Metcash Limited
ABN 32 112 073 480
4 Newington Road
Silverwater
NSW 2128 Australia

PO Box 6226
Silverwater Business Centre
NSW 1811 Australia
Ph: 61 2 9741 3000
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24th May 2006

The Manager, Companies
Australian Stock Exchange
Company Announcements Office
Level 4
20 Bridge Street
SYDNEY NS2W 2000

Dear Sir

RE: METCASH LIMITED – FULL YEAR RESULTS

Please find attached announcement pertaining to the Metcash Limited full year results.

Yours faithfully

John Randall
Company Secretary

Metcash Limited
ABN 32 112 073 480
4 Newington Road
Silverwater
NSW 2128 Australia

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NSW 1811 Australia
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24 May 2006

Media Release

METCASH LIMITED POSTS NEW RECORD ANNUAL PROFIT AND DELIVERS STRONG INCREMENTAL GROWTH POST FOODLAND ACQUISITION

National grocery and liquor wholesale distributor and marketer, Metcash Limited ("Metcash"), has posted its seventh consecutive record annual profit, with further growth expected following the successful integration of the former Foodland Associated Limited's Australian assets.

Metcash's net profit after tax excluding non-recurring significant items rose 23.8 per cent from $103.3 million to $127.9 million in the year to April 30, 2006, whilst cash flow from operations rose from $129 million to $237 million. Wholesale sales increased by 10% to $7.7 billion.

Earnings Before Interest, Tax and Amortisation (EBITA) rose 19.5 per cent to $226.9 million, with earnings per share (excluding non-recurring significant items) lifting 34.7 per cent to 21.55 cents a share.

Directors have announced the group's final dividend will be 6 cents a share, lifting the group's full year dividend from 9.5 cents per share to 11.5 cents per share, a 21% increase. The dividend will be fully franked at 30%, payable on 12 July 2006 with a record date of 30 June 2006.

Chief Executive Officer of Metcash, Mr Andrew Reitzer, said "I am delighted to note the very strong growth from our core operations, particularly our grocery marketing and distribution business, IGA Distribution (IGA>D), during a period dominated by a major acquisition and the subsequent integration of Foodland.

"We are well on track to deliver incremental EBIT in the range of $80 to $90 million resulting from the Foodland acquisition for the 2007 financial year", he added.

The integration of Foodland Associated Ltd's Australian wholesaling operations and retail outlets has proceeded successfully and the newly re-branded IGA chain of 171 stores across Western Australia launched this month, and synergies in Western Australia and Queensland from strong economies of scale are being achieved.

Metcash's core distribution division, IGA>D posted a 7.4 per cent rise in sales to $4.1 billion during the year, with the growth rate being 21 per cent if sales to Franklins' chain of stores are excluded from last year.

IGA>D's market share rose from 13 per cent to 18.5 per cent at year end, according to AC Nielsen, with EBIT growth of 24.1 per cent to $175.8 million.

A range of supply chain efficiencies are now being delivered by IGA>D to the national IGA chain of 1,400 stores, which saw 50 new stores opening and 45 stores refurbished last year.

Campbells Cash and Carry lifted EBIT 22.5 per cent to $21.2 million, with major benefits coming from the addition of four new outlets in Western Australia and the Foodlink Foodservice business.

The division is benefiting from its implementation of Put To Light and Voice Directed Picking technologies, whilst moving its focus from traditional convenience stores to combined petrol/convenience outlets.

The division experienced 20 per cent growth in sales to the petrol and convenience store market over the year, with Campbells' market share now standing at 26 per cent in this sector.

Australian Liquor Marketers posted sales growth of 11.6 per cent to $2.4 billion, with EBIT rising 17.6 per cent to $30.7 million.

ALM's Independent Brands of Australia is achieving success in consolidating more than 1,900 independent liquor stores across Australia under the Cellarbrations, Cheeers and Liquorforce brands.

As a consequence of the completion of the Company's capital re-organisation, the acquisition of the Australian FAL business and corporate governance guidelines, the Remuneration and Nomination Committee of the Board recommended that the majority of directors be non-executive. This advice has been accepted by the Board and Mr Hale and Mr Wesslink have agreed not to seek re-election at the 2006 annual general meeting. This will result in a Board of ten directors, six of whom will be non-executive.

MTS' Dividend Reinvestment Plan (DRP) will remain activated for the payment of the final dividend on ordinary shares. The DRP pricing period will commence on 5 July 2006 (the third trading day after the record date) and end on 18 July 2006.

A 2.5% discount will apply to this Issue Price.

The shares to be allocated to participants under the DRP will be purchased on market to neutralise any dilutionary effect of the DRP.

The Board has decided not to proceed with a capital management initiative at this time. The group would have to borrow further to carry out such an initiative, which would alter the company's gearing ratio and not provide incremental earnings.

Mr Reitzer concluded, "Metcash is now a significant third force in the Australian grocery and liquor industry and we are well placed to deliver to our shareholders another record performance in profit, revenue and market share over the 2007 financial year".

For Further Information Call:

Andrew Reitzer
Metcash Trading Ltd
(02) 9741 3060

Tim Allerton
City Public Relations
(02) 9267 4511

<u>Glossary of terms used</u>

Put to Light and Voice Directed Picking

Paperless warehouse technologies used to reduce the cost of distribution by reducing "picking errors" and increasing "Pickers" productivity

Rules 4.2A.3

Appendix 4E

Preliminary final report

Name of entity:

METCASH LIMITED ABN 32 112 073 480

For the year ended 30 April 2006

For announcement to the market

MTS for the year ended 30 April 2006

Extracts from this report for announcement to the market (see note 1). $A'000

Revenues from ordinary activities	up	17.13%	to	8,251,646
Profit (loss) from ordinary activities after tax attributable to members *	down	36.00%	to	81,178
Net profit (loss) for the period attributable to members	down	36.00%	to	81,178

Please refer to page 3 for detailed explanation of the results

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend *(Preliminary final report only – item 15.4) – MTS*	6.0c	6.0c
Previous corresponding period *(Preliminary final report – item 15.5) -*	4.0c	4.0c

Record date for determining entitlements to the dividend, (in the case of a trust, distribution)	30 June 2006

* Metcash's net profit after tax, excluding non-recurring significant items rose 23 per cent from $103.3 million to $127.9 million in the year to April 30 2006.

Earnings Before Interest, Tax and Amortisation (EBITA) rose 19.5 per cent to $226.9 million, with earnings per share (excluding non recurring significant items) lifting 34.7 per cent to 21.55 cents per share.

Explanatory Note on Results

EBITA for the year is 19.5% up on the previous year, whilst profit after tax has been impacted by costs associated with the FAL acquisition and the Capital reorganisation that occurred earlier in the year. If these items are excluded the "normalised profit after tax" is in line with last year. Comparison below is included for the reconciliation of both AGAAP(using combined MTT and MTS and prior period error) and AIFRS 2005.

The Average weighted EPS for 2006 (excluding CULS, CUPS and Restructure costs) is 21.55 cents compared with an adjusted AGAAP 2005 average weighted EPS (using combined MTT and MTS and prior period error) of 16.0 cents.

	AIFRS	**AGAAP**	**AIFRS**
	30-Apr-06	30-Apr-05	30-Apr-05
	$'000	$'000	$'000
Turnover (Wholesale)	7,683,097	6,990,994	6,990,994
Turnover (Retail)	509,427	-	
Turnover Total	8,192,524	6,990,994	6,990,994
EBITA	226,927	189,943	203,749
Net interest	(40,514)	(1,455)	(1,455)
	186,413	188,488	202,294
Tax	(52,308)	(58,157)	(58,303)
Amortisation of intangibles	(2,900)		
AIFRS adjustments			(17,148)
Share Based Payments	(3,260)		
Goodwill Amortisation		(27,022)	
Normalised Profit after Tax	127,945	103,309	126,843
Significant and non recurring Items			
CULS and CUPS Costs	(29,500)		
Restructure Costs	(17,267)		
Reported Profit after Tax	81,178	103,309	126,843

Earnings per security (EPS)

1. Details of basic and diluted EPS reported separately in accordance with *AASB 133: Earnings Per Share* are as follows.

MTS

Basic Earnings per share 13.67 cents

Diluted Earnings per share 13.52 cents

Earnings used in Basic and Diluted earnings per share = $81,178,000
· Weighted average number of ordinary shares (used in Basic EPS) 593,675,382
· There have been no changes to ordinary shares since balance date
· Weighted average number of ordinary shares (used in diluted EPS) = (593,675,382 ordinary shares +6,960,035 potential ordinary shares).
· Weighted average number of converted, lapsed or cancelled potential ordinary shares included in the calculation of diluted EPS = 2,258,832
· There are no potential ordinary shares that are non-dilutive.
There have been no issues of potential ordinary shares after balance date.

NTA backing *(see note 7)*		Current period	Previous corresponding period
2	Net tangible asset backing per ordinary security (cents)	(2.39)	(73.10)

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Discontinuing Operations

(Entities must report a description of any significant activities or events relating to discontinuing operations or, the details of discontinuing operations they have disclosed in their accounts.

3 Discontinuing Operations

None

Control gained over entities having material effect

4.1	Name of entity (or group of entities)	Foodland Associated Limited
4.2	Date of the gain or loss of control	2nd November 2005
4.3	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired (if material)	A$'000 14,510

Loss of control of entities having material effect

5.1	Name of entity (or group of entities)	N/A
5.2	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	$ -
5.3	Date to which the profit (loss) has been calculated	
5.4	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	$ -
5.5	Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	$ -

Dividends (in the case of a trust, distributions)

6.1	Date the dividend (distribution) is payable	12 July 2006
6.2	Record date to determine entitlements to the dividend (distribution) (ie, on the basis of registrable transfers received by 5.00 pm if securities are not CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if securities are CHESS approved)	30 June 2006
6.3	If it is a final dividend, has it been declared? *(preliminary final financial report only)*	Yes

Amount per security

			Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
	(Preliminary final financial report only)				
6.4	**Final dividend:**	Current year - MTS	6.0c	6.0c	- c
6.5		Previous year – MTT	4.0c	4.0c	- c
	(Half yearly and preliminary final financial reports)				
6.6	**Interim dividend:**	Current year MTS	5.50 c	5.50 c	- c
6.7		Previous year -MTT	5.50c	5.50 c	- c

Total dividend (distribution) per security (interim *plus* final)

(Preliminary final report only)

		Current year	Previous year
6.8	Ordinary securities	11.5c	9.50c
6.9	Preference securities	- c	- c

The dividend or distribution plans shown below are in operation.

Dividend reinvestment plan (DRP) mailed out to shareholders on 5th September 2005

The last date(s) for receipt of election notices for the dividend or distribution plans	30 June 2006

Any other disclosures in relation to dividends (distributions). *(For half yearly reports, provide details in accordance with AASB 134 Interim Financial Reporting)*

None

Details of aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':		Current period - $A'000	Previous corresponding period - $A'000
7.1	Profit (loss) from ordinary activities before tax	3,356	273
7.2	Income tax on ordinary activities	-	-
7.3	**Profit (loss) from ordinary activities after tax**	3,356	273
7.4	Extraordinary items net of tax	-	-
7.5	**Net profit (loss)**	3,356	273
7.6	Adjustments	-	-
7.7	**Share of net profit (loss) of associates and joint venture entities**	3,356	273

Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities. (If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition ("from dd/mm/yy") or disposal ("to dd/mm/yy").)

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
8.1 Equity accounted associates and joint venture entities	Current period	Previous corresponding period	Current period - $A'000	Previous corresponding period - $A'000
Produce Traders Trust	40%	40%	93	273
Abacus Retail Property Trust	25%	25%	-	-
Ritchies Stores Pty Ltd	26%	N/A	2,988	-
Champions IGA	25.1%	N/A	275	-
Dramet	25.1%	N/A	-	-
8.2 Total			3,356	273
8.3 Other material interests			-	-
8.4 Total			3,356	273

Issued and quoted securities at end of current period – Metcash Limited (MTS)

(Description includes rate of interest and any redemption or conversion rights together with prices and dates.)

Category of securities	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
9.1 Preference securities *(description)*	-	-	-	-
9.2 Changes during current period				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buybacks, redemptions	-	-	-	-
9.3 Ordinary securities	747,741,353	747,741,353	-	-
9.4 Changes during current period				
Increase through DRP	6,521,084	6,521,084	425.3	425.3
Increase through FAL allotment	234,444,195	234,444,195	405.0	405.0
(a) Increases through conversion of employee options	877,600	877,600	16.1	16.1
a) Increases through conversion of employee options	1,200	1,200	44.0	44.0
(a) Increases through conversion of employee options	1,700,000	1,700,000	138.6	138.6
(a) Increases through conversion of employee options	3,157,346	3,157,346	126.8	126.8
(a) Increases through conversion of employee options	46,800	46,800	187	187
(a) Increases through conversion of CULS	73,597,894	73,597,894	254	254
(b) Decreases through returns of capital, buybacks	-	-	-	-
9.5 Convertible debt securities) *(description and conversion factor)*	**(description and conversion factor)**	-	-	-

9.7	**Options** (description and conversion factor)			Exercise price	Expiry date (if any)
		850,000	-	243	02/09/10
		124,440	-	16.1	11/08/06
		15,000	-	16.1	25/11/06
		680,000	-	138.5	14/12/07
			-		
		4,470,064	-	126.8	25/01/08
		141,900	-	187	10/07/08
9.8	Issued during current period	4,450,000	-	400.1	02/09/11
		10,927,124	-	392.5	02/09/11
	Reinstated	45,575	-	various	
9.9	Exercised during current period	848,400	-	16.1	11/08/06
		1,200	-	44	26/03/05
		17,200	-	16.1	25/11/06
		12,000	-	16.1	15/12/06
9.9		1,700,000	-	138.5	14/12/07
9.9		3,157,346	-	126.8	25/01/08
9.9		46,800	-	187	10/07/08
9.10	Expired during current period	446,161	-	various	

9.12	**Debentures** (description)	**(description)**	**-**
9.13	Changes during current period		
	(a) Increases through issues	-	-
	(b) Decreases through securities matured, converted	-	-
9.14	**Unsecured notes** *(description)*	**(description)**	**-**
9.15	Changes during current period		
	(a) Increases through issues	-	-
	(b) Decreases through securities matured, converted.	-	-

(Half-Year financial report only)

Compliance statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

Identify other standards used

2 This report, and the accounts upon which the report is based (if separate), use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed.

4 This report is based on accounts to which one of the following applies. *(Tick one)*

	The accounts have been audited.	The accounts have been subject to review.
X	The accounts are in the process of being audited or subject to review.	The accounts have *not* yet been audited or reviewed.

5 If the audit report or review by the auditor is not attached, details of any qualifications are attached. *(Preliminary Final only - the audit report or review by the auditor must be attached to this report if this report is to satisfy the requirements of the Corporations Act.)*

6 The entity has a formally constituted audit committee.

Sign here: .... Date: 24th May 2006
(Secretary)

Print name: J A Randall.

Metcash Limited

ABN 32 112 073 480

Financial Statements and Explanatory Notes

for the year ended 30 April 2006

Corporate Information

ABN 32 112 073 480

Directors
Carlos S dos Santos (Chairman)
A E (Ted) Harris, AC (Deputy Chairman)
Andrew Reitzer (CEO)
Peter L Barnes
Bernard J Hale
Bruce Hogan, AM
Michael R Jablonski
Edwin M Jankelowitz
Joao Louis Jardim (Lou Jardin)
Richard A Longes
V Dudley Rubin
Michael Wesslink

Company Secretary
John A Randall

Registered Office
4 Newington Road
Silverwater, NSW 2128
61 2 9741 3000

Share Register
Registries Ltd
PO Box R67
Royal Exchange
Sydney NSW 1223
Telephone: 61 2 9279 0677
Facsimile: 61 2 9279 0664

Auditors
Ernst & Young

Internet Address
www.metcash.com

Income Statement

FOR YEAR ENDED 30 April 2006	Notes	Consolidated Metcash Ltd 2006 $'000	Consolidated Metcash Ltd 2005 $'000
Revenue		8,251,646	7,044,780
Cost of sales		(7,406,154)	(6,398,120)
GROSS PROFIT		845,492	646,660
Other income		-	9,643
Other expenses		(623,324)	(454,282)
Share of profit of associates		3,356	273
PROFIT BEFORE TAX, FINANCE COSTS AND RESTRUCTURE COSTS		225,524	202,294
Restructure costs		(17,267)	-
Finance costs:			
CULS redemption premium		(20,940)	(7,100)
CULS issue costs		(6,003)	(1,998)
CUPS redemption premium		(2,557)	-
Other finance costs		(45,271)	(8,050)
PROFIT BEFORE INCOME TAX		133,486	185,146
Income tax expense		(52,308)	(58,303)
PROFIT AFTER TAX		81,178	126,843
NET PROFIT ATTRIBUTABLE TO MEMBERS OF METCASH LIMITED		81,178	126,843
Earnings per share (cents per share)			
- basic earnings per share		13.67	29.68
- diluted earnings per share		13.52	28.10
- franked dividends paid per share		11.5	9.5

Note: Under AIFRS, the comparative EPS (2005) is calculated, under the reverse acquisition rules, using MTS shares at the close (30 April 2005). This has impacted on EPS reported by 13.4 cents compared with EPS under AGAAP. Basic EPS under AGAAP was 16.3 cents and diluted EPS was 16.1 cents.

Balance Sheet

As at 30 April 2006	Notes	Consolidated Metcash Ltd 30 April 2006 $'000	Consolidated Metcash Ltd 30 April 2005 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		220,199	189,607
Trade and other receivables		866,024	648,006
Inventories		534,995	385,474
Other		4,334	4,163
		1,625,552	1,227,250
Non-current assets classified as held for sale		185,505	206
TOTAL CURRENT ASSETS		1,811,057	1,227,456
NON-CURRENT ASSETS			
Receivables		8,019	29,814
Investment in associates accounted for using the equity method		50,171	2,450
Other financial assets		227	4,121
Property, plant and equipment		147,220	77,014
Deferred income tax assets		36,592	29,027
Intangible assets		1,050,734	317,100
Other		-	-
TOTAL NON-CURRENT ASSETS		1,292,963	459,526
TOTAL ASSETS		3,104,020	1,686,982
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		1,169,976	817,879
Interest-bearing loans and borrowings		11,302	7,995
Income tax payable		17,984	22,156
Provisions		33,081	30,977
		1,232,343	879,007
Liabilities directly associated with assets held for sale		49,655	-
TOTAL CURRENT LIABILITIES		1,281,998	879,007
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings		751,299	341,248
Convertible, redeemable, subordinated, unsecured loan notes (CULS)		-	375,080
Convertible undated preference shares (CUPS)		-	50,000
Deferred Income Tax Liability		10,623	18,344
Provisions		27,233	18,838
TOTAL NON-CURRENT LIABILITIES		789,155	803,510
TOTAL LIABILITIES		2,071,153	1,682,517
NET ASSETS		1,032,867	4,465
EQUITY			
Contributed Equity		1,823,895	846,976
Other equity		(762,439)	(765,699)
Reserves		8,716	13,939
Retained profits		(37,305)	(90,751)
TOTAL EQUITY		1,032,867	4,465

Cash Flow Statement

FOR THE YEAR ENDED 30 APRIL 2006	Notes	Consolidated Metcash Ltd 2006 $'000	Consolidated Metcash Ltd 2005 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		9,533,834	8,281,009
Payments to suppliers and employees		(9,075,585)	(7,994,639)
Dividend received		781	-
Interest received		4,757	6,595
Borrowing costs		(41,997)	(8,050)
Income tax paid		(75,238)	(54,271)
Goods and services tax paid		(109,654)	(100,007)
NET CASH FLOWS FROM OPERATING ACTIVITIES		236,898	130,637
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		2,297	9,643
Purchase of property, plant and equipment		(40,889)	(32,238)
Proceeds from sale of businesses		380	-
Proceeds from sale of investments		20	-
Proceeds from loans repaid by other entities		59	-
Loans repaid to other entities		-	(40,159)
Payment of deferred acquisition costs		-	(3,941)
Payment on acquisition of businesses		(59,620)	(1,083,961)
Payment on acquisition of associates		(45,306)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(143,059)	(1,150,656)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		37,584	295,852
Proceeds/(Repayment) of CULS		(401,913)	747,747
Proceeds/(Repayment) of CUPS		(52,557)	50,000
Proceeds from borrowings - other		565,000	525,000
Repayments of borrowings - other		(150,000)	(305,876)
Repayments of financing facilities		(11,000)	-
Payment of dividends on ordinary shares		(27,732)	(102,924)
Payment of funding costs		(11,052)	(26,824)
Repayment of finance lease principal		(9,011)	(7,000)
NET CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES		(60,681)	1,175,975
NET INCREASE IN CASH AND CASH EQUIVALENTS		33,158	155,956
Add opening cash brought forward		189,607	33,651
Effects of exchange rate changes on cash		(2,566)	-
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD		220,199	189,607

Statement of Changes in Equity

FOR THE YEAR ENDED 30 APRIL 2006

METCASH LTD GROUP	Attributable to equity holders of Metcash Limited						Total Equity
	Contributed equity $'000	Other equity $'000	Share based payment $'000	Retained Earnings $'000	Capital Reserves $'000	Foreign Currency Translation Reserve $'000	$'000
At 1 May 2004	562,163	-	37	(111,294)	12,777	(185)	463,498
Prior period error adjustments	-	-	-	(3,376)	-	-	(3,376)
Adjusted balance at 1 May 2004	562,163	-	37	(114,670)	12,777	(185)	460,122
Exercise of options	5,399	-	-	-	-	-	5,399
Issue of share capital	279,414	-	-	-	-	-	279,414
Cost of share-based payment	-	-	187	-	-	-	187
Reverse acquisition	-	(765,923)	-	-	-	-	(765,923)
Currency translation differences	-	-	-	-	-	1,347	1,347
Profit for the period	-	-	-	128,287		-	128,287
Dividends	-	-	-	(102,924)	-	-	(102,924)
At 30 April 2005	846,976	(765,923)	224	(89,307)	12,777	1,162	5,909
Prior period error adjustments	-	-	-	(1,444)	-	-	(1,444)
Adjusted balance at 30 April 2005	846,976	(765,923)	224	(90,751)	12,777	1,162	4,465
Exercise of options	6,201	-	-	-	-	-	6,201
Issue of share capital	970,718	-	-	-	-	-	970,718
Cost of share-based payment	-	-	3,260	-	-	-	3,260
Currency translation differences	-	-	-	-	-	(5,223)	(5,223)
Profit for the period	-	-	-	81,178	-	-	81,178
Dividends	-	-	-	(27,732)	-	-	(27,732)
At 30 April 2006	1,823,895	(765,923)	3,484	(37,305)	12,777	(4,061)	1,032,867

Explanatory Notes to the 4E

30 April 2006

1 (a). Summary of significant accounting policies

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of Metcash Limited (the parent entity) and its subsidiaries.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

Subsidiaries 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. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Metcash Limited has control.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

(ii) Foreign currency translation

Translation of foreign currency transactions

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

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date whether there is a hedge or not.

Translation of financial reports of overseas operations

The functional currency of the overseas subsidiaries is as follow:

- Tasman Liquor Company Limited is New Zealand dollars
- Metoz Holdings Limited is South African Rand.
- Pinnacle Holdings Limited is British Pounds Sterling .
- Soetensteeg 2-61 Exploitatiemaatschappij BV is Euros.
- Wickson Corporation NV is Euros.

As at the reporting date the assets and liabilities of the overseas subsidiaries are translated into the presentation currency of Metcash Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period.

The exchange differences arising on the translation are taken directly to the foreign currency translation reserve.

(iii) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash on hand and in banks and money market investments with an original maturity of 1 working day.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Explanatory Notes to the 4E

30 April 2006

(a) Summary of significant accounting policies (continued)

(iv) Trade and other receivables

Trade receivables, which generally have 7-40 day terms, 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.

(v) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

(vi) Investment in associates

The Group’s investments in its associates are accounted for under the equity method of accounting in the consolidated financial statements. These are the entities in which the Group has significant influence and which are neither subsidiaries nor joint ventures.

The financial statements of the associates are used by the Group to apply the equity method.

The investments in associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The consolidated income statement reflects the Group's share of the results of operations of the associates.

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

(vii) Inventories

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

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

Explanatory Notes to the 4E

30 April 2006

(a) Summary of significant accounting policies (continued)

(viii) Property, plant and equipment

Cost

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

Depreciation

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

Major depreciation periods are:	**2006**	**2005**
Freehold buildings:	50 years	50 years
Plant and equipment:	5 - 15 years	5 - 15 years

Impairment

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

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

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

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

Directors' valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

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 income statement in the period the item is de-recognised.

(ix) 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 which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Explanatory Notes to the 4E

30 April 2006

(a) Summary of significant accounting policies (continued)

(x) 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

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

Finance leases

Leases which transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Capitalised leases are disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

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

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

(xi) Goodwill

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

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

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

Where goodwill forms part of a cash-generating unit and part of the 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 on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Explanatory Notes to the 4E

30 April 2006

(a) Summary of significant accounting policies (continued)

(xii) Intangible assets

Acquired both separately and from a business combination

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. 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 income statement through the 'other expenses' line item.

Intangible assets created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles, annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

(xiii) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being 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. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are de-recognised and through the amortisation process.

Finance lease liability is determined in accordance with the requirements of AASB 117 "Leases".

(xiv) 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 virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Explanatory Notes to the 4E

30 April 2006

(a) Summary of significant accounting policies (continued)

(xiv) Provisions (continued)

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

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

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

(xv) Share-based payment transactions

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

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

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

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

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

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

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

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

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

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

Explanatory Notes to the 4E

30 April 2006

(a) Summary of significant accounting policies (continued)

(xvi) Revenue

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

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

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

Interest
Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

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

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

(xvii) Income tax

Deferred income tax is provided on all temporary differences at the balance sheet 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 of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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Explanatory Notes to the 4E

30 April 2006

(a) Summary of significant accounting policies (continued)

(xvii) Income tax (continued)

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement

(xviii) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where 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 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 balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flow.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(xix) Business Combinations

Acquisition of Foodland Associated Limited (FAL)

On 2nd November 2005, Metcash acquired Foodland Associated Limited's Australian business. FAL's trading results from 1st November, when economic benefits passed to Metcash, are included in Metcash results for the year. The total cost of the combination was $1,007 million and comprised an issue of equity instruments, cash and costs directly attributable to the combination. Metcash issued 234,444,195 shares with a fair value of $4.05 each, based on the quoted price of the shares at the date economic benefits passed to Metcash. The fair value of the identifiable assets and liabilities of FAL as at the date of acquisition are:

	Recognised on Acquisition	Carrying Value per FAL
Property, plant and equipment	61,305	69,344
Deferred income tax asset	3,787	3,787
Cash and cash equivalent	8,726	8,726
Trade receivables	94,678	107,728
Inventories	117,648	122,244
Intangibles	148,000	173,503
Assets - held for sale	185,299	161,161
	619,443	646,493

Explanatory Notes to the 4E

30 April 2006

(xix) Business Combinations (continued)

Trade Payables	136,367	134,249
Provisions	11,294	10,155
Deferred income tax liability	0	10,940
Liabilities - held for sale	49,655	49,655
	197,316	204,999
Fair value of net assets	422,127	441,242
Goodwill arising on acquisition	585,260	
	1,007,387	
Consideration		
Shares issued, at fair value	949,499	
Cash consideration paid	39,916	
Costs associated with the acquisition	17,972	
Total consideration	1,007,387	
The cash outflow on acquisition is as follows:		
Net cash acquired with subsidiary	8,726	
Cash paid	57,888	
Net cash outflow	49,162	

(xx) Reverse Acquisition

In accordance with AASB 3 *Business Combinations,* 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 since the substance of the transaction is that the existing public shareholders of Metcash Trading Limited have, through Metcash Limited, effectively acquired Metoz Holdings. Under reverse acquisition accounting, the consolidated financial statements are prepared as if Metcash Trading Limited had acquired Metcash Limited and its controlled entities, not vice versa as represented by the legal provision.

On consolidation by Metcash Limited, no goodwill arises on the acquisition by Metcash Limited of the Metoz Holdings shares and the amount paid in cash by Metcash Limited to Metoz Holdings shareholders for their shares will be eliminated against shareholder equity.

As a consequence:

- An exercise is performed to fair value the assets and liabilities of the legal acquirer, Metcash Limited;
- The cost of investment held by the legal parent (Metcash Limited) in the legal subsidiary (Metoz Group) is eliminated on consolidation against the consolidated equity and reserves of Metcash Trading Limited and its consolidated entities. The effect of this is to restate the consolidated equity and reserves balances to reflect those of Metcash Trading Limited at the date of acquisition;
- The number of shares disclosed by the consolidated entity are those of Metcash Limited whilst the value of shares disclosed by the consolidated entity are those of Metcash Trading Limited; and
- 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).

Comparative information presented in those consolidated financial statements are those of Metcash Trading Limited.

Explanatory Notes to the 4E

30 April 2006

(b) AASB 1 Transition exemptions

The Group has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' (AIFRS) as follow:

Business combinations

AASB 3 'Business Combinations' was not applied retrospectively to past business combinations (i.e. business combinations that occurred before the date of transition to AIFRS).

Share-based payment transactions

AASB 2 'Share-Based Payments' is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 May 2005.

Exemption from the requirement to restate comparative information for AASB 132 and AASB 139

The Group has not elected to adopt this exemption and has applied AASB 132 'Financial Instruments : Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement' to its comparative information.

(c) Statement of Compliance

The financial report complies with Australian Accounting standards, which includes Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial reporting Standards (IFRS).

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 April 2005 have been restated.

(d) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below:

(i) Reconciliation of total equity as presented under AGAAP to that under AIFRS

Metcash Group

	30 April 2005 $'000	**1 May 2004** $'000
Total equity under AGAAP	1,522,464	470,155
Adjustments to equity:		
Reverse acquisition (A)	(1,524,799)	-
Write-back of goodwill amortisation (B)	27,022	-
Unrealised rebates adjusted to Inventory (C)	(9,006)	(9,510)
CULS amortisation (D)	(9,098)	-
Tax effect of the above adjustments (E)	2,702	2,853
Total equity under AIFRS	9,285	463,498
Tasman Liquor-prior period error, net of tax (F)	(4,820)	(3,376)
Total equity under AIFRS and with prior year adjustment	4,465	460,122

Explanatory Notes to the 4E

30 April 2006

(i) Reconciliation of total equity as presented under AGAAP to that under AIFRS (continued)

(A) The acquisition by Metcash Ltd of Metcash Trading Limited is treated as a reverse acquisition since the substance of the transaction is that the shareholders of Metcash Trading Limited have, through Metcash Ltd, effectively acquired Metoz Holdings Limited.

(B) Goodwill is not amortised under AASB 3 'Business Combinations', but was amortised under AGAAP.

(C) AASB 118 – Revenue & UIG 1002 Inventory Rebates and Settlement Discounts require rebates to be deducted from the cost of inventory.

(D) In line with AASB139 'Financial Instruments: Presentation and Disclosure', the redemption premium associated with the CULS is required to be accrued over the life of the instrument.

(E) The tax effect of adjustment in (C) has led to an increase in the deferred tax liability.

(F) Prior period error: This adjustment relates to prior period errors under the previous reporting framework and does not relate to differences between the two frameworks (refer to (d) (iii) for further details).

(ii) Reconciliation of profit after tax under AGAAP to that under AIFRS

Metcash Group	Year ended 30 April 2005 $'000
Profit after tax MTS for 1 month - as previously reported	6,632
Profit after tax MTT for 11 months - Reverse acquisition (A)	103,580
Profit after tax – MTT/MTS for the 12 months as per April 2005 4E	110,212
Cost of share-based payments (B)	(187)
Write-back of goodwill amortisation (C)	27,022
Unrealised rebates adjusted to Inventory (D)	483
CULS amortisation (E)	(9,098)
Tax effect of the above adjustment in (D)	(145)
Profit after tax under AIFRS	128,287
Tasman Liquor-prior period error, net of tax (G)	(1,444)
Profit after tax under AIFRS and with prior year adjustment	126,843

(A) The acquisition by Metcash Ltd of Metcash Trading Limited is treated as a reverse acquisition since the substance of the transaction is that the shareholders of Metcash Trading Limited have, through Metcash Ltd, effectively acquired Metoz Holdings Limited.

(B) Under AASB 2 'Share-Based Payments', costs of equity-settled share-based payment transactions are recognised as expenses with a correspondent increase in equity.

(C) Goodwill is not amortised under AASB 3 'Business Combinations', but was amortised under AGAAP.

(D) AASB 118 – Revenue & UIG 1002 Inventory Rebates and Settlement Discounts require rebates to be deducted from the cost of inventory.

(E) In line with AASB139 'Financial Instruments: Presentation and Disclosure', the redemption premium associated with the CULS is required to be accrued for over the life of the instrument.

(F) The tax effect of adjustment (D) led to an increase in the deferred tax liability.

(G) Prior period error: This adjustment relates to prior period errors under the previous reporting framework and does not relate to differences between the two frameworks (see iii below).

Explanatory Notes to the 4E

30 April 2006

(iii) Tasman Liquor - correction of prior period error

A full reconstruction of the accounts of Tasman Liquor Company Ltd, a 100% owned subsidiary of Metcash Limited has been conducted and errors made over a number of years have been identified and corrected. The errors arose from a number of incorrect journal entries affecting primarily, Sales, Inventory and Gross Profit. The company's processes and procedures have now been changed and the accounting moved from New Zealand to Australia. A thorough investigation has been performed and no misappropriation has been identified.

The profit after income tax for the year ended 30 April 2005 of $128.3 million has been reduced by $ 1.44 million and the accumulated losses at 1 May 2004 of $87.4 million have been increased by $3.4 million.

Earnings per share for the year ended 30 April 2005 were reduced by 0.22 cents (basic) and by 0.21 cents (diluted).

(iv) Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

Explanatory Notes to the 4E

30 April 2006	Notes	Metcash Ltd April 2006 $'000	Metcash Ltd April 2005 $'000
2. REVENUES AND EXPENSES			
(a) Specific Items			
Profit from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:			
(i) Revenue			
Revenue from sale of goods		8,192,524	6,990,994
Rent		29,127	26,587
Interest from other person/corporation		4,757	6,595
Retail income		21,851	19,380
Other revenue		3,387	1,224
		8,251,646	7,044,780
(ii) Other income			
Profit from disposal of property, plant & Equipment		-	9,643
(iii) Expenses			
Depreciation of non-current assets		30,798	24,047
Amortisation of non-current assets		8,087	7,929
Loss from disposal of property, plant & Equipment		654	-
Amortisation of intangibles		2,900	-

3. INCOME TAX EXPENSE

The effective income tax rate is 39%. This is due to CULS & CUPS redemption premium, CULS issue costs, amortisation of intangibles and share based payments being non deductible for tax.

4. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

(a) Dividends paid during the year		
Franked dividends	27,732	38,219
	27,732	38,219

5. CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no material change to any contingent liabilities or contingent assets.

Explanatory Notes to the 4E

30 April 2006

6. SIGNIFICANT ITEMS

During the reporting period, the following significant items impacted on the profit after tax.:

(i) Expenses		
Expense of share-based payments	(3,260)	(43)
Restructure costs	(17,267)	-
CULS redemption premium	(20,940)	-
CULS issue costs	(6,003)	-
CUPS redemption premium	(2,557)	-
	(50,027)	(43)

7. Contributed Equity

	Metcash Ltd Group	
	April 2006	April 2005
	$'000	$'000
(a). Ordinary shares:		
Issued and fully paid	1,823,895	846,976
Total contributed equity	1,823,895	846,976

	2006 Number of shares	2006 $'000
Movements in ordinary shares on issue		
At 1 May 2005	427,395,233	846,976
Issued during the year:		
Dividend Reinvestment Plan	6,521,084	27,734
- Exercise of employee options – 877600 ordinary shares at 16.1 cents per share	877,600	141
- Exercise of employee options – 1,200 ordinary shares at 44 cents per share	1,200	1
- Exercise of employee options 3157346 ordinary shares at 126.8 cents per share	3,157,346	4,004
- Exercise of employee options 1700000 ordinary shares at 138.6 cents per share	1,700,000	2,356
- Exercise of employee options – 46800 ordinary shares at 187 cents per share	46,800	88
FAL Share allotment	234,444,195	949,499
- Conversion of CULS (a)	73,597,894	-
- Transaction costs	-	(6,904)
At 30 April 2006	747,741,353	1,823,895

(a) 25% of CULS were converted to ordinary shares in Metcash Limited on 19 September 2005 on a 1 to 1 basis.

Explanatory Notes to the 4E

30 April 2006

8. SEGMENT INFORMATION

Segment products and locations

The economic entity predominantly operates in the industries indicated. Food distribution activities comprise the distribution of grocery and tobacco supplies to retail outlets, convenience stores and hospitality outlets. Liquor distribution activities comprise the distribution of liquor products to retail outlets and hotels. Cash and Carry Distribution comprises the distribution of grocery and tobacco supplies via cash and carry warehouses. Geographically the group operates predominately in Australia. The New Zealand operation represents less than 10% of revenue, results, and assets of the consolidated entity.

Segment accounting policies

The selling price between segments is at normal selling price and is paid under similar terms and conditions as any other customers of the economic entity.

Explanatory notes to the 4E

30 April 2006

8 SEGMENT INFORMATION (CONTINUED)

Business segments	Food Distribution		Cash and Carry Distribution		Liquor Distribution		Eliminations		Consolidated	
	April 2006 $'000	April 2005 $'000	April 2006 $'000	April 2005 $'000	April 2006 $'000	April 2005 $'000	April 2006 $'000	April 2005 $'000	April 2006 $'000	April 2005 $'000
Segment Revenue										
Sales to customers outside the consolidated entity	4,637,414	3,845,282	1,147,438	990,095	2,407,672	2,155,617	-	-	8,192,524	6,990,994
Other revenues from customers outside the consolidated entity	-	-	-	-	-	-	-	-	-	-
Inter-segment revenues	724,551	446,478	524	17	114,383	126,914	(839,458)	(573,409)	-	-
Unallocated revenue	-	-	-	-	-	-	-	-	59,122	53,786
Total segment revenue	5,361,965	4,291,760	1,147,962	990,112	2,522,055	2,282,531	(839,458)	(573,409)	8,251,646	7,044,780
Segment result	175,808	141,621	21,235	17,308	30,711	26,085	-	-	227,755	185,014
Unallocated expenses									(94,269)	132
Consolidated entity profit from ordinary activities before income tax expense									133,486	185,146
	April 2006	April 2005	April 2006	April 2005	April 2006	April 2005	April 2006	April 2005	April 2006	April 2005
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment Assets	972,916	477,404	199,753	184,472	489,414	441,306	-	-	1,662,083	1,103,182
Unallocated Assets									1,441,937	583,800
Total Assets									3,104,020	1,686,982
Segment Liabilities	613,739	329,486	84,646	59,974	301,080	296,949			999,465	686,409
Unallocated Liabilities									1,071,688	996,108
Total Liabilities									2,071,153	1,682,517

Explanatory notes to the 4E

30 April 2006

Business segments	Food Distribution		Cash and Carry Distribution		Liquor Distribution		Eliminations		Consolidated	
	April 2006	April 2005	April 2006	April 2005	April 2006	April 2005	April 2006	April 2005	April 2006	April 2005
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Acquisition of property, plant and equipment and intangible assets	**2,449**	5,372	**4,198**	1,869	**7,519**	1,468	**-**	**-**	**14,166**	8,709
Depreciation	**2,266**	3,004	**2,572**	2,495	**2,293**	1,565	**-**	**-**	**7,131**	7,064
Amortisation	**1,787**	1,339	**1,227**	1,052	**759**	669	**-**	**-**	**3,773**	3,060
Non-cash expenses other than depreciation	**334**	1,530	**260**	(173)	**1,584**	(496)	**-**	**-**	**2,178**	861

The revenue, expenses, assets and liabilities of the Holding company are included in the unallocated portion of the segment note. All Assets and liabilities of the holding company are held in Australia.

Tasman Liquor – correction of prior period error
The impact on the Liquor Distribution segment for the year ended 30 April 2005 was a reduction in sales of $ 2,665.7 million, a reduction in segment result of $2,154.5 million, a reduction in segment assets of $7,329.1.