

Mittenmet Limited

and its Controlled Entities
ABN 76 141 010 906



General Purpose Financial Report

For the year ended 30 April 2011

Corporate Information

ABN 76 141 010 906

DIRECTORS

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

Lance H Collins (Chairman)

Philip J Petrie

Gary J Woodruff

Andrew Reitzer

Ken Bean

Edwin M Jankelowitz

(Resigned 14 January 2011)

Michael R Jablonski

Adrian E Gratwicke

(Appointed 14 January 2011)

COMPANY SECRETARY

Gregory C Watson

(Appointed 24 December 2010)

John A Randall

(Resigned 24 December 2010)

REGISTERED OFFICE

50 Waterloo Road

Macquarie Park NSW 2113

Telephone: 61 2 9751 8200

SHARE REGISTER

Boardroom Pty Limited

GPO Box 3993

Sydney NSW 2001

Telephone: 61 2 9290 9600

Facsimile: 61 2 9279 0664

AUDITORS

Ernst & Young

Directors' Report

Year ended 30 April 2011

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

DIRECTORS

The names and details of Mittenmet Limited (Company) Directors in office during the financial year are as follows. Directors were in office for this entire period unless otherwise stated.

LANCE COLLINS

Chairman and RCP appointed Director

Appointed: 25 March 2010

Lance Collins was a former Director within the Mitre 10 organisation from 2005 to 2010 and a Director of Mitre 10 Australia Ltd, certain of its subsidiaries and associated companies and is a director of L & W Sales Pty Ltd.

GARY WOODRUFF

RCP appointed Director

Appointed : 25 March 2010

Gary Woodruff was a former Director within the Mitre 10 organisation from 2004 to 2010 and a Director of Mitre 10 Australia Ltd, certain of its subsidiaries and associated companies and is a director of Tygston Pty Ltd and Woodys Timber & Hardware Pty Ltd.

PHILLIP PETRIE

BBus (Marketing)

RCP appointed Director

Appointed: 25 March 2010

Phil Petrie was formerly a Director of Mitre 10 Australia from 2007 to 2010 and is a director of Waltock Pty Ltd, Philane Co Pty Ltd and Orange Hardware Pty Ltd.

ANDREW REITZER

B COMM MBL

Metcash appointed Director

Appointed: 8 December 2009

Andrew Reitzer is the CEO of the Metcash Group and has 33 years' experience in the retail/wholesale industry. Previous positions at Metro Cash and Carry Limited include Group Operations Director, heading operations in Russia and Israel, Marketing Director, IT Director and managing various operating divisions.

KEN BEAN

MBA, GRAD DIP BUS, DIP ACC

Metcash appointed Director

Appointed: 8 February 2010

Ken Bean is the Chief Executive, Group Logistics and Corporate Development for Metcash Trading Limited and has held senior roles in corporate development, finance and administration. Ken has over 40 years' experience in the retail wholesale industry and has significant industrial property development and construction experience.

ADRIAN GRATWICKE

BA (HONS), ACA, MBA

Metcash appointed Director

Appointed: 14 January 2011

Adrian Gratwicke is CFO of the Metcash Group and has over 23 years' commercial and industry experience including several senior roles within the Metcash organisation.

MICHAEL JABLONSKI

Metcash appointed Director

Appointed: 8 February 2010

Mike Jablonski has 39 years' experience in the food industry. Mike is the Group Merchandise Director of Metcash Trading Limited and is responsible for the Group's Merchandise, supplier relationships, and the income derived thereof.

Directors' Report

Year ended 30 April 2011

DIRECTORS (Continued)

EDWIN JANKLOWITZ
BCOM, CA(SA)
Metcash appointed Director

Appointed: 8 December 2009
Resigned: 14 January 2011

Edwin Jankelowitz is currently a non-executive Director of Metcash Limited, having previously served as Finance Director/CFO. He has over 37 years experience in corporate offices of listed companies in Australia and South Africa.

COMPANY SECRETARY

GREG WATSON
LLM, Dip Law (LPAB)

Appointed: 24 December 2010

Greg Watson is General Counsel and Company Secretary to the Metcash Group. He has 21 years professional and industry experience initially in private legal practice, followed by corporate legal counsel roles with multinational FMCG organisations.

JOHN RANDALL
BEC, FCPA, FCIS, MAICD

Resigned: 24 December 2010

John Randall previously served as Company Secretary to the Metcash Group, having joined the company in 1997.

DIVIDENDS

There were no dividends provided for or paid during the year, nor since the end of the year (2010: \$nil). No recommendation for payment of dividends has been made.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The Company and the entities it controls ("the Group") are engaged in:

- procurement, distribution, marketing of hardware products within Australia.
- retail support services to independently owned hardware businesses licensed to trade under the Mitre 10 and True Value Hardware banners and to certain unlicensed businesses.

CORPORATE INFORMATION

Mittenmet Limited is a company limited by shares and is incorporated and domiciled in Australia. Its immediate parent entity is Metcash Trading Limited, and its ultimate parent is Metcash Limited.

The principal activities during the period of entities within the Group were the wholesale distribution and marketing of hardware products.

The prior period comparative information is presented from the date of incorporation of the company on 8 December 2009 through to 30 April 2010. On 25 March 2010, the Company acquired Mitre 10 Australia Limited. Consequently, the prior year comparatives include the trading results of Mitre 10 Australia Limited for the one month period ended 30 April 2010.

REVIEW AND RESULTS OF OPERATIONS

Summarised operating results are as follows:

	2011	
	Revenues \$'000	Profit after tax \$'000
Group revenue and profit from ordinary activities after income tax expense	798,926	12,061

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the period.

Directors' Report

Year ended 30 April 2011

DIRECTORS MEETINGS

The number of meetings of Directors held during the year and the number of meetings attended by each of the Directors were as follows

	<u>Directors' meetings</u>
Number of meetings held:	<u>4</u>
Number of meetings attended:	
L Collins	4
K Bean	4
A Gratwicke**	1
M Jablonski	4
E Jankelowitz*	2
P Petrie	4
A Reitzer	4
G Woodruff	<u>4</u>

*Mr Jankelowitz retired from the Mittenmet Board on 14 January 2011.

**Mr Gratwicke was appointed to the Mittenmet Board on 14 January 2011.

All Directors were eligible to attend all meetings held except for Mr Jankelowitz, who was eligible to attend 3 Directors' meetings, Mr Gratwicke was eligible to attend 1 Directors' meeting.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances have arisen since the end of the year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is not subject to any particular or significant environmental regulation.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

It is the opinion of the Directors that the inclusion of any other information referring to likely developments in the operations of the Group and their expected results will result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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 all of the current Directors and certain other officers of the Company. This indemnity is against any liability to third parties (other than related Mittenmet 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.

During the financial year, the Company has paid, or agreed to pay, a premium in respect of a contract of insurance insuring officers (and any persons who are officers in the future) against certain liabilities incurred in that capacity. Disclosure of the total amount of the premiums and the nature of the liabilities in respect of such insurance is prohibited by the contract of insurance.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (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.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the period ended 30 April 2011 has been received and is included on page 39.

Signed in accordance with a resolution of the Directors.



Adrian Gratwicke
Director
Sydney, 28 July 2011

Directors' Declaration

Year ended 30 April 2011

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

1. In the opinion of the directors:
 - a. The financial statements and notes of Mittenmet Limited are in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of its financial position as at 30 April 2011 and of its performance for the year ended on that date; and
 - ii. Complying with Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*; and
 - b. The financial statements and notes also comply with international Financial Reporting Standards as disclosed in note 2(a)
 - c. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 22 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



Adrian Gratwicke
Director
Sydney, 28 July 2011

Statement of Comprehensive Income

Year ended 30 April 2011

	Notes	2011 \$'000	2010 \$'000
Revenue	3a	798,926	61,705
Cost of sales		(725,975)	(56,167)
Gross profit		<u>72,951</u>	<u>5,538</u>
Distribution costs		(20,651)	(1,724)
Administrative costs		(31,582)	(2,178)
Share of profit of associates		598	-
Specific items			
Payment of business acquisition costs	3e	(1,287)	(3,376)
Finance costs	3f	(2,468)	(13)
Profit/(Loss) from continuing operations before income tax		<u>17,561</u>	<u>(1,753)</u>
Income tax expense	4	(5,500)	(420)
Net profit /(loss) for the period		<u><u>12,061</u></u>	<u><u>(2,173)</u></u>
Other comprehensive income			
Foreign currency hedge adjustment		(278)	(93)
Income tax expense on items of other comprehensive income		83	-
Other comprehensive income for the period, net of tax		<u>(195)</u>	<u>(93)</u>
Total comprehensive income for the period		<u><u>11,866</u></u>	<u><u>(2,266)</u></u>
Profit/ (loss) for the period is attributable to:			
Equity holders of the parent		12,041	(2,173)
Non controlling interest		20	-
		<u>12,061</u>	<u>(2,173)</u>
Total comprehensive income for the period is attributable to:			
Equity holders of the parent		11,846	(2,266)
Non controlling interest		20	-
		<u>11,866</u>	<u>(2,266)</u>

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

Statement of Financial Position

As at 30 April 2011

	Notes	2011 \$'000	2010 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	5	18,690	15,486
Trade and other receivables	6	107,133	104,419
Inventories	7	37,662	29,726
Assets held for sale		9,295	3,983
GST receivable		-	214
Income tax receivable		-	18
Prepayments and other		822	633
Total current assets		173,602	154,479
Non current assets			
Trade and other receivables	8	11,475	3,221
Investments in associates accounted for using the equity method	9	7,154	6,091
Property, plant and equipment	11	27,744	18,698
Net deferred tax assets	4	4,320	5,516
Intangible assets and goodwill	12	68,247	61,075
Total non current assets		118,940	94,601
TOTAL ASSETS		292,542	249,080
LIABILITIES			
Current liabilities			
Trade and other payables	13	115,415	114,379
Interest and non interest bearing loans and borrowings	14	39,553	43,225
Derivative financial instruments	15	785	572
Provisions	16	4,263	4,958
Income tax payable		4,090	-
Other financial liabilities	17	167	167
Total current liabilities		164,273	163,301
Non current liabilities			
Interest bearing loans and borrowings	14	2,405	3,176
Provisions	16	313	245
Other financial liabilities	17	1,764	1,930
Convertible redeemable preference shares	18	55,000	55,000
Total non current liabilities		59,482	60,351
TOTAL LIABILITIES		223,755	223,652
NET ASSETS		68,787	25,428
EQUITY			
Contributed equity	19	59,115	27,610
Reserves	19	(288)	(93)
Retained earnings	19	9,868	(2,173)
Parent Interest		68,695	25,344
Non controlling interest		92	84
TOTAL EQUITY		68,787	25,428

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

Statement of Changes in Equity

Year ended 30 April 2011

	Contributed equity \$'000	Retained Earnings \$'000	Cash Flow Hedge Reserve \$'000	Owners of the Parent \$'000	Non Controlling Interest \$'000	Total equity \$'000
At 30 April 2010	27,610	(2,173)	(93)	25,344	84	25,428
Total comprehensive income, net of tax	-	12,041	(195)	11,846	20	11,866
Transactions with owners in their capacity as owners:						
Final call on partly paid ordinary shares	31,505	-	-	31,505	-	31,505
Dividends paid	-	-	-	-	(12)	(12)
At 30 April 2011	59,115	9,868	(288)	68,695	92	68,787
On incorporation 8 December 2009	-	-	-	-	-	-
Total comprehensive income, net of tax	-	(2,173)	(93)	(2,266)	-	(2,266)
Transactions with owners in their capacity as owners:						
Shares Issued	27,610	-	-	27,610	-	27,610
Minority Interest on acquisition	-	-	-	-	84	84
At 30 April 2010	27,610	(2,173)	(93)	25,344	84	25,428

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

Statement of Cash Flows

Year ended 30 April 2011

	Notes	2011 \$'000	2010 \$'000
Cash flows from operating activities:			
Receipts from customers		855,098	64,632
Payments to suppliers and employees		(833,467)	(61,984)
Interest received		1,044	131
Finance costs		(2,468)	(13)
Dividends received		535	-
Income tax paid		(90)	(47)
Goods and services tax paid		(6,148)	(788)
Net cash flows from operating activities	5(a)	14,504	1,931
Cash flows from investing activities:			
Purchase of property, plant and equipment		(9,316)	(84)
Payments for intangibles		(2,413)	-
Payment of business acquisition costs		(1,287)	(3,376)
Loans to other entities		(10,573)	-
Payment on acquisition of businesses		(13,735)	(44,339)
Payment on acquisition of associates		(1,000)	-
Net cash flows used in investing activities		(38,324)	(47,799)
Cash flows from financing activities:			
Proceeds from the issue of ordinary shares		-	27,610
Proceeds from borrowings – other		27,874	42,386
Repayments of borrowings – other		-	(8,574)
Payment of dividends to minority interests		(12)	-
Repayment of finance lease principal		(838)	(68)
Net cash flows used in financing activities		27,024	61,354
Net increase in cash and cash equivalents		3,204	15,486
Add opening cash brought forward		15,486	-
Cash and cash equivalents at end of period		18,690	15,486

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

Notes to the Financial Statements

Year ended 30 April 2011

1 CORPORATE INFORMATION

The financial report of Mittenmet Limited (the Company) for the year ended 30 April 2011 was authorised for issue in accordance with a resolution of the Directors on 28 July 2011.

Mittenmet Limited and its controlled entities (the Group), is a company limited by shares incorporated in Australia. The nature of the operations and principal activities of the Group are described in the Directors' Report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of accounting

The financial report is a general purpose financial report that has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared using the historical cost basis except for derivative financial instruments which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest \$1,000 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 prior period comparative information is presented from the date of incorporation of the company on 8 December 2009 through to 30 April 2010. On 25 March 2010, the Company acquired Mitre 10 Australia Limited. Consequently, the prior year comparatives include the trading results of Mitre 10 Australia Limited for the one month period ended 30 April 2010.

(ii) Statement of Compliance

The financial report complies with Australian Accounting Standards. The financial report also complies with International Financial Reporting Standards (IFRS).

Standards and amendments issued but not yet effective

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

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

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

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

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

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

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

Notes to the Financial Statements

Year ended 30 April 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Basis of consolidation

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

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

Controlled entities are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities.

Controlled entities are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

In preparing the consolidated financial statements all intercompany balances and transactions have been eliminated in full.

Investments in subsidiaries held by Mittenmet Limited are accounted for at cost in the separate financial statements of the parent entity.

The acquisition of subsidiaries is accounted for using the purchase method of accounting.

(iv) Significant accounting judgements, estimates and assumptions

(a) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have a significant effect on the amounts recognised in the financial statements:

Contractual customer relationships

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

(b) Significant accounting estimates and assumptions

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

Impairment of goodwill

The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill is allocated.

The assumptions used in this estimation of the recoverable amount and the carrying amount of goodwill is discussed in note 12.

Contractual customer relationships

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

(v) Foreign Currency Translation

Translation of foreign currency transactions

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

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All exchange differences in the consolidated financial report are taken to profit or loss.

(vi) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

(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 impairment is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Notes to the Financial Statements

Year ended 30 April 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(viii) Investments and other financial assets

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 consolidated statement of comprehensive income.

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

(ix) Derivative financial instruments

The Group uses derivative financial instruments to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date at which a derivative contract is entered into and are subsequently remeasured to fair value.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to profit or loss for the year.

The fair value of derivative contracts are determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as:

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

Hedges that meet the strict criteria for hedge accounting are accounted as follows:

Cashflow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or to a forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

(x) Investment in associates

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

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

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

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

(xi) Inventories

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

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

Notes to the Financial Statements

Year ended 30 April 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(xii) Property, plant and equipment

Cost

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

Depreciation

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

Major depreciation periods are:

	2010
Freehold buildings:	40 years
Plant and equipment:	2–10 years
Leased Assets	5 years

Impairment

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

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

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

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

Impairment losses are recognised in the consolidated statement of comprehensive income.

De-recognition

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the period the item is de-recognised.

(xiii) Impairment of assets

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

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

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

(xiv) 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 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 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(xiv) Leases (continued)

Finance leases

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

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

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

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

(xv) Goodwill

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

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

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

As at the acquisition date, any goodwill acquired is allocated to each of the 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.

When goodwill forms part of a cash-generating unit 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 cash-generating unit retained.

Impairment losses for goodwill are not subsequently reversed.

(xvi) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the profit or loss on a straight-line basis.

Intangible assets (excluding software development costs) created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

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

Trade Names are recognised as intangible assets where a registered trade mark is acquired with attributable value. Trade Names are valued on a Relief from Royalty method. Trade names are considered to be indefinite life intangibles and are not amortised. Trade Name balances will be tested annually for impairment at the same time as goodwill is tested.

Customer contracts are recognised as intangible assets when the criteria specified in *AASB 138 Intangible Assets* have been met. Customer contracts are assessed to have a finite life and are amortised over the asset's useful life.

The carrying value of these assets are reviewed for impairment where an indicator of impairment exists.

Notes to the Financial Statements

Year ended 30 April 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(xvi) Intangible assets (continued)

Software development costs incurred on an individual project are carried forward when future recoverability can reasonably be assured. Following the initial recognition of software development costs, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Any costs carried forward are amortised over the assets' useful economic lives.

The carrying value of software development costs is reviewed for impairment annually when an asset is not in use or more frequently when an indicator of impairment arises during a reporting period indicating that the carrying value may not be recoverable.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of comprehensive income when the asset is de-recognised.

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

- Customer contracts – twenty five years;
- Software development costs – five years.

(xvii) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(xviii) Employee leave benefits

(a) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(b) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match as closely as possible, the estimated future cash outflows.

(xix) 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.

(xx) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is probable. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

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

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.

Notes to the Financial Statements

Year ended 30 April 2011

2 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 entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

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

Rendering of services

Revenue from promotional activities is recognised when the promotional activities occur.

Interest

Revenue is recognised as the interest is earned.

Dividends

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

Rental income

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

(xxii) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the relevant reporting date.

Deferred income tax is provided on all temporary differences at the reporting date, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

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

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the relevant reporting date.

Deferred tax assets and deferred liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the consolidated statement of comprehensive income.

Notes to the Financial Statements

Year ended 30 April 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(xxiii) Other taxes

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

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

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

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

(xxiv) Convertible redeemable preference shares

The component of the convertible redeemable preference shares that exhibits characteristics of a liability is recognised as a liability in the statement of financial position.

(xxv) 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.

(xxvi) Borrowing costs

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

(xxvii) Operating segment

The directors have determined that the group has only one operating segment, and as such is not required to provide segment disclosures.

Notes to the Financial Statements

Year ended 30 April 2011

3 REVENUE AND EXPENSES

	2011 \$'000	2010 \$'000
(a) Revenue		
Sale of goods	797,648	61,556
Rent	234	18
Interest	1,044	131
	<u>798,926</u>	<u>61,705</u>
(b) Other expenses		
Depreciation/ Amortisation of property, plant and equipment	1,560	118
Amortisation of software	33	-
Amortisation of customer relationships	432	-
Impairment of trade receivables	698	13
(c) Operating lease rental		
Minimum lease payments	7,901	670
(d) Employee benefits expense		
Wages and salaries	27,322	1,668
Defined contribution plan expense	2,020	149
Workers compensation costs	466	42
Other employee benefits costs	1,616	124
(e) Significant item		
Payment of business acquisition costs	1,287	3,376
(f) Finance costs		
Interest expense	369	13
Interest expense - related party	2,099	-
	<u>2,468</u>	<u>13</u>

4 INCOME TAX

The major components of income tax expense are:

Current income tax

Current income tax charge	4,005	420
Adjustments in respect of current income tax of previous years	299	-
Deferred income tax relating to origination and reversal of temporary differences	1,196	-
	<u>5,500</u>	<u>420</u>

Income tax expense reported in the Statement of Comprehensive Income

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

Accounting profit before income tax	17,561	(1,753)
At the Group's statutory income tax rate of 30%	5,268	(526)
Expenditure not allowable for income tax purposes - business combination expenses	105	987
Expenditure not allowable for income tax purposes - other	-	(41)
Income not assessable for income tax purposes	(172)	-
Adjustments in respect of current income tax of previous years	299	-
	<u>5,500</u>	<u>420</u>

Income tax expense reported in the Consolidated Statement of Comprehensive Income at an effective tax rate of 30%

Notes to the Financial Statements

Year ended 30 April 2011

4 INCOME TAX (continued)

	2011	2010
	\$'000	\$'000
Deferred income tax		
Deferred income tax of the Mittenmet Group at 30 April relates to the following:		
Deferred tax liabilities		
Accelerated depreciation for tax purposes	-	2,380
Intangibles	3,170	2,957
Other receivables	-	93
Set off of deferred tax assets	(3,170)	(5,430)
	-	-
Deferred tax assets		
Provisions	1,842	1,430
Accelerated depreciation for accounting purposes	305	-
Unutilised Tax Losses	1,544	2,856
Other	3,799	6,660
Set off of deferred tax liabilities	(3,170)	(5,430)
	4,320	5,516
Recognised net deferred tax assets		
Opening Balance	5,516	-
Charged to Income Statement	(1,196)	-
Acquisitions / Disposals	-	5,516
Closing Balance	4,320	5,516

At 30 April 2011, there is no recognised or unrecognised deferred income tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and associates as the Group has no liability for additional taxation should these earnings be remitted.

Notes to the Financial Statements

Year ended 30 April 2011

5 CASH AND CASH EQUIVALENTS

	2011 \$'000	2010 \$'000
Cash at bank and on hand	18,690	15,486
	<u>18,690</u>	<u>15,486</u>
(a) Reconciliation of net profit/ (loss) after tax to net cash flows from operations		
Net profit	12,061	(2,173)
<i>Adjustments for:</i>		
Depreciation and amortisation	2,025	118
Share of associates' net profit	(598)	-
Dividends received from associates	535	-
Business combination expenses	1,287	3,376
Other non-cash items	20	-
(Increase)/decrease in trade and other receivables	(95)	3,071
(Increase)/decrease in other current assets	185	102
(Increase)/decrease in inventories	(3,640)	(1,377)
(Increase)/decrease in deferred tax assets	1,219	402
(Decrease)/increase in payables and provisions	(2,603)	(1,560)
(Decrease)/increase in tax payable	4,108	(28)
Net cash from operating activities	<u>14,504</u>	<u>1,931</u>
(b) Non-cash financing and investing activities		
Conversion of loan from Metcash Trading Limited to settle final call on partly paid shares	31,505	-

6 TRADE AND OTHER RECEIVABLES (CURRENT)

Trade receivables (i)	107,857	108,731
Allowance for impairment loss	(3,859)	(5,061)
	<u>103,998</u>	<u>103,670</u>
Customer loans (ii)	2,367	48
Other receivables (iii)	768	701
	<u>107,133</u>	<u>104,419</u>

(i) Trade receivables are non-interest bearing and terms vary. At 30 April 2011, 68.3% (2010: 62.2%) of trade receivables are required to be settled within 30 days and 31.7% (2010: 37.8%) of trade receivables have terms extending from 30 days to 120 days. The amount of the allowance for impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

(ii) Customer loans receivable are current and have repayment terms of less than 12 months. All loans are interest-bearing have a weighted average annual interest of 7.81% (2010: 8.00%).

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

Notes to the Financial Statements

Year ended 30 April 2011

6 TRADE AND OTHER RECEIVABLES (CURRENT) (continued)

Impaired trade receivables

In the period to 30 April 2011, trade receivables with a notional value of \$698,000 (2010: \$13,000) were provided for as impaired. Movement in the allowance for impairment loss:

	2011 \$'000	2010 \$'000
Opening balance	(5,061)	-
Acquisition from business combination	(18)	(5,021)
Charge for the period	(698)	(13)
Accounts written off as non recoverable	1,935	-
Amounts recovered	(17)	(27)
Closing balance	<u>(3,859)</u>	<u>(5,061)</u>

Debtors Ageing

In the period to 30 April 2011, the analysis of trade receivables for the Mittenmet Group that were past due but not impaired is as follows:

	Neither past due or impaired \$'000	Less than 30 days overdue \$'000	More than 30 less than 60 \$'000	More than 60 less than 90 \$'000	More than 90 less than 120 \$'000	More than 120 \$'000	Total \$'000
2011	100,199	3,484	219	88	8	-	103,998
	96.3%	3.4%	0.2%	0.1%	0.0%	0.0%	100.0%
2010	98,170	3,130	499	784	41	1,046	103,670
	94.7%	3.0%	0.5%	0.8%	0.0%	1.0%	100.0%

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

Customer Loans Ageing

As at 30 April 2011, the analysis of customer loans receivable for the Mittenmet Group that were past due but not impaired is as follows:

	Neither past due or impaired \$'000	Less than 30 days overdue \$'000	More than 30 less than 60 \$'000	More than 60 less than 90 \$'000	More than 90 less than 120 \$'000	More than 120 \$'000	Total \$'000
2011	13,842	-	-	-	-	-	13,842
	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
2010	3,269	-	-	-	-	-	3,269
	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%

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

Other Receivables Ageing

In the period to 30 April 2011, the analysis of other receivables for the Mittenmet Group that were past due but not impaired is as follows:

	Neither past due or impaired \$'000	Less than 30 days overdue \$'000	More than 30 less than 60 \$'000	More than 60 less than 90 \$'000	More than 90 less than 120 \$'000	More than 120 \$'000	Total \$'000
2011	768	0	0	0	0	0	768
	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
2010	701	0	0	0	0	0	701
	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%

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

Customer Loan Security

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

	2011 \$'000	2010 \$'000
Current loans	2,367	48
Non Current loans	11,475	3,221
	<u>13,842</u>	<u>3,269</u>

For certain loans, customers are required to provide security in the event of default. These may include bank guarantees, fixed and floating charges and security over property assets. The fair value of these securities as at 30 April 2011 was \$9,125,000 (2010: \$3,269,000)

Notes to the Financial Statements

Year ended 30 April 2011

7 INVENTORIES

	2011 \$'000	2010 \$'000
Total Finished Goods inventories at the lower of cost and net realisable value	37,662	29,726

Inventory write-downs recognised as an expense totalled \$nil (2010:nil).

8 RECEIVABLES (NON-CURRENT)

Customer loans (i)	11,475	3,221
Total	11,475	3,221

(i) Customer loans receivable are non-current and have repayment terms of greater than 12 months. All loans are interest bearing and have a weighted average annual interest rate of 7.81% (2010: 8.00%). Refer to Note 6 for ageing analysis and credit quality.

Fair values

The fair value and carrying values of non-current receivables of the Group are as follows:

	Carrying Amount		Fair value	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Customer loans	11,475	3,221	11,475	3,221

The fair values are based on cash flows discounted at a rate reflecting current market rates adjusted for counter party credit risk. The Directors consider that the carrying amount of the non-current receivables recorded in the financial statements approximates their fair value as at the reporting date.

9 INVESTMENTS

	2011 \$'000	2010 \$'000
Investments accounted for using the equity method	7,154	6,091

Investment in associates

	Principal activities	Balance date	Ownership interest	
			2011 %	2010 %
Sunshine Hardware Pty Ltd	Hardware retailing	30 June	49.0	49.0
Northern Hardware Group Pty Ltd	Hardware retailing	30 June	49.9	-

The following table illustrates summarised financial information relating to the Group's investment in associates.

Share of associates' profit:

	2011 \$'000	2010 \$'000
Profit/(loss) before income tax	922	-
Income tax expense	(324)	-
Profit after income tax	598	-
Share of associates' Statement of Financial Position:		
Current assets	10,397	9,909
Non-current assets	7,773	5,890
Total Assets	18,170	15,799
Current liabilities	(5,003)	(4,334)
Non-current liabilities	(6,925)	(5,315)
Total Liabilities	(11,928)	(9,649)
Net assets	6,242	6,150

Notes to the Financial Statements

Year ended 30 April 2011

10 INFORMATION RELATING TO MITTENMET LIMITED (THE PARENT ENTITY)

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

	Mittenmet Limited	
	2011	2010
	\$'000	\$'000
Current assets	6,503	11,962
Total Assets	125,103	122,182
Current liabilities	15,503	42,862
Total liabilities	70,504	97,862
Net Assets	54,599	24,320
Contributed equity	59,115	27,610
Retained Earnings/(Losses)	(4,516)	(3,290)
Total equity	54,599	24,320
Profit/(Loss) of the parent entity	(1,226)	(3,290)
Total comprehensive income of the parent entity	(1,226)	(3,290)

Mittenmet Limited has provided guarantees as part of the Closed Group arrangements as disclosed in Note 22(c)

11 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings \$'000	Plant and equipment \$'000	Total \$'000
Year ended 30 April 2011			
At 30 April 2010,			
net of accumulated depreciation and impairment	11,938	6,760	18,698
Acquisition from business combination	-	1,290	1,290
Additions	8,290	1,026	9,316
Disposals	-	-	-
Depreciation charge for the year	(108)	(1,452)	(1,560)
Net carrying amount	20,120	7,624	27,744
At 30 April 2011,			
Cost (gross carrying amount)	20,234	9,188	29,422
Accumulated depreciation and impairment	(114)	(1,564)	(1,678)
Net carrying amount	20,120	7,624	27,744
Period ended 30 April 2010			
At 8 December 2009			
net of accumulated depreciation and impairment	-	-	-
Acquisitions from business combinations	11,944	6,788	18,732
Additions	-	84	84
Depreciation charge for the year	(6)	(112)	(118)
At 30 April 2010,			
net of accumulated depreciation and impairment	11,938	6,760	18,698

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 April 2011 is \$3.8 million (30 April 2010: \$4.4 million).

Notes to the Financial Statements

Year ended 30 April 2011

12 INTANGIBLE ASSETS AND GOODWILL

	Software Development Costs \$'000	Customer Contracts \$'000	Goodwill \$'000	Trade Names \$'000	Total \$'000
Year ended 30 April 2011					
At 1 May 2010					
Net carrying amount	37	9,937	23,912	27,189	61,075
Acquisition from business combination (Note 24)	-	-	5,224	-	5,224
Additions	1,352	1,061	-	-	2,413
Amortisation	(33)	(432)	-	-	(465)
At 30 April 2011					
Net carrying amount	1,356	10,566	29,136	27,189	68,247
At 30 April 2011					
Cost (gross carrying amount)	1,389	10,998	29,136	27,189	68,712
Accumulated amortisation and impairment	(33)	(432)	-	-	(465)
Net carrying amount	1,356	10,566	29,136	27,189	68,247
Period ended 30 April 2010					
At 8 December 2009,					
Net carrying amount	-	-	-	-	-
Acquisition from business combination (Note 24)	37	9,937	23,912	27,189	61,075
At 30 April 2010					
Net carrying amount	37	9,937	23,912	27,189	61,075
At 30 April 2010,					
Cost (gross carrying amount)	37	9,937	23,912	27,189	61,075
Accumulated amortisation and impairment	-	-	-	-	-
Net carrying amount	37	9,937	23,912	27,189	61,075

(a) Description of the Groups Intangible Assets & Goodwill

Software development costs

Development costs have been capitalised at cost and are amortised using the straight-line method over the asset's useful economic life which has been assessed as five 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.

Customer Contracts

Customer contracts are acquired either through business combinations or through direct acquisition of contractual relationships. The carrying amount represents the costs less accumulated amortisation. Customer contracts are amortised over a 25 year period. The amortisation has been recognised in the statement of comprehensive income in the line item "Administrative Costs". If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is less than the carrying amount.

Trade Names

Trade Names have been acquired through business combinations and are carried at cost less any impairment losses. These intangibles assets have been determined to have an indefinite useful life. Trade marks are subjected to impairment testing on an annual basis or whenever there is an indication of impairment.

(b) Impairment tests for Goodwill and Intangibles with indefinities useful lives

Goodwill

(i) Description of Cash Generating Units

Goodwill acquired through business combinations has been allocated to the lowest level within the entity at which the goodwill is monitored by management, being the single business pillar (Mitre 10). Under AIFRS, goodwill and intangibles with indefinite lives have to be tested annually and when impairment indicators arise, provided the testing is done at the same time each year. Impairment testing was conducted in February 2011.

The recoverable amount of the CGU has been determined based on fair value less costs to sell calculation using cash flow projections based on financial projections covering a five year period.

(ii) Key assumptions used in valuations

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

Budgeted gross margins - These have been estimated based on utilisation of existing assets and on the average gross margins achieved immediately before the budgeted year, increased for expected efficiency improvements.

Discount rates - The weighted average cost of capital for the Group based on risk free rates of return, the company's risk profile relative to the market, the marginal cost of borrowing for the company, its average level of gearing and a market risk premium.

Future growth - driven by population growth, estimated food and hardware inflation and changes in market share.

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

Notes to the Financial Statements

Year ended 30 April 2011

12 INTANGIBLE ASSETS AND GOODWILL (continued)

(iii) Sensitivity to changes in assumptions

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

GROUP OF CGU's	Goodwill \$'m	Discount rate at which impairment is triggered %
Mitre 10	27.8	17.30%

Trade Names

(i) Trade names only arise as a result of the acquisitions during financial year 2010.

(ii) Key assumptions used in valuations

Royalty rate - An estimate based on similar royalty rates for similar types of franchising store formats in a similar industry from a global analysis

Budgeted gross margins - These have been estimated based on utilisation of existing assets and on the average gross margins achieved immediately before the budgeted year, increased for expected efficiency improvements.

Discount rates - The weighted average cost of capital for the Mitre 10 Group based on risk free rates of return, the company's risk profile relative to the market, the marginal cost of borrowing for the company, its average level of gearing and a market risk premium.

Future growth - Driven by population growth, estimated inflation and changes in market share.

(iii) Sensitivity to changes in assumptions

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

13 TRADE AND OTHER PAYABLES (CURRENT)

	2011 \$'000	2010 \$'000
Trade payables	103,268	103,480
Other payables	12,147	10,899
	<u>115,415</u>	<u>114,379</u>

Trade and other payables are non-interest-bearing and are normally settled within 30-day terms.

(a) Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

14 INTEREST BEARING LOANS AND BORROWINGS

	2011 \$'000	2010 \$'000
Current		
Finance lease obligation (i)	785	839
Loans from Metcash Trading Limited - cash advance facility (ii)	28,000	14,776
Loans from Metcash Trading Limited - working capital facility (iii)	10,768	-
Loans from Metcash Trading Limited - interest free (iv)	-	27,610
	<u>39,553</u>	<u>43,225</u>
Non-current		
Finance lease obligation (i)	2,391	3,176
Other payables	14	-
	<u>2,405</u>	<u>3,176</u>

(i) Finance leases have an average lease term of five years with the option to purchase the asset at the completion of the lease term for the asset's market value. The average discount rate implicit in the lease is 9.48% (2010:9.46%). Secured lease liabilities are secured by a charge over the leased asset.

(ii) The Metcash Trading Limited/Mitre 10 Facility Agreement includes a cash advance facility funding commitment of \$28 million that terminates on 31 May 2012. Interest is charged on the loan balance at a rate that reflects the margins and fees payable by Metcash Trading Limited under its own facilities, which was 7.58% at balance date. The loan is secured by guarantee and by way of fixed and floating charges over the Group's assets.

(iii) The Metcash Trading Limited/Mitre 10 Facility Agreement also includes a working capital facility funding commitment of \$15 million that currently terminates on 17 March 2012. Interest is charged on the loan balance at a rate that reflects the margins and fees payable by Metcash Trading Limited under its own facilities, which was 7.58% at balance date. The loan is secured by guarantee and by way of fixed and floating charges over the Group's assets.

(iv) Interest free loan. The loan represents the second instalment of the subscription price for the equity injection by Metcash Trading Limited into Mittenmet Limited. The loan was settled in October 2010.

(a) Fair Value

The carrying amount of the Group's current and non-current borrowings approximate their fair value.

(b) Defaults or breaches

During the current period, there were no defaults or breaches on any of the loans.

(c) Interest rate risk and liquidity risk

Details regarding interest rate risk and liquidity risk are disclosed in Note 20.

Notes to the Financial Statements

Year ended 30 April 2011

15 DERIVATIVE FINANCIAL INSTRUMENTS

	2011 \$'000	2010 \$'000
Current		
Derivatives		
Foreign currency forward contract (i)	785	572
	<u>785</u>	<u>572</u>

(i) Derivatives are carried at fair value.

16 PROVISIONS

	2011 \$'000	2010 \$'000
Current		
Employee entitlements	4,263	2,978
Redundancy (i)	-	1,980
	<u>4,263</u>	<u>4,958</u>
Non-current		
Employee entitlements	313	245
	<u>313</u>	<u>245</u>
Total	<u>4,576</u>	<u>5,203</u>

(a) Movements in provisions

	2011 \$'000	2010 \$'000
Redundancy (i)		
At beginning of period	1,980	-
Acquired through business combination	-	1,980
Utilised	(1,350)	-
Unused amounts released to goodwill	(630)	-
At end of period	<u>-</u>	<u>1,980</u>

(b) Nature and timing of provisions

(i) Redundancy

The provision for redundancy costs represented the present value of the directors' best estimate of the costs directly and necessarily caused by the restructuring of the Mittenmet group as a direct consequence of its acquisition by Metcash Limited.

17 OTHER FINANCIAL LIABILITIES

	2011 \$'000	2010 \$'000
Current		
Lease incentives	167	167
	<u>167</u>	<u>167</u>
Non - current		
Lease incentives	1,764	1,930
	<u>1,764</u>	<u>1,930</u>

Notes to the Financial Statements

Year ended 30 April 2011

18 CONVERTIBLE REDEEMABLE PREFERENCE SHARES

	Maturity	2011 \$'000	2010 \$'000
Non-current			
Convertible redeemable preference shares (CRPS)	2012-2013	55,000	55,000
		<u>55,000</u>	<u>55,000</u>

The CRPS have the same rights as ordinary shares with respect to voting and dividends. Metcash Trading Limited has the right to require the Company to redeem all of the CRPS within the 30 day period after finalisation of the 2012 Accounts or the 2013 Accounts, as Metcash Trading Limited may elect.

If Metcash Trading Limited exercises its rights to require the Company to redeem all of the CRPS in either 2012 or 2013 (Redemption Notice): The CRPS will be cancelled by the Company; the Company will pay the former holders of the CRPS a cash amount equal to the Redemption Amount; and Metcash Trading Limited will hold all the issued share capital of the Company and, accordingly, the Company will become a wholly owned subsidiary of Metcash Trading Limited.

The mechanism for the calculation of the CRPS Redemption Amount is specified in the Mittenmet Limited Constitution. In broad terms, the Redemption Amount is determined by carrying out the following steps in the following order: Calculating 5.8 times the Group EBITDA for the 12 month period ending 30 June 2012 or 30 June 2013 (as applicable) (Company Enterprise Value); Deducting from the Company Enterprise Value, the Group net debt as at 30 June 2012 or 30 June 2013 (as applicable) (other than any net debt incurred for the purposes of making acquisitions in associates or jointly controlled entities in the relevant 12 month period) (Company Equity Value); and multiplying the Company Equity Value by the percentage which the CRPS on issue represent of the total number of shares on issue in the Company (Redemption Amount). The proportion of the Redemption Amount to which each holder of CRPS will be entitled will be the proportion to which their CRPS represent of the total number of CRPS on issue.

If a Redemption Notice is not served by Metcash Trading Limited, the CRPS convert to ordinary shares not later than 60 days after the finalisation of the 30 June 2013 Accounts. In certain circumstances, on conversion to ordinary shares former CRPS holders may request an exit from their investment by either public listing, trade sale or dual track process.

19 CONTRIBUTED EQUITY AND RESERVES

	Number of shares Thousands	2011 \$'000	2010 \$'000
<i>(a) Ordinary shares:</i>			
Issued and fully paid (2010: partly paid)	501,000	59,115	27,610
	501,000	<u>59,115</u>	<u>27,610</u>

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

Reserves

	Contributed Equity \$'000	Cash Flow Hedge Reserve \$'000	Total \$'000
At 1 May 2010	27,610	(93)	27,517
Final call on partly paid shares	31,505	-	31,505
Movement in fair value of derivatives	-	(195)	(195)
At 30 April 2011	<u>59,115</u>	<u>(288)</u>	<u>58,827</u>
At 8 December 2009	-	-	-
Issue of partly paid shares	27,610	-	27,610
Movement in fair value of derivatives	-	(93)	(93)
At 30 April 2010	<u>27,610</u>	<u>(93)</u>	<u>27,517</u>

Nature and purpose of reserves

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.

Retained earnings

	2011 \$'000	2010 \$'000
Opening balance	(2,173)	-
Profit/(loss) for the period	12,041	(2,173)
Closing balance	<u>9,868</u>	<u>(2,173)</u>

Notes to the Financial Statements

Year ended 30 April 2011

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management objectives and policies

The Group's principal financial instruments comprise loans from Metcash Trading Limited, finance and operating leases, cash and short-term deposits and derivatives.

The main purpose of these instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and payables, which arise directly from its operations.

The Group manages its exposure to key financial risks including interest rate and credit risks in accordance with the Group's financial risk management policy. The objective of the policy is to support delivery of the Group's financial targets while protecting future financial security.

The Group enters into a small number of derivative transactions from time to time principally to manage 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 interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are detailed below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial instrument, financial liability and equity instrument are disclosed in Note 2 Summary of Significant Accounting Policies.

Risk exposures and liquidity risk exposures

Interest rate risk

The Group may enter into interest rate derivatives designated to limit the Group's exposure to volatility in interest payments from time to time. As at 30 April 2011, the Group has no interest rate derivative financial instruments.

The Group's exposure to interest rate risk both recognised and unrecognised at balance date, are as follows:

Financial Instruments

	2011 \$'000	2010 \$'000
Financial assets		
Cash and cash equivalents	18,690	15,486
	<u>18,690</u>	<u>15,486</u>
Financial liabilities		
Loans from Metcash Trading Limited	(38,768)	(14,776)
	<u>(38,768)</u>	<u>(14,776)</u>
Net interest rate exposure	<u>(20,078)</u>	<u>710</u>

At the reporting date, the carrying value of all financial assets and liabilities approximate their net fair values.

The other financial instruments of the Group that are not included in the above tables are non-interest-bearing and are therefore not subject to interest rate risk.

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 at balance date if interest rates had moved by 0.5% higher or 0.25% lower. These movements have been selected as they are considered reasonable, given the current economic climate and the current levels of short and long term Australian interest rates. It is assumed within this calculation that all other variables have been held constant and that the borrowings are in Australian dollars.

	Profit After Tax Higher/(Lower)	
	2011 \$'000	2010 \$'000
If interest rates were to increase by 0.50% (50 basis points)	(70)	2
If interest rates were to decrease by 0.25% (25 basis points)	35	(1)

The movements in profit are due to higher/lower interest costs from variable rate banking and other loans.

Notes to the Financial Statements

Year ended 30 April 2011

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk and funding management

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis.

Remaining contractual maturities

Remaining contractual liabilities consist primarily of non-interest bearing trade and other payables amounting to \$115.4 million (2010: \$114.4 million) for the Group that are due in one year or less, and from loans from Metcash Trading Limited of \$38.8 million (2010: \$42.4 million).

Maturity analysis of financial liabilities based on contracted date

The risk implied from the values shown in the table below reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital such as inventories and trade receivables. These assets are considered in the Group's overall liquidity risk. The following table reflects the contracted date of settlement of financial liabilities. The table includes both principal and interest cashflows.

	1 year or less \$'000	1-5 Years \$'000	More than 5 Years \$'000	Total \$'000
Year ended 30 April 2011				
Financial assets				
Cash and cash equivalents	18,690	-	-	18,690
Trade and other receivables	107,133	11,475	-	118,608
	125,823	11,475	-	137,298
Financial liabilities				
Trade and other payables	115,415	-	-	115,415
Finance lease liability	1,051	2,744	-	3,795
Loans from Metcash Trading Limited - interest bearing	38,768	-	-	38,768
Derivative liabilities - gross settled				
Inflows	(9,137)	-	-	(9,137)
Outflows	9,922	-	-	9,922
Loans from Metcash Trading Limited - non interest bearing	-	-	-	-
	156,019	2,744	-	158,763

Year ended 30 April 2010

	1 year or less \$'000	1-5 Years \$'000	More than 5 Years \$'000	Total \$'000
Financial assets				
Cash and cash equivalents	15,486	-	-	15,486
Trade and other receivables	104,419	3,221	-	107,640
Derivative financial instruments	-	-	-	-
	119,905	3,221	-	123,126
Financial liabilities				
Trade and other payables	114,379	-	-	114,379
Finance lease liability	1,185	3,795	-	4,980
Loans from Metcash Trading Limited - interest bearing	14,776	-	-	14,776
Derivative liabilities - gross settled				
Inflows	(9,670)	-	-	(9,670)
Outflows	10,242	-	-	10,242
Loans from Metcash Trading Limited - non interest bearing	27,610	-	-	27,610
	158,522	3,795	-	162,317

The Group monitors forecasts of liquidity reserves on the basis of expected cash flow.

The Group currently has unused credit facilities available for its immediate use as follows:

	Total facility \$'000	Debt usage \$'000	Guarantees and other usage \$'000	Cash \$'000	Facility available \$'000
Metcash Trading Limited - cash advance facility	28,000	28,000	-	-	-
Metcash Trading Limited - working capital facility (i)	15,000	10,768	-	-	4,232
Metcash Trading Limited - credit support facility	2,000	-	1,200	-	800
	45,000	38,768	1,200	-	5,032
Cash and cash equivalents	-	-	-	18,690	18,690
	45,000	38,768	1,200	18,690	23,722

(i) On 28 July 2011 the working capital facility limit was increased from \$10 million to \$15 million and its termination date extended to 17 March 2012.

Notes to the Financial Statements

Year ended 30 April 2011

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Derivative financial liabilities

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

	1-6 mths \$'000	6-12 mths \$'000	1-5 years \$'000	>5 years \$'000	Total \$'000
Year ended 30 April 2011					
Derivative liabilities - gross settled					
- Inflows	(8,193)	(944)	-	-	(9,137)
- Outflows	8,899	1,023	-	-	9,922
Net maturity	706	79	-	-	785
Year ended 30 April 2010					
Derivative liabilities - gross settled					
- Inflows	(8,349)	(1,321)	-	-	(9,670)
- Outflows	8,916	1,326	-	-	10,242
Net maturity	567	5	-	-	572

Gross settled derivatives comprise forward exchange contracts that are used to hedge anticipated purchase commitments.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group trades with a large number of customers across the business operations and it is Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, in certain circumstances where a loan has been provided, the Group takes security over certain assets of the customer.

The management of the receivables balance is key in the minimisation of the potential bad debt exposure to the company. Receivables balances are monitored on an ongoing basis and a formal review of all balances occurs every 3 months and where necessary appropriate provisions are established.

As identified in note 6 (Trade and Other Receivables), the current level of impairment provision represents less than 3.6% (2010: 4.7%) of the receivables balance, indicating that the balances are actively and effectively managed.

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

Foreign currency risk

The Group undertakes some foreign currency transactions in the purchases of goods and services. The Group enters into forward foreign exchange contracts and foreign currency options to manage the risk associated with anticipated purchase commitments denominated in foreign currencies.

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

Foreign currency sensitivity analysis

The following table is based on the foreign currency exposures in existence at the reporting date. It details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies for the foreign currency contracts that existed at the reporting date.

At 30 April, 2011, had the Australian dollar moved against the US dollar, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

Judgement of reasonable possible movements:

	Post Tax Profit Higher/(Lower) 2011 \$'000	Post Tax Profit Higher/(Lower) 2010 \$'000	Other comprehensive Income Higher/(Lower) 2011 \$'000	Other comprehensive Income Higher/(Lower) 2010 \$'000
Mittenmet Group				
AUD/USD - 10%	12	12	699	740
AUD/USD +10%	(8)	(8)	(572)	(605)

Notes to the Financial Statements

Year ended 30 April 2011

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Price risk

The Group purchases energy in the form of electricity, petrol and oil, LPG and water from various sources. These costs represent less than 5% of combined Distribution and Administrative expenses. The group enters into periodic contracts for supply of these products via third party tender. No derivative price instruments are used to manage price risk associated with these commodities as the Group's exposure to commodity and equity security price risk is minimal.

Capital Management

The Board's intention is to distribute to the members all distributable profit of the company generated by the operation of the business, consistent with prudent financial management and having regard to i) the business plan; ii) the taxation, working capital, capital expenditure, banking covenants and operational requirements of the company; and iii) the terms of all loan agreements under which the company has borrowed funds and all related security instruments, covenants and other contracts to which the company is a party.

Management monitor capital through the gearing ratio (debt / total capital). The gearing ratio at 30 April 2011 was 37.8% (2010: 27.8%). This is within an acceptable target range.

Fair value

The Group uses various methods in estimating the fair value of a financial instrument. The different methods have been defined as follows:

*Level 1: the fair value is calculated using quoted prices in active markets.

*Level 2: the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

*Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The table below analyses financial instruments carried at fair value, by valuation method:

Year ended 30 April 2011

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Available for sale financial assets	-	-	-	-
Financial assets designated at fair value through profit or loss	-	-	-	-
Financial assets held for trading	-	-	-	-
Derivative financial assets	-	-	-	-
Derivative financial liabilities	-	785	-	785
	-	785	-	785

Period ended 30 April 2010

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Available for sale financial assets	-	-	-	-
Financial assets designated at fair value through profit or loss	-	-	-	-
Financial assets held for trading	-	-	-	-
Derivative financial assets	-	-	-	-
Derivative financial liabilities	-	572	-	572
	-	572	-	572

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

Notes to the Financial Statements

Year ended 30 April 2011

21 COMMITMENTS

(a) Operating lease commitments

	2011 \$'000	2010 \$'000
Within 1 year	8,454	7,993
After 1 year but not more than 5 years	22,894	24,725
More than 5 years	20,162	25,437
Aggregate lease expenditure contracted for at reporting date	51,510	58,155

(b) Finance lease commitments

	Future minimum lease payments		Present value of minimum lease payments	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Within 1 year	1,051	1,185	785	839
After 1 year but not more than 5 years	2,744	3,795	2,391	3,176
More than 5 years	-	-	-	-
	3,795	4,980	3,176	4,015
Less amounts representing finance charges	(619)	(965)	-	-
Present value of minimum lease payments	3,176	4,015	3,176	4,015

22 RELATED PARTY DISCLOSURE

(a) Subsidiaries

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

Name	Country of incorporation	Percentage of equity interest held by the consolidated entity	
		2011 %	2010 %
ACN 008 698 093 (WA) Ltd	Australia	99.44	99.44
Anzam (Aust.) Pty Ltd	Australia	100.00	100.00
Australian Hardware Support Services Pty Ltd	Australia	100.00	100.00
Chelsea Heights Operations Pty Limited	Australia	100.00	100.00
DIY Superannuation Pty Ltd	Australia	100.00	100.00
Echuca Hardware Pty Ltd	Australia	100.00	-
Handyman Stores Pty Ltd	Australia	100.00	100.00
Hardware Property Trust	Australia	100.00	100.00
Himaco Pty Ltd (i)	Australia	100.00	100.00
Lilydale Operations Pty Limited	Australia	100.00	100.00
Mega Property Management Pty Ltd	Australia	100.00	100.00
Mitre 10 Pty Ltd (Formerly Mitre 10 Limited) (i)	Australia	100.00	100.00
Mitre 10 Australia Pty Ltd (formerly Mitre 10 Australia Ltd) (i)	Australia	100.00	100.00
Mitre 10 Mega Pty Ltd (i)	Australia	100.00	100.00
Narellan Hardware Pty Ltd	Australia	100.00	-
National Retail Support Services Pty Ltd	Australia	100.00	100.00
South Coast Operations Pty Ltd	Australia	100.00	100.00
South West Operations Pty Ltd (i)	Australia	100.00	100.00
Sydney Importing Co Limited (In Liquidation)	Australia	97.65	97.65
Timber and Hardware Exchange Pty Ltd	Australia	52.00	52.00
WA Hardware Services Pty Ltd	Australia	100.00	100.00

(b) Ultimate parent

Metcash Limited is the ultimate parent entity.

Notes to the Financial Statements

Year ended 30 April 2011

22 RELATED PARTY DISCLOSURE (continued)

(c) Entities subject to class order relief

Pursuant to an order from ASIC under section 340(1) of the Corporations Act dated 13 August 1998 which is based on Class Order 98/1418 (Order), relief has been granted to certain controlled entities of Mittenmet 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, Mittenmet Limited and the controlled entities, being those marked as (i) (the Closed Group) entered into a Deed of Cross Guarantee on 22 April 2010. The effect of the deed is that Mittenmet 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 Mittenmet Limited is wound up.

The Statement of Comprehensive Income and Statement of Financial Position of the entities that are members of the 'Closed Group' are as follows:

	Closed Group	
	2011	2010
	\$'000	\$'000
<i>(i) Consolidated Statement of Comprehensive Income</i>		
Profit before income tax	9,033	(1,901)
Income tax expense	(3,275)	(443)
Profit after tax	5,758	(2,344)
Net profit for the financial year	5,758	(2,344)
Retained profits at the beginning of the financial year	(2,344)	-
Dividends provided for or paid	-	-
Retained profits at the end of the financial year	3,414	(2,344)
<i>(ii) Consolidated Statement of Financial Position</i>		
ASSETS		
Current Assets		
Cash and cash equivalents	15,326	13,589
Trade and other receivables	109,877	103,592
Inventories	29,292	25,360
Income tax receivable	-	7
Other	775	588
Total Current Assets	155,270	143,136
Non-Current Assets		
Receivables	28,098	6,257
Investments	6,319	7,328
Property, plant and equipment	18,173	18,698
Net Deferred tax assets	6,375	5,308
Intangible assets	68,247	61,075
Total Non-Current Assets	127,212	98,666
Total Assets	282,482	241,802
LIABILITIES		
Current Liabilities		
Trade and other payables	108,827	107,910
Interest-bearing loans and borrowings	46,765	15,615
Non-interest bearing loan	-	27,610
Other financial liabilities	785	572
Current tax liabilities	1,514	-
Other	167	167
Provisions	2,783	4,420
Total Current Liabilities	160,841	156,294
Non-Current Liabilities		
Interest-bearing loans and borrowings	2,391	3,176
Convertible redeemable preference shares	55,000	55,000
Other	1,764	1,930
Provisions	245	229
Total Non-current Liabilities	59,400	60,335
Total Liabilities	220,241	216,629
NET ASSETS	62,241	25,173
EQUITY		
Contributed equity	59,115	27,610
Reserves	(288)	(93)
Retained earnings	3,414	(2,344)
TOTAL EQUITY	62,241	25,173

Notes to the Financial Statements

Year ended 30 April 2011

22 RELATED PARTY DISCLOSURE (continued)

(d) Transactions with related parties

Related Party		Sales to Related Parties \$'000	Purchases from Related Parties \$'000	Other Transactions with Related Parties \$'000
Consolidated				
<i>Associates</i>				
Sales to Associates	2011	11,300	-	-
	2010	2,589	-	-
<i>Parent</i>				
Purchase from parent	2011	-	-	15,370
	2010	-	-	-

(e) Amounts Due from or Payable to Related Parties

Related party	2011 \$'000	2010 \$'000
Consolidated		
<i>Associates</i>		
Trade Accounts Receivable	6,195	4,972
Loans	3,246	-

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

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

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

23 AUDITORS REMUNERATION

	2011 \$	2010 \$
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- an audit or review of the financial report of the company and any other entity in the consolidated entity	194,000	-
	194,000	-

The audit fee for the company for the period ended 30 April 2010 was borne by Metcash Limited.

Notes to the Financial Statements

Year ended 30 April 2011

24. BUSINESS COMBINATION

Current year business combinations

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

Date of acquisition	Entity Purchased	% Acquired
30 June 2010	G W & V Wise Pty Ltd (Echuca)	100%
30 September 2010	Wallington Hardware & Timber Pty Ltd (Wallington)	100%
8 February 2011	Mitre 10 Bega, Eden and Pambula (Sapphire Coast)	100%
16 November 2010	Mitre 10 Narellan (Narellan)	100%

(a) Purchase consideration:	\$'000
Cash paid to date	13,709
Total purchase consideration	13,709
Less cash acquired	26
Net purchase consideration	13,735
Fair value of net identifiable assets acquired (b)	(13,206)
Goodwill	529

(b) Assets and liabilities acquired

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

Accounts receivable	166
Assets held for sale	5,298
Property, plant and equipment	1,290
Inventory	6,595
Other Assets	388
Creditors and employee benefits provision	(531)
Fair value of net identifiable assets acquired	13,206

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

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

The revenue and results of the total Mittenmet Group for the period ended 30 April 2011, as though Echuca, Wallington, Sapphire Coast and Narellan had been acquired on 1 May 2010, would not be significantly different from the Group results as currently reported.

The accounting for the above business combinations is provisional as at 30 April 2011.

Prior period

On 25 March 2010 the Group acquired 50.1% of the Mitre 10 business through the issue of ordinary shares in Mittenmet Limited, the immediate parent undertaking of Mitre 10. The former shareholders of Mitre 10 were issued with Convertible Redeemable Preference Shares, representing the remaining 49.9% interest in Mittenmet Limited. The following are subsequent purchase accounting adjustments:

Purchase price accounting adjustments

	Initial	Final	Adjustment
	\$'000	\$'000	\$'000
Purchase consideration:			
Cash paid to date	55,220	59,115	3,895 (1)
Convertible redeemable preference shares issued at fair value	55,000	55,000	-
Total purchase consideration	110,220	114,115	3,895
Less cash acquired	(10,881)	(14,776)	(3,895) (1)
Net purchase consideration	99,339	99,339	-
Fair value of net identifiable assets acquired (see below)	(75,426)	(70,731)	4,695
Goodwill	23,913	28,608	4,695

Assets and liabilities acquired

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

Accounts receivable	107,705	107,625	80 (2)
Prepayments	735	735	-
Assets held for sale	3,983	3,983	-
Property, plant and equipment	18,731	18,731	-
Intangible - software	37	37	-
Inventory	28,349	26,050	2,299 (3)
Joint venture investment	6,091	6,091	-
Trademark	27,189	27,189	-
Customer supply contracts	9,937	9,937	-
Deferred tax assets	5,918	5,918	-
Other non current assets	3,220	3,220	-
Fair value of forward currency contracts	(572)	(572)	-
Creditors and employee benefits provision	(123,014)	(125,330)	2,316 (4)
Borrowings	(12,799)	(12,799)	-
Minority interest	(84)	(84)	-
Fair value of net identifiable assets acquired attributable to the parent	75,426	70,731	4,695

Notes:

1. The acquisition of Mitre 10 provided for a "true up" of the final purchase consideration payable by Metcash Trading Limited for the partly paid shares issued by Mittenmet Limited. In accordance with the formula set out in the Mitre 10 Scheme Booklet the final call was determined to be \$31.505 million. As these amounts were advanced to the Mitre 10 group by Metcash Trading Limited at the date of acquisition, no additional cash flow has occurred. In addition, there has been no change to the business combination accounting as a result of the true up and no additional Goodwill arises on this transaction.

2. Impairment adjustment required on trade debtor at completion date

3. Adjustment to provision for impairment

4. Adjustments to acquisition accruals and provision balances including contingent liabilities

Notes to the Financial Statements

Year ended 30 April 2011

25. KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

Lance H Collins	Chairman (non-executive)
Mark R Laidlaw	Chief Executive Officer
Philip J Petrie	Non-executive director
Gary J Woodruff	Non-executive director
Andrew Reitzer	Non-executive director
Ken Bean	Non-executive director
Edwin M Jankelowitz	Non-executive director (Resigned 14 January 2011)
Michael R Jablonski	Non-executive director
Adrian E Gratwicke	Non-executive director (Appointed 14 January 2011)

(b) Compensation of Key Management Personnel

	2011	2010
	\$	\$
Short-term employee benefits	826,797	11,145
Post employment benefits	27,113	1,003
Long-term employee benefits	41,180	-
Share-based payments (i)	48,073	-
	<u>943,163</u>	<u>12,148</u>

- (i) Share-based payments received by the Chief Executive Officer relate to Performance Rights issued over shares in Metcash Limited.
- (ii) Messers Reitzer, Bean, Jankelowitz, Jablonski and Gratwicke are Executives of Metcash Limited and receive no direct remuneration from the Company.

(c) Shareholdings of Key Management Personnel and their related parties

All Ordinary shares are held by Metcash Trading Limited. There are no options over Ordinary Shares on issue.

	Converting Redeemable Preference Shares	
	2011	2010
	Number	Number
Lance H Collins	1,685,746	1,685,746
Mark R Laidlaw	-	-
Philip J Petrie	3,839,475	3,839,475
Gary J Woodruff	2,777,043	2,777,043
Andrew Reitzer	-	-
Ken Bean	-	-
Edwin M Jankelowitz (Retired 14 January 2011)	-	-
Michael R Jablonski	-	-
Adrian E Gratwicke (Appointed 14 January 2011)	-	-

Note that the interests held in equity instruments by Directors of the Company noted above are held both directly or through their director-related entities.

Notes to the Financial Statements

Year ended 30 April 2011

26 CONTINGENT LIABILITIES

	2011 \$'000	2010 \$'000
Court Proceedings (i)	-	999
Court Proceedings (ii)	-	1,200
Letters of credits issued under Metcash Trading Limited Credit support facility	1,200	-
	<u>1,200</u>	<u>2,199</u>

(i) On 1 July 2010 Mitre 10 Mega Pty Ltd (Mega) commenced proceedings in the Victorian Civil and Administrative Tribunal (VCAT) against two companies from which it had leased premises for a store in Campbellfield, Victoria. The premises were sub-let to a Member to own and operate a Mega store. The premises were subsequently found to be defective on account of being built on unstable landfill. Mega terminated the lease and sub-lease and the store was closed in March 2009. The sub-tenant has filed proceedings against Mega and the two actions have been joined and will be heard together. The amount of losses being claimed by Mega and the sub-tenant are yet to be quantified and the Landlord is most likely going to counterclaim for lost rent. No quantification of potential liability is possible at this stage as no quantification of claims has been made and the extent of Mega's liability for the claims is not known. The figure disclosed in the 2010 notes was for a different proceeding which was withdrawn. A mediation held for each matter on 9 June 2011 failed to bring the parties any closer to settlement. No date for the hearing has been set as yet.

(ii) Mitre 10 Australia Pty Ltd (Mitre 10) has settled legal proceedings with a private label supplier in a confidential settlement.

Guarantees and charges over assets

The Group has guaranteed and provided a fixed and floating charge in favour of Metcash Trading Limited that secures all amounts owing by the Group to Metcash Trading Limited, whether by way of loan under the Metcash Trading Limited/Mitre 10 Facility Agreement, by way of trade payable or otherwise. The fixed and floating charge covers all present and future undertakings, assets and rights of the Group.

27 SUBSEQUENT EVENTS

There are no subsequent events that impact the results.

Auditor's Independence Declaration to the Directors of Mittenmet Limited

In relation to our audit of the financial report of Mittenmet Limited for the year ended 30 April 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Michael J Wright
Partner
Sydney
28 July 2011

Independent audit report to members of Mittenmet Limited

Report on the financial report

We have audited the accompanying financial report of Mittenmet Limited, which comprises the statement of financial position as at 30 April 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on that date, 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.

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.

Opinion

In our opinion:

- a. the financial report of Mittenmet 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 2011 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.



Ernst & Young



Michael J Wright
Partner
Sydney
28 July 2011