Employed (ROFE) target in FY2018.
ATI FY2019 (ROFE)	LTI issued to the Group CEO, designed to incentivise the Group CEO to achieve or exceed a specified ROFE target in FY2019.
ATI FY2018 (RTSR)	LTI issued to the Group CEO and CFO, designed to incentivise the Group CEO and CFO to outperform other ASX listed entity performance between FY2015 and FY2018 on a Relative Total Shareholder Return (RTSR) basis.
ATI FY2019 (RTSR)	LTI issued to the Group CEO, designed to incentivise the Group CEO to outperform other ASX listed entity performance between FY2015 and FY2019 on a RTSR basis.
Legacy plans	
Legacy LTI - Tranche 2 (FY2012-FY2014)	Legacy LTI scheme issued in December 2011, which failed to meet FY2014 vestment requirements and expired in June 2014 with all performance rights expiring.
Legacy LTI - Tranche 3 (FY2013-FY2015)	Legacy LTI scheme issued in December 2012, which failed to meet FY2015 vestment requirements and expires in September 2015.

All performance rights associated with the above schemes are equity-settled performance rights and were issued under the Metcash Executives and Senior Managers Performance Rights Plan (Rights Plan). Fully paid ordinary shares issued under this plan rank equally with all other existing fully paid ordinary shares, in respect of voting and dividends rights.

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 three to five year period;
- Performance rights which do not vest are forfeited;
- Performance rights are offered at no cost to participants;
- 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;
- Ordinarily, in the event of cessation of employment, a KMP's unvested performance rights will lapse; however this is subject to Board discretion, which may be exercised in circumstances such as death and disability, retirement, redundancy or special circumstances;
- When testing performance conditions, the Board has full discretion in relation to its calculation and to include or exclude items if appropriate, including to better reflect shareholder expectations or management performance;
- Some or all of a participant's performance rights may vest even if a performance condition has not been satisfied, if, using its discretion, the Board considers that to do so would be in the interests of the Group;
- If a participant's performance falls below 'meets expectations' at any time before the performance rights vest or before they are converted to shares, the Board has discretion to lapse some or all of the participant's performance rights, even if all other targets have been met; and
- If there is a change in control of the Group, the Board retains full discretion to vest or lapse some or all performance rights.

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

19. **SHARE-BASED PAYMENTS (continued)**

(a) **Description of share-based payment arrangements (continued)**

i. **STI program**

The STI program focuses behaviour towards achieving superior Group and business unit performance, which deliver better results to shareholders. Key performance indicators ('KPIs') are established and measured at different levels throughout the business:

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

After the end of each financial year, executive performance is assessed against their individual KPIs to determine the amount of STI to be awarded. If these KPI are met, 75% of the STI reward amount is paid in July of each year after the release of the audited accounts. The remaining 25% is deferred for 15 months and released through the issue of Metcash ordinary shares, conditional upon the executive being employed by the Company on 15 April of the year subsequent to the performance year. Any STI not paid is forfeited.

ii. **Transformation Incentive (TI)**

The TI was introduced specifically to incentivise senior management to successfully execute the Transformation Plan, which was announced on 21 March 2014. The TI is assessed at the conclusion of a three-year performance period, based on the FY2017 financial results. For all KMP except the CFO, 67% of any rights eligible to vest will vest on 15 August 2017 and the remaining 33% will be deferred so that they vest on 15 April 2018. For the CFO, 50% of any rights eligible to vest will vest on 15 August 2017 and the remaining 50% deferred so that they vest on 15 April 2018.

The TI plan hurdles are based upon meeting specified Group Sales Revenue and Underlying Earnings per Share (UEPS) targets during FY2017, while meeting a 13% Return on Funds Employed (ROFE) threshold for each of FY2015, FY2016 and FY2017. These hurdles were based on the Group's Transformation Plan and achievement of minimum thresholds requires significant outperformance of market expectations for FY2017 Group UEPS performance.

iii. **Additional Transformation Incentive (ATI)**

The ATI was offered to the CEO and CFO exclusively. Consistent with the TI scheme, the minimum, target and stretch hurdles were based on the Group's Transformation Plan.

The CEO's ATI covers to two performance periods (FY2015-FY2018 and FY2015-FY2019), and two performance conditions (ROFE and Relative Total Shareholder Return (RTSR)) tested separately during each performance period. The CFO's ATI relates to a single performance period (FY2015-FY2018), which includes two independently tested performance conditions (ROFE and RTSR).

iv. **Legacy plans**

LTI - Tranches 2 and 3

Tranches 2 and 3 of the Legacy LTI schemes were issued in December 2012 and December 2013 respectively. Both tranches required achievement of compounded UEPS growth targets, adjusted upwards or downwards for the effects of actual year-on-year inflation/deflation, over a three-year vesting period. No LTI was issued in FY2014.

Both tranches 2 and 3 failed to meet award conditions and have lapsed with expiry of all related performance rights.

NOTES TO THE *FINANCIAL STATEMENTS*

Year ended 30 April 2015

19. SHARE-BASED PAYMENTS (continued)

(b) Measurement of fair values

LTI Performance Rights

The weighted average inputs to the valuation of LTI performance rights valued using the Black-Scholes option pricing model are as follows:

	TI (67%)	TI (33% deferred)	ATI FY2018 (ROFE)	ATI FY2019 (ROFE)	Legacy LTI Tranche 3	Legacy LTI Tranche 2
Dividend yield	5.9%	5.7%	5.9%	5.9%	7.6%	6.4%
Risk free rate	2.1%	2.1%	2.2%	2.3%	3.1%	3.7%
Expected volatility	24.6%	23.9%	23.8%	21.2%	18.7%	17.6%
Days to vesting	1,022	1,263	1,371	1,764	994	927
Exercise price	-	-	-	-	-	-
Share price at grant date	\$2.50	\$2.48	\$2.36	\$2.64	\$3.22	\$4.21
Fair value at grant date	\$2.12	\$2.04	\$1.88	\$1.98	\$2.30	\$3.62

The weighted average inputs to the valuation of LTI performance rights valued using the Monte Carlo option pricing model are as follows:

	ATI FY2018 (RTSR)	ATI FY2019 (RTSR)
Dividend yield	6.3%	5.5%
Risk free rate	2.7%	2.9%
Expected volatility	25.0%	25.0%
Days to vesting	1,371	1,764
Exercise price	-	-
Share price at grant date	\$2.36	\$2.64
Fair value at grant date	\$0.99	\$1.25

Service and non-market performance conditions attached to the arrangements outlined in the above tables were not taken into account in measuring fair value. Market performance conditions associated with the ATI FY2018 (RTSR) and ATI FY2019 (RTSR) have been reflected in the fair value of the related performance rights. Expected volatility has been based upon an evaluation of the historical volatility of Metcash's share price, particularly over the historical period commensurate with the expected term. Performance rights are only exercisable on their vestment date.

STI Performance Rights

The FY2015 STI performance rights will be issued based on the volume-weighted average price (VWAP) of Metcash's shares for the five days ending 15 August 2015. The rights were valued at \$0.2 million, represented by the nominal value of the STI entitlement of the executives as calculated in accordance with the STI Plan rules.

Metcash issued 47,565 performance rights in relation to the FY2014 STI at \$2.86 per right (FY2013 STI: 368,909 performance rights issued at \$3.56 per right). The performance right value was based upon the VWAP of Metcash's shares for the five days ended 15 August 2014.

(c) Reconciliation of outstanding performance rights

Rights Plan

The following table illustrates the movement in the number of performance rights during the year:

	2015 number	2014 number
Outstanding at the beginning of the year	2,940,325	4,489,265
Granted during the year – LTI	14,165,807	-
Granted during the year – STI	47,565	368,909
Exercised during the year – STI	(47,565)	(368,909)
Reinstated/(expired/forfeited) during the year- LTI	(2,419,352)	(1,548,940)
Outstanding at the end of the year	14,686,780	2,940,325

NOTES TO THE *FINANCIAL STATEMENTS*

Year ended 30 April 2015

19. SHARE-BASED PAYMENTS (continued)

(c) Reconciliation of outstanding performance rights (continued)

The outstanding balance of performance rights as at 30 April 2015 is represented by:

Scheme name	Vesting date	Total outstanding (number)	Exercisable (number)	Remaining contractual life
Legacy LTI - Tranche 3 (FY2013-FY2015) ⁽¹⁾	7 September 2015	1,091,757	-	4 months
TI (67%)	15 August 2017	7,824,915	-	2 years 4 months
TI (33% deferred)	15 April 2018	3,997,864	-	3 years
ATI FY2018 (ROFE)	15 August 2018	352,314	-	3 years 4 months
ATI FY2018 (RTSR)	15 August 2018	352,314	-	3 years 4 months
ATI FY2019 (ROFE)	15 August 2019	533,808	-	4 years 4 months
ATI FY2019 (RTSR)	15 August 2019	533,808	-	4 years 4 months
Total		14,686,780	-	

(1) The Tranche 3 Performance Rights did not achieve the minimum underlying EPS performance hurdle. Accordingly, these Performance Rights will be forfeited on 7 September 2015.

(d) Expense recognised in profit or loss

For details on the related employee benefits expense, see Note 3.

20. 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	
	2015 \$m	2014 \$m
Current assets	2,715.1	2,891.3
Total assets	5,387.1	7,514.6
Current liabilities	4,258.0	4,344.5
Total liabilities	4,258.0	4,344.5
Net assets	1,129.1	3,170.1
Contributed equity	3,057.8	2,974.0
Retained earnings/(accumulated losses)	(1,933.8)	196.0
Share based payments reserve	5.1	0.1
Total equity	1,129.1	3,170.1
Net profit/(loss) for the year	(1,991.1)	219.3
Total comprehensive income for the year, net of tax	(1,991.1)	219.3

Metcash Limited has provided guarantees as part of the Closed Group arrangements as disclosed in Appendix B.

The net assets of Metcash Limited include an impairment provision of \$1,944.1 million (2014: nil) against the entity's investment in its subsidiary Metcash Trading Limited. This provision was recognised in FY2015. The impairment was triggered by the reduction in the recoverable amounts of the Group's CGUs, and in particular the Food & Grocery and Hardware CGUs, as set out in Note 11.

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

21. AUDITORS REMUNERATION

	2015 \$	2014 \$
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- an audit or review of the financial statements of the entity and any other entity in the Group	1,847,000	1,564,000
- assurance related	115,200	81,000
	1,962,200	1,645,000
Other services in relation to the entity and any other entity in the Group		
- tax compliance and advisory	443,831	462,577
- tax ATO audit	-	696,483
	443,831	1,159,060
	2,406,031	2,804,060

22. BUSINESS COMBINATIONS

During the year, the Metcash Group acquired the following entities or assets:

Date of acquisition	Acquiree	% acquired
5 May 2014	Midas Australia Pty Ltd	100%
30 May 2014	Liquor Traders Pty Ltd	100%
30 June 2014	Far North Wholesalers & Hanly Confectionary	100%
30 March 2015	Southern Independent Liquor Group	100%

During the current year, MF&G acquired Far North Wholesalers & Hanly Confectionary in order to broaden its footprint in the Far North Queensland region. Automotive acquired Midas Australia Pty Ltd and Liquor acquired Liquor Traders Pty Ltd and Southern Independent Liquor Group which were synergistic fits to the existing businesses. The total purchase consideration for these businesses was \$34.1 million which resulted in goodwill of \$9.7 million being recognised. The business combinations were not individually significant, and are disclosed below in aggregate.

(a) Purchase price allocation

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

	April 2015 \$m
Purchase consideration:	
Cash consideration	34.1
Less: cash acquired	(2.1)
Net cash consideration	32.0
Plus: Deferred and contingent consideration	4.5
Plus: Settlement of pre-existing relationships	1.0
Net purchase consideration	37.5
Less: fair value of net identifiable assets acquired	(27.8)
Goodwill	9.7

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

22. BUSINESS COMBINATIONS (continued)

(a) Purchase price allocation (continued)

	April 2015 \$m
Assets and liabilities assumed:	
Receivables	2.2
Inventories	2.9
Property, plant and equipment	1.4
Intangibles – trade names	25.6
Deferred tax liability	(1.2)
Provisions and creditors	(3.1)
Fair value of net identifiable assets on acquisition date	27.8

The carrying amounts of acquired receivables approximated their gross contractual amounts and the estimated collectible amounts at the dates of acquisition. The fair value of all identifiable assets and liabilities acquired approximated their carrying values at the dates of acquisition.

The goodwill recognised on the above acquisitions is attributed to the expected synergies and other benefits from combining the assets and activities of the acquired entities. Goodwill acquired on the above business combinations is treated as a capital asset for tax purposes.

The costs incurred in completing these acquisitions have been included within 'administrative costs' in the Statement of Comprehensive Income as they do not relate to material acquisitions.

The accounting for the above business combinations is provisional as at 30 April 2015.

Since acquisition, the acquired businesses have been integrated into the existing business. Accordingly, the Group is not able to reliably disaggregate the revenue and profit and loss of the acquired businesses from the acquisition date or from the beginning of the reporting period.

23. EARNINGS PER SHARE

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

	2015 \$m	2014 \$m
Net profit/(loss) from continuing operations	(384.2)	179.7
Earnings used in calculating basic and diluted EPS from continuing operations	(384.2)	179.7
Net profit/(loss) from discontinued operations	-	(10.5)
Earnings used in calculating basic and diluted EPS from discontinued operations	-	(10.5)
Net profit/(loss) attributable to ordinary equity holders of Metcash Limited	(384.2)	169.2
Earnings used in calculating basic and diluted EPS	(384.2)	169.2

NOTES TO THE *FINANCIAL STATEMENTS*

Year ended 30 April 2015

23. EARNINGS PER SHARE (continued)

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

	2015 number	2014 number
Weighted average number of ordinary shares used in calculating basic EPS	907,012,053	882,676,013
Effect of dilutive securities	-	-
Weighted average number of ordinary shares used in calculating diluted EPS	907,012,053	882,676,013

At the reporting date, 14,686,780 performance rights (2014: 2,940,325) were outstanding that could potentially dilute basic EPS in the future, but were not included in the calculation of diluted EPS because they are anti-dilutive for the periods presented. Refer Note 19 for more details about performance rights.

Of the interim fully franked dividend of \$58.7 million, \$44.1 million was settled by the issue of 25,048,302 shares under the DRP at a discount of 1%. The discount component did not have a material impact on the basic or diluted EPS for all periods presented.

24. DISCONTINUED OPERATIONS

Retail operations acquired as part of the Franklins Group acquisition in FY2012 were classified as disposal group assets. In FY2014, Metcash completed, either through sale or closure, the disposal of all the retail stores acquired. Accordingly, no items of income or expense were recognised as discontinued operations from 1 May 2014.

25. CONTINGENT ASSETS AND LIABILITIES

	2015 \$m	2014 \$m
Bank guarantees to third parties in respect of property lease obligations	26.7	20.0
Bank guarantees in respect of Work Cover	21.8	29.0
Standby letters of credit	0.7	1.2
Face value of the outstanding charges due to American Express (a)	202.8	238.9
Put options to third parties (b)	7.0	7.5
Put options related to equity-accounted investments (b)	10.8	2.3

For contingent assets and liabilities related to the Group's equity-accounted investments, refer to Note 9.

(a) American Express charge card

On 9 May 2007, Metcash Trading Limited entered into an agreement with American Express (Amex), due to expire on 1 May 2016, 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.

NOTES TO THE *FINANCIAL STATEMENTS*

Year ended 30 April 2015

25. CONTINGENT ASSETS AND LIABILITIES (continued)

(b) Put options – contingent liabilities

The Group has granted put options relating to the sale of retail store assets to certain customers. 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. This amount is recorded as a contingent liability of \$7.0 million (2014: \$7.5 million) in the above table relates to one retail store. This put option is active until April 2022.

The Group has entered into certain put option arrangements with co-investors, which if exercised would result in an increase in Metcash's ownership interest in the equity-accounted joint venture. 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. The amount disclosed as a contingent liability of \$10.8 million (2014: \$2.3 million) in the above table relates to three equity-accounted investments. These put options are exercisable during specific contracted periods ranging between 2015 and 2022.

The Group has determined that the probability of material outflow relating to put arrangements over all other retail stores and equity-accounted investments is remote.

(c) Put options recognised as liabilities

Certain put option arrangements with minority shareholders of partially owned subsidiaries, if exercised, would result in an increase in Metcash's ownership interest in the subsidiaries, subject to specific terms and conditions. Where such an arrangement is deemed to be part of the business combination a financial liability is recognised on the acquisition date measured at the present value of the redemption amount under the option. Refer Note 14 for details of this \$40.7 million (2014: \$46.6 million) liability.

26. SUBSEQUENT EVENTS

On 15 June 2015, Metcash announced it had reached agreement with Burson Group Limited (ASX: BAP) for the sale of the entire issued share capital of Metcash Automotive Holdings Pty Ltd ("Metcash Automotive") for a total consideration of \$275 million. This represents both the Group's and the minority shareholder's interests in Metcash Automotive. Metcash expects to receive net proceeds after tax of ~\$210 million from the sale. The transaction is expected to complete in July 2015. The Metcash Automotive business generated \$256.4 million in sales and contributed \$27.8 million in EBIT during FY2015. Proceeds from the sale will be invested in the Group's balance sheet and business.

On 26 May 2015, Metcash entered into 2 bilateral loans of \$100.0 million each. These bilateral loans both expire in May 2016 and may only be drawn down to repay other existing debt facilities. In the event that a sale of Metcash's interest in Metcash Automotive is completed during the life of the loan, then the loans must be repaid in full and the facility cancelled.

Except as noted above, there were 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.

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

APPENDIX A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) **BASIS OF ACCOUNTING**

The financial statements are 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 statements have 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 using options pricing models.

The financial statements are 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 28 April 2014 and ended on 26 April 2015. The prior year results comprise a 52 week period that commenced on 29 April 2013 and ended on 27 April 2014.

(ii) **STATEMENT OF COMPLIANCE**

The financial statements comply with Australian Accounting Standards. The financial statements also comply with International Financial Reporting Standards (IFRS).

(a) **Changes in accounting policy**

The Group adopted all new and amended Australian Accounting Standards and Interpretations that became applicable during the current financial year.

The adoption of these Standards and Interpretations did not have a significant impact on the Group's financial results or statement of financial position. All other accounting policies are consistent with those of the previous financial year.

(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 as at 30 April 2015. The Group has elected not to early adopt any of these new standards or amendments in these financial statements. 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 9: *Financial Instruments*;
- AASB 15: *Revenue from Contracts with Customers*;
- AASB 2014-10: *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*;
- AASB 2015-1: *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*;
- AASB 2015-2: *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*; and
- AASB 2015-3: *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*.

Other standards and interpretations that have been issued but are not yet effective are not expected to have any significant impact on the Group's financial statements in the year of their initial application.

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

APPENDIX A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) BASIS OF CONSOLIDATION

The financial statements comprise the consolidated financial statements of Metcash Limited and its controlled entities for the year ended 30 April 2015. Refer Appendix B for further details.

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 is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 entities controlled 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 or relationship with the acquiree) is goodwill or a discount on acquisition.

Arrangements within certain business combinations entitle the non-controlling interests to require the Group to acquire their shareholding via exercise of a put option, subject to specific terms and conditions. Where such an arrangement is deemed to be part of the business combination, a financial liability is recognised on the acquisition date measured at the present value of the redemption amount under the arrangement.

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 *Financial Instruments: Recognition and Measurement* either in profit or loss or as a change to other comprehensive income.

Non-controlling interests are allocated their share of net profit after tax in the Statement of Comprehensive Income and are presented within equity in the Statement of Financial Position, separately from the parent shareholders' equity.

For those controlled entities 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, the following judgements were made, apart from those involving estimations, which have a significant effect on the amounts recognised in the financial statements:

Assessment of control and joint control

Determining the existence of control, joint control or significant influence over the Group's acquisitions. Where the Group exercises significant influence or joint control, the acquisitions are accounted for as joint arrangements (refer Appendix A(ix)); and where the Group exercises control, the acquisitions are accounted for as business combinations (refer Appendix A (iii)).

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

APPENDIX A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) **SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

(a) **Significant accounting judgements (continued)**

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 22.

Contractual customer relationships

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

(b) **Significant accounting estimates and assumptions**

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of goodwill

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill is allocated. The assumptions used in this estimation of the recoverable amount and the carrying amount of goodwill are discussed in Note 11(b).

Provision for rental subsidy

The Group recognises provisions for rental agreements on acquisition where the arrangements are estimated to be 'onerous' to the Group (Refer Note 13(b)(i) for further discussion). In measuring these provisions, assumptions are made about future retail sales, rental costs and in determining the appropriate discount rate to be used in the cash flow calculations.

Provision for onerous arrangements and restructuring

The Group has recognised a provision in accordance with the accounting policy described in Appendix A(xix). The Group assesses obligations for onerous arrangements on retail and other head lease exposures, property make-good, restructuring and other costs. These estimates are determined using assumptions on retail and warehouse profitability, property related costs, customer support requirements, redundancy and other closure or restructure costs.

Contractual customer relationships

The useful life of contractual customer relationships of between 5 to 25 years includes estimates of future attrition rates based on historical rates experienced. Recoverable amounts are assessed using estimates of retail and warehouse profitability, future attrition rates, discount rates and customer support requirements.

Impairment of equity-accounted investments

The Group assesses the recoverable amount of its equity-accounted investments when an indicator of impairment is identified. In assessing the recoverable amount, assumptions are made about the growth prospects of the investment 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.

Assets held for sale and property

Where specific items of assets held for sale and property are measured at fair value, the measurement includes estimates of rental income, capitalisation rates, resale values, and ongoing support requirements.

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

APPENDIX A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(vi) CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position comprise cash on hand, at bank and demand deposits with a maturity of three months or less.

(vii) 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 7 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.

(viii) 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.

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 in other comprehensive income, 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.

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the income statement as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the income statement as finance costs. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the profit and loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and carried forward to the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement as finance costs.

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

APPENDIX A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(viii) DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised in finance costs. Refer to Note 8 for more details.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances including the underlying contracted cash flows.

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made.

(ix) EQUITY-ACCOUNTED INVESTMENTS

The Group's investments in joint ventures and associates are accounted for using the equity method. Associates are those entities over which the Group exercises significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Equity-accounted investments are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the investee, less any impairment in value. Goodwill relating to an investment is included in the carrying amount of the investment and is not amortised. The statement of comprehensive income reflects the Group's share of the results of operations of the investees.

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

For those associates and joint ventures 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.

(x) 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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

APPENDIX A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(xi) **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 and assets under construction.

Major depreciation periods are:

	2015	2014
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.

(xii) **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 pre-tax 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 statement of comprehensive income.

Goodwill

Goodwill is tested for impairment at least annually and more frequently if events or changes in 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, representing the lowest level within the entity at which the goodwill is monitored for internal management purposes) 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 names are 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.

(xiii) **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 - 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.

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

APPENDIX A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(xiii) LEASES (continued)

Operating leases - 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.

(xiv) 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 acquiree'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.

(xv) 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. Customer contracts are valued by applying a discounted cash flow valuation methodology with consideration given to customer retention and projected future cash flows to the end of the contract period. Contractual customer relationships are assessed to have a finite life and are amortised over the asset's useful life.

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

APPENDIX A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(xv) INTANGIBLE ASSETS (continued)

Liquor licences and gaming licences are valued at cost. They are considered to have an indefinite useful life. As a consequence, no amortisation is charged. They are tested for impairment annually as part of their respective CGUs (refer Appendix A(xii)) and whenever an indication of impairment exists. Any impairment is recognised immediately in profit or loss.

Software development costs incurred on an individual project are carried forward when future recoverability can reasonably be assured and where the Group has an intention and ability to use the asset. 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 as part of their respective CGUs (refer Appendix A(xii)) or more frequently when an indicator of impairment exists.

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

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

	2015	2014
Customer contracts	5-25 years	5-25 years
Software development costs	5-10 years	5-10 years
Other	10 years	10 years

(xvi) TRADE AND OTHER PAYABLES

Trade 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.

(xvii) 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, 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 due to be settled within 12 months of the reporting date are classified as current liabilities. 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. 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.

(xviii) 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.

NOTES TO THE *FINANCIAL STATEMENTS*

Year ended 30 April 2015

APPENDIX A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(xix) 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 statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are measured at the net present value of the expected future cash outflows using a current pre-tax rate that reflects the risks specific to the liability. During each period the provision is increased by an amount that is equal to the provision multiplied by the discount rate. This increment, including any change in the value of the provision as a result of a change in discount rate, is treated as a finance cost in the Statement of Comprehensive Income.

Provisions for property lease and remediation costs 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.

(xx) SHARE-BASED PAYMENT TRANSACTIONS

The Group provides a portion of senior executive and key employee remuneration as equity-settled share-based payments, in the form of performance rights.

The value of the performance rights issued is determined on the date which both the employee and the Group understand and agree to the share-based payment terms and conditions (grant date). The value at grant date is based upon the fair value of a similar arrangement between the Group and an independent third party and is determined using an appropriate valuation model. The fair value does not consider the impact of service or performance conditions, other than conditions linked to the share price of Metcash Limited (market conditions). Details of the valuation models used and fair values for each tranche of performance rights issued are outlined in Note 19.

The fair value of performance rights is recognised as an expense, together with a corresponding increase in equity, over the period between grant date and the date on which employee becomes fully entitled to the award (vesting date). This expense is recognised cumulatively by estimating the number of performance rights expected to vest. This opinion is formed based on the best available information at the reporting date. No adjustment is made for the likelihood of market conditions being met as the effect of these conditions is included in the determination of fair value at grant date. Where the performance rights are cancelled, any expense not yet recognised for the award is recognised immediately.

The dilutive effect, if any, of outstanding performance rights are reflected as additional share dilution in the computation of earnings per share.

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

APPENDIX A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(xxi) 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 and is classified within 'other income'.

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 and is classified within 'other income'. Contingent rental income is recognised as income in the periods in which it is earned.

(xxii) 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.

Certain provisions are measured at their discounted value. During each period the provision is increased by an amount that is equal to the provision multiplied by the discount rate. This increment, including any change in the value of the provision as a result of a change in discount rate, is treated as a finance cost in the Statement of Comprehensive Income.

(xxiii) 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

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

APPENDIX A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(xxiii) INCOME TAX (continued)

- 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 statement of comprehensive income.

(xxiv) OTHER TAXES

Revenues, expenses, assets and liabilities 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 statement of financial position.

Cash flows related to GST 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.

(xxv) 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 are 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.

NOTES TO THE *FINANCIAL STATEMENTS*

Year ended 30 April 2015

APPENDIX A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(xxvi) 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.

(xxvii) 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. The sale must be committed to and 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. Once classified as held for sale, property, plant and equipment and intangible assets are not depreciated or amortised.

(xxviii) RETAIL DEVELOPMENT ASSETS

Costs incurred in respect of a greenfields development which involves the lease or acquisition of land and subsequent construction of a retail store or shopping centre are capitalised as assets under construction and included in property, plant and equipment. On conclusion of the development the capitalised costs are transferred to non-current assets held for sale provided they meet the criteria detailed in Appendix A(xxvii).

Costs incurred in respect of the acquisition of an existing retail store or shopping centre are capitalised as non-current assets held for sale provided they meet the recognition criteria in Appendix A(xxvii). Any costs subsequent to acquisition required to refurbish the site are capitalised as assets under construction during the refurbishment phase. Once the refurbishment is completed the acquisition costs and refurbishment costs are transferred either to property, plant and equipment or to assets held for sale.

(xxix) 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.

(xxx) COMPARATIVE INFORMATION

Certain comparative information was amended in these financial statements to conform to the current year presentation. These amendments do not impact the Group's financial results and do not have any significant impact on the Group's balance sheet.

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

APPENDIX B - INFORMATION ON SUBSIDIARIES

Metcash Limited is the ultimate parent entity of the Group. The consolidated financial statements include the financial statements of Metcash Limited and the subsidiaries listed in the following table. All entities are incorporated in Australia except where specifically identified.

Name	Equity interest held by the Group	
	2015 %	2014 %
ACN 008 698 093 (WA) Pty Ltd	99.4	99.4
A.C.N. 131 933 376 Pty Ltd	100	100
Action Holdco Pty Limited	-	100
Action Holdings Pty Ltd (i)	100	100
Action Projects Proprietary Limited	100	100
Action Supermarkets Pty Ltd (i)	100	100
Amalgamated Confectionery Wholesalers Pty. Ltd. (i)	100	100
Anzam (Aust.) Pty Ltd (i)	100	100
Arrow Pty Limited	100	100
Australian Asia Pacific Wholesalers Pty Ltd	100	100
Australian Hardware Support Services Pty Ltd (i)	100	100
Australian Liquor Marketers (QLD) Pty Ltd (i)	100	100
Australian Liquor Marketers (WA) Pty Ltd (i)	100	100
Australian Liquor Marketers Pty Limited (i)	100	100
Blue Lake Exporters Pty Ltd	-	100
Bofeme Pty Ltd	-	100
Capeview Hardware Pty Ltd.	80	80
Casuarina Village Shopping Centre Pty. Ltd.	100	100
Chelsea Heights Operations Pty Limited (i)	100	100
City Ice and Cold Storage Company Proprietary Limited	100	100
Clancy's Food Stores Pty Limited	100	100
Composite Buyers Finance Pty. Ltd.	100	100
Composite Buyers Pty Limited	100	100
Composite Pty. Ltd.	100	100
Cornerstone Retail Pty Ltd	100	100
Davids Food Services Pty Ltd	100	100
Davids Group Staff Superannuation Fund Pty. Ltd.	100	100
Denham Bros. Pty Limited	100	100
DIY Superannuation Pty Ltd (i)	100	100
Drumstar V2 Pty Ltd	100	100
Echuca Hardware Pty Ltd (i)	100	100
Faggs Geelong Pty Ltd	75	75
FAL Properties Pty. Ltd.	100	100
FAL Share Plan Nominees Pty Ltd	-	100
FAL Superannuation Fund Pty Ltd	100	100
Five Star Wholesalers Pty. Ltd.	100	100
Foodchain Holdings Pty Ltd	100	100
Foodland Properties Pty Ltd	100	100
Foodland Property Holdings Pty. Ltd.	100	100
Foodland Property Unit Trust	100	100
Franklins Pty Ltd (i)	100	100
Franklins Supermarkets Pty Ltd (i)	100	100
Franklins Franchising Pty Ltd (i)	100	100
Franklins Bankstown Square Pty Ltd (i)	100	100
Franklins Bass Hill Pty Ltd (i)	100	100
Franklins Blacktown Pty Ltd (i)	100	100
Franklins Bonnyrigg Pty Ltd (i)	100	100
Franklins Ulladulla Pty Ltd (i)	100	100

NOTES TO THE *FINANCIAL STATEMENTS*

Year ended 30 April 2015

APPENDIX B - INFORMATION ON SUBSIDIARIES (continued)

Name	Equity interest held by the Group	
	2015 %	2014 %
Franklins Casula Pty Ltd (i)	100	100
Franklins Cronulla Pty Ltd (i)	100	100
Franklins Drummoyne Pty Ltd (i)	100	100
Franklins Liverpool Pty Ltd (i)	100	100
Franklins Macquarie Pty Ltd (i)	100	100
Franklins Maroubra Pty Ltd (i)	100	100
Franklins Merrylands Pty Limited (i)	100	100
Franklins Moorebank Pty Limited (i)	100	100
Franklins North Rocks Pty Ltd (i)	100	100
Franklins Pennant Hills Pty Ltd (i)	100	100
Franklins Penrith Nepean Pty Ltd (i)	100	100
Franklins Penrith Plaza Pty Ltd (i)	100	100
Franklins Rockdale Plaza Pty Ltd (i)	100	100
Franklins Singleton Pty Ltd (i)	100	100
Franklins Spit Junction Pty Ltd (i)	100	100
Franklins Westleigh Pty Ltd (i)	100	100
Franklins Wetherill Park Pty Ltd (i)	100	100
Franklins Wentworthville Pty Ltd (i)	100	100
Fresco Supermarket Holdings Pty Ltd (i)	100	100
FW Viva 3 Pty Ltd (i)	100	100
Garden Fresh Produce Pty Ltd	100	100
Gawler Supermarkets Pty. Ltd.	100	100
Global Liquor Wholesalers Pty Limited (i)	100	100
GP New Co Pty Ltd	100	100
Green Triangle Meatworks Pty Limited	100	100
Handyman Stores Pty Ltd (i)	100	100
Hardware Property Trust	100	100
Harvest Liquor Pty. Ltd.	-	100
Himaco Pty Ltd (i)	100	100
IGA Community Chest Limited (ii)	100	100
IGA Distribution (SA) Pty Limited (i)	100	100
IGA Distribution (Vic) Pty Limited (i)	100	100
IGA Distribution (WA) Pty Limited (i)	100	100
IGA Fresh (Northern Queensland) Pty Limited (i)	100	100
IGA Fresh (NSW) Pty Limited (i)	100	100
IGA Pacific Pty Limited	100	100
IGA Retail Network Limited	100	100
IGA Retail Services Pty Limited (i)	100	100
Independent Brands Australia Pty Limited (i)	100	100
Independent Solutions Pty Ltd (previously Scanning Systems (Aust) Pty Ltd)	100	100
Interfrank Group Holdings Pty Ltd(i)	100	100
Jewel Food Stores Pty. Ltd.	100	100
Jewel Superannuation Fund Pty Ltd	-	100
Jorgensens Confectionery Pty. Limited	100	100
JV Pub Group Pty Ltd	100	100
Keithara Pty. Ltd.	100	100
Knoxfield Transport Service Pty. Ltd.	100	100
Lilydale Operations Pty Limited (i)	100	100
Liquor Traders Pty Ltd	100	-
M-C International Australia Pty Limited	100	100
Mega Property Management Pty Ltd (i)	100	100
Melton New Co Pty Ltd	100	100

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

APPENDIX B - INFORMATION ON SUBSIDIARIES (continued)

Name	Equity interest held by the Group	
	2015 %	2014 %
Mermaid Tavern (Freehold) Pty Ltd	100	100
Metcash Asia Limited (incorporated in China)	100	-
Metcash Automotive Holdings Pty Ltd***	83.2	83.2
Metcash Export Services Pty Ltd	100	100
Metcash Food & Grocery Pty Ltd (i)	100	100
Metcash Food & Grocery Convenience Division Pty Limited (i)	100	100
Metcash Holdings Pty Ltd	100	100
Metcash Management Pty Limited	100	100
Metcash Services Proprietary Limited	100	100
Metcash Storage Pty Limited	100	100
Metcash Trading Limited (i)	100	100
Metoz Holding Limited (incorporated in South Africa)	100	100
Metro Cash & Carry Pty Limited	100	100
Mirren (Australia) Pty. Ltd.	100	100
Mitre 10 Pty Ltd (i)	100	100
Mitre 10 Australia Pty Ltd (i)	100	100
Mitre 10 Mega Pty Ltd (i)	100	100
Mittenmet Pty. Ltd. (i)	100	100
Moorebank Transport Pty Ltd	100	100
Moucharo Pty. Ltd.	100	100
Narellan Hardware Pty Ltd (i)	100	100
National Retail Support Services Pty Ltd (i)	100	100
Newton Cellars Pty Ltd	100	100
NFRF Developments Pty Ltd	51	51
Nu Fruit Pty. Ltd.	51	51
Payless Superbarn (N.S.W.) Pty Ltd	100	100
Payless Superbarn (VIC.) Pty. Ltd.	100	100
Pinnacle Holdings Corporation Pty Limited	100	100
Plympton Properties Pty. Ltd.	100	100
Produce Traders Trust (previously Garden Fresh Produce Trust)	100	100
Property Reference Pty. Limited	100	100
QIW Pty Limited	100	100
Queensland Independent Wholesalers Pty Limited	100	100
Quickstop Pty Ltd (i)	100	100
Rainbow Supermarkets Pty Ltd	100	100
Rainbow Unit Trust	100	100
Rainfresh Vic Pty. Ltd.	51	51
Regeno Pty Limited	100	100
Regzem (No 3) Pty. Ltd.	100	100
Regzem (No 4) Pty. Ltd.	100	100
Rennet Pty. Ltd.	100	100
Retail Merchandise Services Pty. Limited	100	100
Retail Stores Development Finance Pty. Limited	100	100
Rockblock Pty. Ltd.	100	100
Roma Hardware Pty Ltd (i)	100	100
R.S.D.F. Nominees Pty. Ltd.	100	100
Soetensteeg 2 61 Exploitatiemaatschappij BV (incorporated in Netherlands)	100	100
SSA Holdings Pty Ltd	100	100
Scanning Systems (Fuel) Pty Ltd	100	100
Smart IP Co Pty Ltd	100	100
South Coast Operations Pty Ltd (i)	100	100
South West Operations Pty Ltd (i)	100	100

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

APPENDIX B - INFORMATION ON SUBSIDIARIES (continued)

Name	Equity interest held by the Group	
	2015 %	2014 %
SR Brands Pty Ltd	100	100
Stonemans (Management) Proprietary Limited	100	100
Stonemans Self Service Pty. Ltd.	100	100
Sunshine Hardware Pty Ltd	84.7	84.7
Tasher No 8 Pty. Ltd.	100	100
Tasman Liquor Company Limited (incorporated in New Zealand)	100	100
Tasmania Hardware Pty Ltd	80	80
Timber and Hardware Exchange Pty Ltd	52	52
Vawn No 3 Pty. Ltd.	100	100
WA Hardware Services Pty Ltd (i)	100	100
Wickson Corporation Pty Limited(i)	100	100
Wimbledon Unit Trust	100	100

*** Metcash Automotive Holdings Pty Ltd

The consolidated financial statements include the financial statements of Metcash Automotive Holdings Pty Ltd ('MAH') and its subsidiaries as listed in the following table.

Name	Equity interest held by MAH	
	2015 %	2014 %
Australian Automotive Distribution Pty Limited	100	100
Automotive Brands Group Pty Ltd	100	100
Midas Australia Pty Ltd	100	-

Entities subject to class order relief

Pursuant to an order from ASIC under section 340(1) of the *Corporations Act 2001* 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.

NOTES TO THE **FINANCIAL STATEMENTS**

Year ended 30 April 2015

APPENDIX B - INFORMATION ON SUBSIDIARIES (continued)

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

	2015 \$m	2014 \$m
(i) Statement of Comprehensive Income		
Profit/(loss) before income tax	(405.8)	237.0
Income tax expense	(2.6)	(86.8)
Net profit/(loss) for the year	(408.4)	150.2
Retained profits/(accumulated losses) at the beginning of the financial year	(634.7)	(556.1)
Dividends provided for or paid	(138.7)	(229.0)
Reserves transferred	-	0.2
Retained profits/(accumulated losses) at the end of the financial year	(1,181.8)	(634.7)
(ii) Statement of Financial Position		
Assets		
Cash and cash equivalents	58.5	7.8
Trade receivables and loans	987.2	1,067.8
Inventories	602.6	638.5
Assets held for sale	26.1	41.1
Derivative financial instruments	0.2	1.8
Prepayments and other assets	11.2	11.3
Total current assets	1,685.8	1,768.3
Derivative financial instruments	104.2	46.3
Trade receivables and loans	28.0	45.5
Investments	2,686.7	2,645.5
Property, plant and equipment	243.1	273.5
Net deferred tax assets	124.8	71.6
Intangible assets and goodwill	835.4	1,342.2
Total non-current assets	4,022.2	4,424.6
Total assets	5,708.0	6,192.9
Liabilities		
Trade and other payables	1,295.0	1,346.3
Derivative financial instruments	0.8	1.6
Interest-bearing loans and borrowings	56.9	13.5
Income tax payable	6.5	20.2
Provisions	114.7	116.6
Other financial liabilities	22.3	13.0
Total current liabilities	1,496.2	1,511.2
Interest-bearing loans and borrowings	3,597.3	3,631.1
Derivative financial instruments	6.3	0.1
Provisions	142.6	103.6
Other financial liabilities	22.7	40.6
Total non-current liabilities	3,768.9	3,775.4
Total liabilities	5,265.1	5,286.6
Net assets	442.9	906.3
Equity		
Contributed equity	2,391.9	2,308.1
Other equity	(765.9)	(765.9)
Other reserves	(1.3)	(1.2)
Retained profits/(accumulated losses)	(1,181.8)	(634.7)
Total equity	442.9	906.3

DIRECTORS' DECLARATION

Year ended 30 April 2015

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 2015 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*;
 - b. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Appendix A (ii); and
 - 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 2015.
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 Appendix B 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



Ian Morrice
Director
Sydney, 15 June 2015



Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

Auditor's Independence Declaration to the Directors of Metcash Limited

In relation to our audit of the financial report of Metcash Limited for the financial year ended 30 April 2015, 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.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'RRobinson'.

Renay Robinson
Partner
15 June 2015



Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001
Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
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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 2015, 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 Appendix A, 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 Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001
Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
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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 2015 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 Appendix A.

Report on the remuneration report

We have audited the Remuneration Report included in pages 44 to 58 of the directors' report for the year ended 30 April 2015. 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 2015, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Robinson'.

Renay Robinson
Partner
Sydney
15 June 2015

ASX ADDITIONAL INFORMATION ►

ASX Additional Information – Year ended 30 April 2015

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

The information is current as at 8 July 2015:

Distribution of Equity Securities

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

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS	SIZE OF HOLDING	NUMBER OF SHAREHOLDERS
1-1,000	7,848	10,001-100,000	5,922
1,001-5,000	17,769	100,001-9,999,999,999	243
5,001-10,000	7,016	Total	38,798

There were 3,299 shareholders holding less than a marketable parcel of Metcash ordinary shares.

Twenty largest holders of quoted shares

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

NAME	NUMBER OF SHARES	PERCENTAGE OF SHARES
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	157,487,212	16.96
J P MORGAN NOMINEES AUSTRALIA LIMITED	139,364,686	15.01
NATIONAL NOMINEES LIMITED	131,719,769	14.19
CITICORP NOMINEES PTY LIMITED	109,864,226	11.83
BNP PARIBAS NOMS PTY LTD <DRP>	17,131,952	1.85
UBS NOMINEES PTY LTD	9,695,522	1.04
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	9,354,659	1.01
NATIONAL NOMINEES LIMITED <DB A/C>	7,482,169	0.81
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PI POOLED A/C>	7,351,971	0.79
SHARE DIRECT NOMINEES PTY LTD <10026 A/C>	5,821,000	0.63
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	4,982,049	0.54
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	4,963,703	0.54
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <MBA A/C>	3,731,465	0.40
BNP PARIBAS NOMS (NZ) LTD <DRP>	2,554,440	0.28
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	2,310,054	0.25
AMP LIFE LIMITED	1,978,787	0.21
NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	1,916,696	0.21
NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	1,755,783	0.19
VALADON PTY LTD	1,600,000	0.17
MR KIMBERLEY SCOTT & MRS SALLIE ANNE SCOTT <K & S SCOTT SUPER FUND A/C>	1,600,000	0.17
Total	622,666,143	67.07

Substantial Shareholders

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

	NUMBER OF SHARES		NUMBER OF SHARES
Allan Gray Australia Pty Ltd	110,353,580	Westpac Banking Corporation	49,906,543
Lazard Asset Management Pacific Co	66,488,344	State Street Corporation and subsidiaries	49,038,460
J P Morgan Chase & Co and its affiliates	59,793,033	BT Investment Management Limited	46,721,068
National Australia Bank Limited	50,026,236		

Voting Rights

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

CORPORATE INFORMATION

Corporate Information

ABN 32 112 073 480

Directors

Peter Barnes (Chairman)
Patrick Allaway
Fiona Balfour
Michael Butler
Tonianne Dwyer
Neil Hamilton
Edwin Jankelowitz
Ian Morrice
Robert Murray

Company Secretary

Gregory C Watson

Share Register

Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001
Telephone: 1300 737 760 (within Australia)
Telephone: 61 2 9290 9600
Facsimile: 61 2 9279 0664

Auditor

Ernst & Young
680 George Street
Sydney NSW 2000 Australia
Telephone: 61 2 9248 5555
Facsimile: 61 2 9248 5959

National Office

Telephone: 61 2 9751 8200
50 Waterloo Road
Macquarie Park NSW 2113
Postal Address
PO Box 6226
Silverwater Business Centre NSW 1811
www.metcash.com

Metcash Food & Grocery

Head Office
Telephone: 61 2 9751 8200
Facsimile: 61 2 9741 3009
50 Waterloo Road
Macquarie Park NSW 2113
Postal Address
PO Box 6226
Silverwater Business Centre NSW 1811

Australian Liquor Marketers

Head Office
Telephone: 61 2 9741 3000
Facsimile: 61 2 9741 3009
4 Newington Road
Silverwater NSW 2128
Postal Address
PO Box 6226
Silverwater Business Centre NSW 1811

Mitre 10

Head Office
Telephone: 61 3 9703 4200
Facsimile: 61 3 9703 4222
12 Dansu Court
Hallam VIC 3803
Postal Address
Locked Bag 10
Doveton VIC 3177

Automotive Brands Group

Head Office
76-92 Station Street
Nunawading VIC 3131
Telephone: 61 3 8878 1111
Facsimile: 61 3 8878 2266

