



31 May 2012

The Manager, Companies
Australian Securities Exchange Limited
Company Announcements Office
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SYDNEY NSW 2000

Metcash Limited

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Dear Sir/Madam

METCASH DISPUTES AMENDED FOREIGN TAX CREDIT DETERMINATIONS

Metcash has been subject to an income tax audit by the Australian Tax Office (ATO) covering the 2005 - 2008 income years. A dispute has arisen with the ATO over a matter specific to the 2006 and 2007 years which has resulted in Metcash receiving notices of amended foreign tax credit (FTC) determinations. The amended determinations are in relation to the imposition of what is effectively double taxation on interest income derived by Metcash's foreign subsidiaries on intercompany loans during the 2006 and 2007 fiscal years. The ATO contends that Metcash is not entitled to any credit for taxes it has already paid on this interest income in South Africa.

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

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

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

Metcash intends to lodge objections to these amended determinations, and if necessary appeal the decision to the Federal Court.

Based on the strength of its position, Metcash does not intend to record an expense in relation to the amended determinations in its April 2012 annual financial statements. Metcash currently intends to disclose the amended determinations as a contingent liability.

Metcash will consider part payment of the disputed amount in accordance with ATO policy during the first quarter of fiscal 2013. If paid, Metcash intends to treat this amount as a receivable pending resolution of the matter.

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

With the exception of the Action Stores matter, which was the subject of our letter to the ASX of 17 May 2011, the ATO has advised Metcash that there are no other areas under consideration in respect of the 2005 – 2008 income tax audit. There have been no any further developments in respect of the Action Stores matter, which remains in dispute.

For further information please call Adrian Gratwicke, Chief Financial Officer on (02) 9741 3248.

Yours faithfully

A handwritten signature in black ink, appearing to read "G. Watson", is written over a large, stylized, light-colored scribble that resembles a signature or a large letter 'G'.

Greg Watson
Company Secretary