

**TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES**  
A.C.N. 006 592 089

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED 30 June 2000**

TOLL HOLDINGS LIMITED  
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TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
DIRECTORS' REPORT

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The directors present their report together with the financial report of Toll Holdings Limited ("the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2000 and the auditors' report thereon.

**Directors**

The following persons held office as directors of Toll Holdings Limited during or since the financial year:

Mr Peter Rowsthorn (Chairman)  
Mr Paul Little (Managing Director)  
Mr Mark Rowsthorn  
Mr John Moule AM  
Mr William Farrands  
Mr Ron Paul AM  
Mr Neil Chatfield

**Principal Activities**

The principal activities of the consolidated entity during the year consisted of:

- National less than full load express and economy freight forwarding service using all modes of transport;
- National full load road and rail freight forwarding service including transcontinental rail linehaul operation;
- National temperature controlled transport service for full load and less than full load clients;
- Warehousing and distribution of bulk dry and refrigerated goods in all capital cities;
- National wharf cartage, container handling and storage;
- National contract distribution services;
- National time sensitive parcel freight distribution services;
- Deposit legislation beverage container recycling in South Australia;
- Specialised international forwarding services;
- Ports management including land and sea based distribution and services; and
- National Removals and relocation brokerage service.

The following significant changes in the nature of the activities of the consolidated entity occurred during the year:

The company acquired the business operations of Removals Australia, from the Commonwealth Government effective 1 February 2000.

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
DIRECTORS' REPORT

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There were no other significant changes in the nature of the activities of the consolidated entity during the year.

**Consolidated Result**

The consolidated profit for the year attributable to the members of Toll Holdings Limited was:

	2000 \$'000	1999 \$'000
Operating profit after income tax attributable to members of Toll Holdings Limited	<u>40,404</u>	<u>30,140</u>

**Earnings per share**

	2000	1999
Basic earnings per share	67.67¢	59.16¢
Diluted earnings per share	66.28¢	51.41¢

**Review of Operations**

Results for the year were very pleasing with earnings before abnormal gains, interest and tax increasing 25% from \$40.7 million to \$51.0 million. Profit after tax rose 34% from \$30.1 million to \$40.4 million for the year. Group sales revenue grew by 5% for the year reflecting the full year inclusion of Toll IPEC, which was acquired in October 1998, and the inclusion of revenue from Removals Australia, which was acquired in February 2000. These increases were partially offset by lower revenues from Refrigerated Roadways following reshaping of its operations during the year.

In February 2000, the company repositioned its businesses by consolidating the former Specialised Division into the Long Distance Division and established Toll Technologies as a new operating Division.

The Long Distance Division performed exceptionally well throughout the year, posting a strong improvement on the previous year and trading generally above expectations. Toll Express and Toll SPD recorded solid results with continued excellent progress being made in the areas of cost control and asset utilisation.

The Toll IPEC result was quite pleasing given that the integration process continued during the year and the very competitive market conditions in the express parcel sector.

Both Toll Tasmania and Edwards Transport contributed well to earnings and both traded higher than the previous year. Refrigerated Roadways full year result was a disappointment, although non-recurring restructure costs impacted earnings. The result whilst still below acceptable levels, was a significant improvement over the prior year and is trending in accordance with our plans.

The Toll North Division traded well during the year, although its result was hampered by continuous adverse weather conditions across Queensland. Revenue growth was limited as the mining sector remained flat and the North Queensland produce sector was impacted by poor weather.

The Logistics Division recorded a sound result, which reflected an excellent improvement on the prior year, with Port Logistics and the Automotive operations producing particularly pleasing earnings.

The Toll Technologies Division, which was established during February 2000, has implemented a number of initiatives including development of internet based software for its Removals Australia operation which was acquired effective 1 February 2000. The integration of Removals Australia has proceeded very well and progress in developing the business has been good. Contribution to earnings for Toll Technologies although minor, was slightly above expectations.

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
 DIRECTORS' REPORT

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**Dividends - Toll Holdings Limited**

Dividends paid or declared by the Company since the end of the previous financial year were:

- As proposed and provided for in last year's report and paid on 30 September 1999.

A final ordinary dividend of 12 cents per share, franked to 50% with Class C (36%) franking credits, amounting to \$7.1 million (1999: 8 cents per share, \$3.6 million, 65% franked Class C (36%))

- A final ordinary dividend of 12 cents per share, franked to 50% with Class C (36%) franking credits, amounting to \$11,000, in relation to shares issued following the exercise of Executive Share options on 19 July 1999 and 15 September 1999. (1999: 8 cents per share, \$11,000, 65% franked Class C (36%))

- In respect of the current year:
 

2000	1999
\$'000	\$'000

Ordinary Shares

An interim ordinary dividend of 13 cents franked to 20% with Class C (36%) franking credits per share was paid on 31 March 2000. (1999: 10 cents 35% franked Class C (36%))

7,820	4,545
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The final dividend declared by the directors of the Company in respect of the year ended 30 June 2000 is an ordinary dividend of 15 cents per share franked to 50% with Class C (34%) franking credits (1999: 12 cents 50% franked Class C (36%))

<u>9,078</u>	<u>7,080</u>
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The total dividends provided for or paid in respect of the year ended 30 June 2000

<u>16,898</u>	<u>11,625</u>
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Preference Shares

Fully franked Class C (36%) dividend of 7.75% p.a. paid 1 December 1998	-	1,550
Fully franked Class C (36%) dividend of 7.75% p.a. paid 1 June 1999	-	1,470
Fully franked Class C (36%) dividend of 7.75% p.a. declared on 30 June 1999 and paid on 14 July 1999	<u>-</u>	<u>220</u>
	<u>-</u>	<u>3,240</u>

**Derivatives and other financial instruments**

The consolidated entity's activities expose it to changes in interest rates and credit, liquidity and cash flow risks. The Board has established policies and procedures in each of these areas to manage these exposures.

The consolidated entity has a strict credit policy for all customers trading on credit terms and only deals with financial market intermediaries with an acceptable credit rating determined by a recognised rating agency.

Financing facilities and operating cash flows are managed to ensure that the consolidated entity is not exposed to any adverse liquidity risks. Adequate stand-by facilities are maintained to provide strategic liquidity to meet unexpected and material cash outflows in the ordinary course of business.

### **Significant Changes in the State of Affairs**

Significant changes in the state of affairs of the consolidated entity during the financial year were:

- (a) An increase in paid up capital of \$8.5 million to \$98.8 million which included the following:
- Issue of 760,795 fully paid ordinary shares in accordance with the Dividend Reinvestment Plan;
  - Issue of 230,000 fully paid ordinary shares following exercise of executive share options;
  - Issue of 532,200 fully paid ordinary shares in accordance with employee share plan;
- (b) An increase in assets and liabilities due to the acquisition of the Removals Australia business from the Commonwealth Government on 1 February 2000.

### **Environmental Regulation**

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any significant breach of those environmental requirements as they apply to the consolidated entity.

### **Events Subsequent to Balance Date**

On 27 June 2000, the Company launched a takeover for 100% of Finemore Holdings Ltd (Finemore). Formal takeover documents were despatched to Finemore shareholders on 2 August 2000. The bid, which has been recommended by Finemore directors, in the absence of a higher offer, is priced at \$2.25 per fully paid ordinary share resulting in an approximate purchase price of \$119 million and is conditional upon receiving 90% acceptances. The bid, which is to be funded by fully committed debt facilities, is scheduled to close on 22 September 2000.

Other than the matter discussed above there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

### **Likely Developments and Expected Results of Operations**

Information as to likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because, the directors believe on reasonable grounds, that to include such information would be likely to result in unreasonable prejudice to the consolidated entity.

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
DIRECTORS' REPORT (Continued)

**Information on Directors**

The directors of the Company in office at the date of this report are:

Director	Experience & Qualifications	Age	Special Responsibilities	Particulars of Directors Interests in Ordinary Shares and Options of the Company	
				Shares	Options
Mr P Rowsthorn FAICD, FCIT, FAIM Chairman Non-Executive Director	30 years in the Transport Industry Director since 1986	70	Chairman of Board of Directors Chairman of Remuneration Committee Member of Corporate Governance & Audit Committees	3,112,160	-
Mr P A Little FAICD, FCIT Managing Director	32 years in the Transport Industry Director since 1986	52	*	8,863,637	200,000
Mr M Rowsthorn B.Ec, Grad Dip. Bus. Executive Director Group Operations	23 years in the Transport Industry General Manager for 13 years Director since 1988	45	*	9,171,161	200,000
Mr J A Moule AM FCA, FAICD Non Executive Director	Former Managing Partner Deloitte Touche Tohmatsu Director since 1995	61	Chairman of Audit Committee Member of Corporate Governance and Remuneration Committees	173,022	-
Mr W Farrands B. Com Non Executive Director	Former Group General Manager of the Building & Industrial Products Division and for the Coated Products Division within BHP Steel Director since 1997	67	Chairman of Corporate Governance Committee, Member of Audit and Remuneration Committees	20,000	-
Mr R Paul AM Non Executive Director	Chairman Evans Deakin Industries Limited Director since 1998	68	Member of Audit, Corporate Governance and Remuneration Committees	20,000	-
Mr N Chatfield FCPA Finance Director	26 years experience in transport and resource industries Director since 1998	46	*	7,386	100,000

\* Refer Meetings of Director's as detailed on page 6.

The particulars of directors' interests in shares are as at the date of this report.

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
 DIRECTORS' REPORT (Continued)

**Meetings of Directors**

The following table sets out the number of meetings of the Company's directors (including meetings of committees of directors) held during the year ended 30 June 2000 and the number of meetings attended by each director who held office during the financial year.

Director	Directors Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Corporate Governance Committee Meetings	
	No of Meetings Attended	No of Meetings Held	No of Meetings Attended	No of Meetings Held	No of Meetings Attended	No of Meetings Held	No of Meetings Attended	No of Meetings Held
Mr P Rowsthorn	11	11	4	4	3	3	1	1
Mr P A Little	11	11	3	3*	1	1*	-	-
Mr M Rowsthorn	10	11	-	.*	-	-	1	1*
Mr J A Moule AM	10	11	4	4	3	3	1	1
Mr W Farrands	10	11	4	4	2	3	1	1
Mr R Paul AM	11	11	4	4	3	3	1	1
Mr N Chatfield	11	11	4	4*	-	-	1	1*

\* Mr P A Little, Mr N Chatfield and Mr M Rowsthorn may attend Meetings as invitees.

**Directors' Benefits**

Directors' benefits are set out in notes 20 and 25.

**Share Options**

During or since the end of the financial year, the Company granted options over unissued ordinary shares to the following directors and executives who are amongst the five most highly remunerated officers as part of their remuneration.

	Number of options granted	Exercise Price	Expiry Date
<b>Directors</b>			
Mr P Little	200,000*	\$5.4576	5 August 2004
Mr M Rowsthorn	200,000*	\$5.4576	5 August 2004
<b>Officers</b>			
Mr G Lyon	100,000*	\$7.9700	28 May 2005
Mr J Ludeke	100,000*	\$7.9700	28 May 2005
Mr D Telford	100,000*	\$7.9700	28 May 2005
Mr T Mallon	100,000*	\$7.9700	28 May 2005
Mr S Stanley	100,000*	\$7.9700	28 May 2005

\* All options were granted during the financial year.

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
 DIRECTORS' REPORT (Continued)

Options to take up ordinary shares in the capital of Toll Holdings Limited have been granted as follows:

**Senior Executive Option Plan and Executive Share Option Scheme**

At the date of this report unissued ordinary shares of the Company under option are :

Grant Date	Total Options Granted	Unexpired Options	No of Executives	Exercise Price \$	Expiry Date
1 Jul 98	1,025,000	965,000	38	2.1460	30 Jun 2003
23 Jun 99	100,000	100,000	1	5.4150	22 Jun 2004
6 Aug 99	400,000	400,000	2	5.4576	5 Aug 2004
22 Dec 99	10,000	10,000	2	2.1460	30 June 2003
29 May 00	1,115,000	1,115,000	41	7.9700	28 May 2005
27 July 00	5,000	5,000	1	7.9700	28 May 2005

Each option is convertible into one ordinary share at any time between three and five years after the grant date. The options granted are only exercisable on the satisfaction of specific hurdle criteria with regard to the Company's Total Shareholder Return and diluted EPS growth relative to the All Industrials (excluding banks) or ASX 200 Industrials diluted EPS growth, during the first three years after the grant date.

230,000 ordinary shares were issued during the financial year on the exercise of options granted under the executive share option scheme. No ordinary shares have been issued since the end of the financial year on the exercise of options granted under the scheme.

**Directors' and Senior Executives' Emoluments**

The remuneration committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and senior executives of the Company.

Executive remuneration and other terms of employment are reviewed annually by the committee having regard to performance against goals set at the start of the year, relevant comparative market information and independent expert advice.

The broad remuneration policy is to ensure that remuneration packages properly reflect a person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Executives are also eligible to participate in the senior executive option plan. The ability to exercise options is conditional on the Company achieving certain performance hurdles.

Non-executive directors remuneration is determined by the Board within the maximum amount approved by shareholders from time to time. Non-executive directors do not receive any performance related remuneration.

Details of the nature and amount of each major element of emoluments of each director of the Company and each of the five most highly remunerated officers of the Company and the consolidated entity receiving the highest emolument are :

**Non-executive Directors of Toll Holdings Limited**

Name	Directors Fee \$	Non Cash Benefits \$	Superannuation \$	Total \$
P Rowsthorn (Chairman)	134,300	5,700	7,067	147,067
J Moule AM	55,000	-	3,850	58,850
W Farrands	55,000	-	3,850	58,850
R Paul AM	55,000	-	3,850	58,850

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
DIRECTORS' REPORT (Continued)

**Executive Directors of Toll Holdings Limited**

Name	Base Salary	Performance Incentive	Non-Cash Benefits	Superannuation	Option Value*	Total
	\$	\$	\$	\$	\$	\$
P Little <i>Managing Director</i>	597,557	221,000	8,230	44,213	198,000	1,069,000
M Rowsthorn <i>Executive Director Operations</i>	537,933	198,000	5,000	7,067	198,000	946,000
N Chatfield <i>Finance Director</i>	292,933	50,000	20,000	7,067	-	370,000

**Executive Officers of Toll Holdings Limited and Consolidated Entity**

Name	Base Salary	Performance Incentive	Non-Cash Benefits	Superannuation	Option Value**	Total
	\$	\$	\$	\$	\$	\$
S Stanley <i>Director Development</i>	335,000	30,000	-	30,000	171,000	566,000
D Telford <i>Divisional Director Toll Logistics</i>	300,000	20,000	30,000	40,000	171,000	561,000
J Ludeke <i>Divisional Director Long Distance</i>	255,000	50,000	40,000	40,000	171,000	556,000
T Mallon <i>Divisional Director Toll North</i>	213,000	50,000	22,000	85,000	171,000	541,000
G Lyon <i>Divisional Director Toll Technologies</i>	252,738	50,000	34,262	28,000	171,000	536,000

\* 200,000 options were granted each to P Little and M Rowsthorn on 6 August 1999 at an exercise price of \$5.46. The exercising of these options is dependent upon the satisfaction of two performance hurdles, being Total Shareholder Return over the three year period from the grant date must be at least equal to 35% and Earnings Per Share (EPS) diluted growth over the same period must be at least equal to the growth in the EPS of the ASX200 Industrials. These options have been valued at grant date at a maximum value of \$0.99 per option using the Binomial Method.

\*\* 100,000 options were also granted each to G Lyon, J Ludeke, D Telford, T Mallon and S Stanley on 29 May 2000 at an exercise price of \$7.97. These options are dependent on the same performance hurdles as above and were valued in the same manner. These options have been valued at grant date at a maximum value of \$1.71 per option.

**Insurance of Officers**

During the financial year, Toll Holdings Limited paid premiums of \$44,502 (1999: \$55,760) to insure officers of the Company and related bodies corporate.

The officers of the Company covered by the insurance policy include the directors, P Rowsthorn, P A Little, M Rowsthorn, J A Moule AM, W Farrands, R Paul AM, N Chatfield and the secretary B B McInerney. Other officers covered by the policy are directors or secretaries of controlled entities who are not also directors or secretaries of Toll Holdings Limited, past directors of companies within the Toll Group and managers of the consolidated entity.

The liabilities insured, subject to specific exclusions, include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company or a related body corporate.

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
DIRECTORS' REPORT (Continued)

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**Indemnification of Officers**

The Company has agreed to indemnify the directors of the Company, and its controlled entities, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

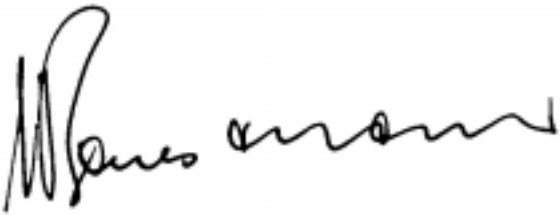
**Rounding off**

The Company is of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report, and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

**Auditor**

KPMG continues in office in accordance with section 327 of the Corporations Law.

This report is made in accordance with a resolution of the directors.



Director

P Rowsthorn



Director

P A Little

Dated at Melbourne this 5<sup>th</sup> day of September 2000.

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
CORPORATE GOVERNANCE STATEMENT

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This statement outlines the main Corporate Governance practices that were in place throughout the financial year.

**BOARD OF DIRECTORS AND ITS COMMITTEES**

The Board is responsible for the overall Corporate Governance of the consolidated entity including its strategic direction, establishing goals for management and monitoring the achievement of these goals. To assist in the execution of its responsibilities, the Board has established a number of Board Committees comprising a Corporate Governance Committee, Audit Committee and Remuneration Committee. Matters attended to by Board Committees are reported to the Board following each meeting.

**Composition of the Board**

The names of the directors of the Company in office at the date of this Statement are set out in the Directors' Report on page 5 of these financial statements.

The composition of the Board is determined using the following principles:

- the Board comprises seven directors and this number may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate is identified;
- the Chairman of the Board is a non-executive director;
- the Board is to comprise a majority of non-executive directors; and
- the Board should comprise directors with a broad range of expertise.

The composition of the Board is reviewed on an annual basis to ensure that the Board has the appropriate mix of expertise and experience.

Each director has the right to seek independent professional advice at the consolidated entity's expense. In such circumstances the prior approval of the Chairman is required, but this will not be unreasonably withheld.

**Corporate Governance Committee**

The Corporate Governance Committee is responsible for implementing and monitoring the ethical standards of the consolidated entity, its Code of Business Practice, policies on key issues such as environmental, occupational health and safety, conflicts of interest and Equal Opportunity, and to examine any other matters referred to it by the Board.

The Corporate Governance Committee is also responsible for considering and where appropriate making recommendations to the Board on the Board's structure, selection criteria and its operating guidelines.

The Corporate Governance Committee has the authority to seek any information it requires from any officer or employee of the Company and is authorised to take such independent professional advice as it considers necessary.

The members of the Corporate Governance Committee during the year were:

Mr W Farrands (Chairman)  
Mr P Rowsthorn  
Mr J A Moule AM  
Mr R Paul AM

Mr P A Little, Mr N Chatfield and Mr M Rowsthorn may attend Corporate Governance Committee Meetings as invitees.

### **Remuneration Committee**

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Managing Director, Executive Director Operations, Directors themselves and where appropriate, senior executives. It also reviews and approves the policies applicable to staff salary reviews. Remuneration levels are to be competitively set to attract the most qualified and experienced directors and senior executives.

The duties of the Remuneration Committee are as follows:

- review and recommend to the Board, the Managing Director's and Executive Director of Operations remuneration, allowances and incentives;
- review and recommend to the Board, non-executive directors fees;
- review and ratify senior executive remuneration, allowances and incentives;
- oversee compliance with statutory responsibilities relating to remuneration disclosure;
- review policies and reporting responsibilities relating to employee share and option plans;
- review certain aspects of the Company's superannuation plan and compliance with relevant laws and regulations;
- review and recommend to the Board, senior executive retirement and termination payments;
- review and monitor fringe benefits;
- review adequacy of professional indemnity and directors and officers liability insurance policy; and
- establish and monitor executive succession planning.

The members of the Remuneration Committee during the year were:

Mr P Rowsthorn (Chairman)  
Mr J A Moule AM  
Mr W Farrands  
Mr R Paul AM

Mr P A Little, Mr N Chatfield and Mr M Rowsthorn may attend Remuneration Committee Meetings as invitees.

Further details of director's remuneration, superannuation and retirement payments are set out in the Directors Report and in Note 20 to the financial statements.

### **Audit Committee**

The Audit Committee considers any matters relating to the financial affairs of the Company and its subsidiary companies and to the Group's external audit that it determines to be desirable. In addition, the Audit Committee examines any other matters referred to it by the Board.

The duties of the Audit Committee are as follows:

- monitoring compliance with the Corporations Law, Stock Exchange Listing Rules and any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, Australian Stock Exchange and financial institutions;
- monitoring corporate risk assessment and the internal controls instituted as directed by the Board of Directors;
- liaison with external auditors;
- review of the annual audit plan with the auditors;
- review of information derived from the audit;
- review of interim financial information;
- supervise special investigations as directed by the Board;
- review compliance with certain government regulations;
- assess the performance of financial management;
- review adequacy of insurance coverage; and
- review the performance and compensation of the external auditors.

## TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

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The members of the Audit Committee during the year were:

Mr J A Moule AM (Chairman)  
Mr W Farrands  
Mr P Rowsthorn  
Mr R Paul AM

Mr P A Little, Mr N Chatfield and Mr M Rowsthorn may attend Audit Committee Meetings as invitees.

Meetings shall be held at least three times a year or as required.

Meetings are to be held at least:

- at the final planning stage of the audit;
- before the issue of the half yearly profit announcement; and
- before the issue of the final profit announcement and approval of the consolidated financial report.

### **Internal Control Framework**

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that can be described under four headings.

- Financial reporting - there is a comprehensive budgeting system with an annual budget approved by the directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly. The consolidated entity reports to shareholders half-yearly as required by the ASX Listing Rules. Procedures are also in place to ensure that price sensitive information is reported to the Australian Stock Exchange in accordance with its Continuous Disclosure Requirements.
- Quality and integrity of personnel - The Toll Group Quality Policy Statement is supported by a quality management system that requires the involvement and total commitment of all management, employees and subcontractors to ensure continuous improvement. Policies are in place in respect to Occupational Health and Safety, Equal Opportunity, Affirmative Action and Management Performance Review and Development.
- Operating unit controls - financial controls and procedures including information systems controls are in place. A procedure manual is maintained and updated on a regular basis.
- Investment appraisal - the Company has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, and appropriate levels of authority.

### **Australian Quality Standard ISO 9002**

The Toll Group strives to ensure that its services are of the highest standard. Towards this end it has undertaken a program to achieve quality assurance to the international standard ISO 9002, for each of its business segments.

### **Ethical Standards**

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
CORPORATE GOVERNANCE STATEMENT

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**Year 2000**

The Company undertook a comprehensive Year 2000 project in order to ensure that all internal systems, and where possible, all major customers and suppliers systems met Year 2000 compliance. With the rollover of key dates related to the Year 2000 issue, the Company has not suffered any major problems which have impacted results. All expenditure incurred in relation to the Year 2000 project has been charged to the profit and loss account when incurred.

**Risk Management**

As part of the consolidated entity's strategy to implement an integrated framework of control, management initiated the development and implementation of a formal risk management framework to :

- identify the key business and financial risks which could prevent the consolidated entity from achieving its objectives, and
- ensure that appropriate controls are in place to effectively manage those risks.

Management's initiatives have been reviewed and endorsed by the Board. These initiatives included the following :

- establish a risk management group comprising executive directors, each of the divisional directors, the company secretary and the Group Risk Manager to;
  - develop a Risk Management Charter,
  - monitor the management of previously identified risks, and
  - identify new risks and implement appropriate actions to manage them
- introduce regular reporting by the risk management group to the Board, and
- implement certain new internal controls and strengthen others.

Significant steps have been made by the risk management group in managing the Group's risk exposures and developing a standardised group approach to evaluation and reporting on key areas such as environmental, occupational health and safety and incident reporting and management.

**Goods and Services Tax (GST)**

The Company has been preparing for the introduction of a GST for more than 12 months. A GST Project Team was established with representatives from all businesses within the Group to oversee the development of appropriate systems for the introduction of the GST.

As part of the GST project, Toll entered into a Public Compliance Commitment with the ACCC. Toll has provided the Commission with information to assess the effectiveness of its approach to compliance with the ACCC Guidelines on Price Exploitation. The Commission has advised, that on the basis of the information provided, Toll is committed to pass on the net effect of the New Tax System changes.

The Company believes the program that has been undertaken will ensure it meets the obligations of the New Tax System. All expenditure incurred in relation to the GST Project has been charged to the profit and loss account when incurred.

### **The Role of Shareholders**

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the consolidated entity's state of affairs. Information is communicated to shareholders as follows:

- the annual review (including the concise report) is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document). A copy of the full financial report is available free of charge, upon request, from the Company.
- the half-yearly report contains summarised financial information and a review of the operations of the consolidated entity during the period. The half-year financial report is prepared in accordance with the requirements of Accounting Standards and the Corporations Law, and is lodged with the Australian Securities and Investments Commission and the Australian Stock Exchange. A brief summary of half yearly results are distributed to shareholders; and
- where appropriate, general meetings of shareholders are held to consider relevant proposals.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to the shareholders as single resolutions.

Shareholders are responsible for voting on the appointment of directors.

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
**PROFIT AND LOSS STATEMENTS**  
 FOR THE YEAR ENDED 30 June 2000

	Note	Consolidated		The Company	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
<b>Revenue</b>	2	<u>1,384,339</u>	<u>1,328,635</u>	<u>48,587</u>	<u>25,846</u>
<b>Operating profit before abnormal items and income tax</b>	3	47,952	37,400	18,041	14,666
Abnormal items before income tax	4	-	951	-	-
<b>Operating profit before income tax</b>		47,952	38,351	18,041	14,666
Income tax attributable to operating profit	5(a)	<u>7,285</u>	<u>7,841</u>	<u>1,647</u>	<u>(705)</u>
<b>Operating profit after income tax</b>		40,667	30,510	16,394	15,371
Outside equity interest in operating profit		<u>263</u>	<u>370</u>	-	-
<b>Operating profit after income tax attributable to members of the Company</b>		40,404	30,140	16,394	15,371
Retained profits at the beginning of the financial year		36,074	20,810	868	373
<b>Total available for appropriation</b>		<u>76,478</u>	<u>50,950</u>	<u>17,262</u>	<u>15,744</u>
Dividends provided for or paid	6	<u>16,909</u>	<u>14,876</u>	<u>16,909</u>	<u>14,876</u>
<b>Retained profits at the end of the financial year</b>		<u>59,569</u>	<u>36,074</u>	<u>353</u>	<u>868</u>
Basic earnings per share	30	67.67¢	59.16¢		
Diluted earnings per share	30	66.28¢	51.41¢		

The above profit and loss statements are to be read in conjunction with the accompanying notes to the financial statements set out on pages 18 to 54.

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
**BALANCE SHEETS**  
AS AT 30 June 2000

	Note	Consolidated		The Company	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
<b>Current Assets</b>					
Cash		26,691	22,919	10	3
Receivables	7	158,123	127,027	1,496	177
Inventories	8	4,140	3,796	-	57
Other	9	27,916	13,441	2,286	664
<b>Total Current Assets</b>		<u>216,870</u>	<u>167,183</u>	<u>3,792</u>	<u>901</u>
<b>Non-Current Assets</b>					
Receivables	7	3,746	184	118,995	124,043
Investments	10	5,613	6,326	1,988	1,988
Property, plant and equipment	11	172,236	163,663	20,681	24,700
Other	12	4,808	9,043	2,418	2,044
<b>Total Non-Current Assets</b>		<u>186,403</u>	<u>179,216</u>	<u>144,082</u>	<u>152,775</u>
<b>TOTAL ASSETS</b>		<u>403,273</u>	<u>346,399</u>	<u>147,874</u>	<u>153,676</u>
<b>Current Liabilities</b>					
Accounts Payable	13	117,740	86,319	2,142	1,308
Borrowings	14	2,273	1,774	-	1,025
Provisions	16	65,087	63,288	18,357	12,493
<b>Total Current Liabilities</b>		<u>185,100</u>	<u>151,381</u>	<u>20,499</u>	<u>14,826</u>
<b>Non-Current Liabilities</b>					
Borrowings	14	42,886	48,540	26,500	46,000
Provisions	16	16,636	20,107	1,766	1,749
<b>Total Non-Current Liabilities</b>		<u>59,522</u>	<u>68,647</u>	<u>28,266</u>	<u>47,749</u>
<b>TOTAL LIABILITIES</b>		<u>244,622</u>	<u>220,028</u>	<u>48,765</u>	<u>62,575</u>
<b>NET ASSETS</b>		<u>158,651</u>	<u>126,371</u>	<u>99,109</u>	<u>91,101</u>
<b>Shareholders' Equity</b>					
Share capital	17	98,756	90,233	98,756	90,233
Retained profits		59,569	36,074	353	868
<b>Shareholders Equity Attributable to Members of the Company</b>		<u>158,325</u>	<u>126,307</u>	<u>99,109</u>	<u>91,101</u>
Outside equity interests in controlled entities	18	326	64	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>158,651</u>	<u>126,371</u>	<u>99,109</u>	<u>91,101</u>

The above balance sheets are to be read in conjunction with the accompanying notes to the financial statements set out on pages 18 to 54.

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
**STATEMENTS OF CASH FLOWS**  
 FOR THE YEAR ENDED 30 June 2000

	Note	Consolidated		The Company	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
<b>Cash flows from operating activities</b>					
Cash receipts in the course of operations		1,350,718	1,307,959	18,617	16,304
Cash payments in the course of operations		(1,276,084)	(1,233,376)	(8,593)	(12,514)
Restructure costs paid		(10,957)	(19,483)	-	-
Interest received		472	1,176	2	322
Dividend received		329	-	-	-
Interest and other costs of finance paid		(3,239)	(4,761)	(2,037)	(3,383)
Income taxes paid	5(b)	(165)	(4,629)	(29)	(1,092)
<b>Net cash inflow/(outflow) from operating activities</b>	29(b)	<u>61,074</u>	<u>46,886</u>	<u>7,960</u>	<u>(363)</u>
<b>Cash flows from investing activities</b>					
Proceeds from acquisition of business	29(d)	-	4,968	-	-
Payment for entities and businesses, net of cash acquired	29(d)	(9,917)	-	-	-
Payment for property, plant and equipment		(50,958)	(46,255)	(22,915)	(11,411)
Proceeds from sale of property, plant and equipment	2	20,261	31,864	29,970	9,298
Repayment of loans by other entities/persons		-	-	-	-
Payment of deferred settlement monies		-	(17,243)	-	-
Payment for investments		(350)	-	-	-
<b>Net cash inflow/(outflow) from investing activities</b>		<u>(40,964)</u>	<u>(26,666)</u>	<u>7,055</u>	<u>(2,113)</u>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		34,605	35,356	44,772	46,976
Repayment of borrowings		(40,688)	(44,813)	(49,525)	(36,335)
Dividends paid	6	(10,438)	(8,388)	(10,438)	(8,388)
Proceeds from share issue		183	221	183	221
<b>Net cash inflow/(outflow) from financing activities</b>		<u>(16,338)</u>	<u>(17,624)</u>	<u>(15,008)</u>	<u>2,474</u>
<b>Net increase/(decrease) in cash held</b>		<u>3,772</u>	<u>2,596</u>	<u>7</u>	<u>(2)</u>
Cash at the beginning of the financial year		<u>22,919</u>	<u>20,323</u>	<u>3</u>	<u>5</u>
<b>Cash at the end of the financial year</b>	29(a)	<u><u>26,691</u></u>	<u><u>22,919</u></u>	<u><u>10</u></u>	<u><u>3</u></u>
Financing arrangements	15				
Non-cash financing and investing activities	29(e)				

The above statements of cash flows are to be read in conjunction with the accompanying notes to the financial statements set out on pages 18 to 54.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

### (a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Law.

It has been prepared on the basis of historical costs, and except where stated, does not take into account changing money values or current valuations of non-current assets.

The accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

### (b) Principles of Consolidation

The consolidated financial statements of the consolidated entity include the financial statements of the Company, being the parent entity and its controlled entities ("the consolidated entity").

Where an entity began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The balances, and effects of transactions, between controlled entities included in the consolidated financial statements have been eliminated.

Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

### (c) Goodwill

Goodwill, representing the excess of the purchase consideration and incidental expenses over the fair value of the identifiable net assets acquired on the acquisition of a controlled entity is amortised on a straight line basis. The period of amortisation is the period of time during which benefits are expected to arise, and varies from 10 to not more than 20 years.

In establishing the fair value of the identifiable net assets acquired, a liability for restructuring costs is only recognised at the date of acquisition when there is a demonstrable commitment and a detailed plan. The liability is only recognised where there is little or no discretion to avoid payments to other parties in settlement of costs of the restructuring and a reliable estimate of the amount of the liability as at the date of acquisition can be made. Refer Note 16.

Where a discount on acquisition arises the cost of individual identifiable assets is determined by reducing proportionately the fair value of non-monetary assets acquired until the discount is eliminated. Any balance of the discount is credited to the income statement.

The carrying value of goodwill is reviewed regularly and written down where appropriate to reflect recoverable value.

### (d) Revenue Recognition

#### (i) Sales Revenue

Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of services to entities outside the consolidated entity. Sales revenue is recognised when the services are provided.

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(d) Revenue Recognition (continued)**

*(ii) Interest Income*

Interest income is recognised as it accrues unless collectibility is in doubt.

*(iii) Asset Sales*

The gross proceeds of asset sales are included as revenue of the consolidated entity. The profit or loss on disposal of assets is brought to account at the date an unconditional offer and acceptance of sale is determined.

*(iv) Other Revenue*

Revenue recognition policies for investments and property, plant and equipment are described in accounting policy notes 1(h) and 1(j) respectively.

**(e) Taxation**

*(i) Income Tax*

The consolidated entity adopts the liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the balance sheet as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to entities with tax losses are only brought to account when their realisation is virtually certain.

*(ii) Capital Gains Tax*

Capital gains tax is provided in the profit and loss account in the period in which an asset is sold.

The tax effect of capital losses is not recorded unless realisation is virtually certain.

**(f) Non-Current Assets**

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(g) Receivables**

*Trade Debtors*

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts. In addition, a general provision is maintained for doubtful debts.

**(h) Investments**

*Controlled Entities*

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the profit and loss statement when they are proposed by the controlled entities.

**(i) Inventories**

Inventories are carried at the lower of cost and net realisable value.

**(j) Land and buildings held for resale**

*Valuation*

Development properties are carried at the lower of cost and net realisable value. Cost includes the costs of acquisition, development, and holding costs such as interest, rates and taxes. Interest and other holding costs incurred after completion of development are expensed as incurred.

*Recognition of income*

Income from sales is recognised when unconditional contracts are exchanged and a significant non-refundable deposit is received.

**(k) Property, Plant and Equipment**

*(i) Acquisition*

Items of property, plant and equipment are recorded at cost and depreciated as outlined below.

The cost of property, plant and equipment constructed by the consolidated entity includes the cost of materials and direct labour and an appropriate proportion of fixed and variable overheads.

*(ii) Revaluations*

Land and buildings are independently valued every three years on an existing use basis of valuation. This is in addition to the annual review for recoverable amount referred to in Note 1(f). Refer Note 11 for further details.

As these revaluations are not recorded in the Company's accounts, items of property, plant and equipment are carried at the lower of cost, less accumulated depreciation, and recoverable amount.

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(k) Property, Plant and Equipment (continued)**

*(iv) Depreciation and Amortisation*

Items of property, plant and equipment, including buildings and leasehold property but excluding freehold land, are depreciated/amortised over their estimated useful lives. The depreciation rates used for each class of asset are as follow:

• Buildings	2½% - 4%
• Leasehold improvements	2½% - 15%
• Plant and equipment	8½% - 40%
• Leased plant and equipment	8½% - 33%

The straight line method and the reducing balance method are used. Assets are depreciated or amortised from the date of acquisition, or in respect of internally constructed assets, from the time an asset is completed and held ready for use.

*(v) Leased Plant and Equipment*

Leases of plant and equipment under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Assets acquired under finance lease are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Contingent rentals are written off as an expense of the accounting period in which they are incurred. Capitalised lease assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the profit and loss statement.

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

*(vi) Deferred Expenditure*

Material items of expenditure are deferred to the extent that they are recoverable out of future revenue, do not relate solely to revenue which has already been brought to account, and will contribute to the future earning capacity of the consolidated entity.

Deferred expenditure is amortised over the period in which the related benefits are expected to be realised. Deferred expenditure is reviewed annually to determine the amount, if any, that is no longer recoverable. Any such amount is charged to the profit and loss account.

**(l) Provisions**

*(i) Employee Entitlements*

*Annual Leave*

The provisions for employee entitlements to annual leave represents the amount which the consolidated entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been based on current wage and salary rates and includes related on-costs.

*Long Service Leave*

The liability for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(l) Provisions (continued)**

Liabilities for employee entitlements which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates, and the consolidated entity's experience with staff departures. Related on-costs have also been included in the liability.

*(ii) Doubtful Debts*

The collectibility of debts is assessed at year end and specific provision is made for any doubtful accounts.

*(iii) Restructure*

A liability for restructuring costs is recognised as at the date of acquisition with a corresponding amount of goodwill recognised when:

- (a) as at the date of acquisition, the entity is demonstrably committed to the restructuring such that it has little or no discretion to avoid payments to other parties in settlement of the costs of the restructuring; and
- (b) a reliable estimate of the amount of the liability as at the date of acquisition can be made.

**(m) Senior Executive Option Plan and Executive Share Option Scheme**

Toll Holdings Limited grants options to certain executives under the executive share option scheme. Members approved the adoption of the senior executive option plan at general meeting on 7 July 1999. Other than the costs incurred in administering the plan and scheme which are expensed as incurred, there is no other expense to the consolidated entity.

**(n) Superannuation Fund**

The Company and its controlled entities contribute to employee superannuation funds. Contributions are charged against income as they are incurred.

**(o) Cash**

For purposes of the statements of cash flows, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis, net of outstanding bank overdrafts.

**(p) Earnings per Share**

*(i) Basic Earnings per Share*

Basic earnings per share is determined by dividing the operating profit after income tax attributable to members of Toll Holdings Limited adjusted for preference dividends, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*(ii) Diluted Earnings per Share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account the effect of preference shares on issue during the financial year, and also the effect of share options on issue during the financial year.

**(q) Accounts Payable**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the company or consolidated entity. Trade accounts payable are normally settled within 30 days.

**(r) Commercial Bills**

Commercial bills are carried on the balance sheet at their principal amount. Interest on bills is paid at the time bills are rolled over or when drawn down and expensed over the period over which the bill is outstanding. Any amounts not expensed by year end are included in "prepayments".

**(s) Interest Rate Derivatives**

The consolidated entity is exposed to changes in interest rates, from its activities. The consolidated entity uses the following derivative financial instruments to hedge these risk: interest rate swaps, forward rate agreements, interest rate options. Derivative financial instruments are not held for speculative purposes.

*Hedges*

All non-specific hedge transactions are initially recorded at the relevant rate at the date of this transaction. Hedges outstanding at balance date are valued at the rates ruling on that date and any gains or losses are brought to account in the profit and loss statement. Costs or gains arising at the time of entering into the hedge are deferred and amortised over the life of the hedge.

Where hedge transactions are designated as a hedge of the purchase or sale of goods or services or an anticipated interest transaction. Gains and losses arising up to the date of the anticipated transaction, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the transaction. Any gains or losses on the hedge transaction after that date are included in the profit and loss statement.

*Interest rate swaps and forward rate agreements*

Net interest payments under interest rate swap contracts are recognised on an accruals basis in the profit and loss statement as an adjustment to interest expense during the period.

*Interest rate options*

Interest rate options are purchased to hedge interest rate exposures. The premiums paid on interest rate options and any realised gains or losses on exercise are included in other assets and are amortised to interest expense over the terms of the agreements.

**(t) Comparatives**

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 June 2000

2. REVENUE

	Consolidated		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
<b>Revenue from operating activities</b>				
Services	1,360,098	1,295,855	1,076	1,904
<b>Revenue from outside operating activities</b>				
Dividends				
- Related Parties	-	-	14,000	14,400
Distribution from trust	329	-	3,321	-
Interest				
- Other parties	472	916	2	244
Proceeds from sale of non-current assets	20,261	31,864	29,970	9,298
Rental revenue	3,179	-	218	-
<b>Total Revenue</b>	<b>1,384,339</b>	<b>1,328,635</b>	<b>48,587</b>	<b>25,846</b>

3. OPERATING PROFIT

	Consolidated		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Operating profit before abnormal items and income tax is arrived at after charging/(crediting) the following items:				
<u>Charging</u>				
Borrowing costs:				
Other parties	2,774	3,897	2,720	3,378
Finance charges on capitalised leases	768	322	-	5
Depreciation of:				
Buildings	4,238	3,771	509	472
Plant and equipment	15,532	16,271	764	381
Total depreciation	19,770	20,042	1,273	853
Amortisation of:				
Leased assets capitalised	1,682	1,144	2	28
Goodwill	-	475	-	-
Total amortisation	1,682	1,619	2	28
Amounts set aside to provision for:				
Doubtful trade debts	744	223	-	-
Employee entitlements	14,320	15,739	3,038	2,300
Operating lease rental expense	60,306	53,346	1,474	1,324
Provision for Redundancy	-	800	-	-
<u>Crediting</u>				
Net gains/(losses) on sales of property, plant and equipment (excluding abnormal items)	4,526	2,776	(252)	446

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 June 2000

	Consolidated		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
<b>4. ABNORMAL ITEMS</b>				
<b>Profits</b>				
Gain on sale of property	-	1,582	-	-
Income tax effect	-	(21)	-	-
Abnormal item after income tax	-	1,561	-	-
The income tax applicable to the abnormal item above has been offset against capital losses available within the Group.				
Excess of discount on acquisition over fair value of assets acquired	-	3,500	-	-
Income tax effect	-	-	-	-
Abnormal item after income tax	-	3,500	-	-
<b>Losses</b>				
Write-off of goodwill	-	4,131	-	-
Income tax effect	-	-	-	-
Abnormal item after income tax	-	4,131	-	-

**5. TAXATION**

**(a) Income Tax Expense**

The aggregate amount of income tax attributable to the financial year differs from the amount calculated on the operating profit and is reconciled as follows:

Operating profit before tax	47,952	38,198	18,041	14,666
Prima facie tax payable @ 36% (1999 - 36%)	17,263	13,751	6,495	5,280
Tax effect of permanent differences				
Non deductible expenditure	444	2,100	17	61
Non deductible depreciation and amortisation	666	1,909	52	-
Rebate on dividend income	-	(5,040)	(5,184)	-
Tax deductible expenditure and depreciation not included in operating profit	(7,990)	(6,285)	-	-
Non-assessable gains	(707)	(1,897)	(24)	-
Income tax adjusted for permanent differences	9,676	9,578	1,500	157

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 June 2000

5. TAXATION (Continued)

	Consolidated		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Abnormal items:				
Tax benefit attributable to recognising tax losses not previously brought to account	(1,035)	(1,149)	-	-
Income tax expense adjusted for abnormal items	8,641	8,429	1,500	157
Under/(Over) provision in prior years accounts	(294)	(588)	(276)	(862)
Income tax attributable to operating profit	8,347	7,841	1,244	(705)
Abnormal Income Tax Items:				
Restatement of deferred tax balances due to change in income tax rate to 30%	(1,062)	-	423	-
Income tax attributable to operating profit	7,285	7,841	1,647	(705)
Total income tax expense is made up of:				
Current years income tax provision	9,403	3,944	2,512	1,840
Deferred income tax provision	(3,591)	5,058	20	(1,213)
Future income tax benefit	4,235	(573)	374	(470)
Under/(Over) provision in prior year	(2,762)	(588)	(1,259)	(862)
	7,285	7,841	1,647	(705)

(b) Provision for Current Income Tax

Movements during the year were as follows:

Balance at beginning of year	55	1,328	832	946
Income tax paid	(165)	(4,629)	(29)	(1,092)
Income tax provision acquired	-	-	-	-
Current year's income tax expense on operating profit	9,403	3,944	2,512	1,840
Under/(over) provision in prior year	(2,762)	(588)	(1,259)	(862)
	6,531	55	2,056	832

(c) Provision for Deferred Income Tax

Provision for deferred income tax comprises the estimated expense at current income tax rates on the following items:

Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	5,655	7,772	211	240
Expenditure currently deductible but deferred and amortised for accounting purposes	3,827	5,301	93	44
	9,482	13,073	304	284

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 June 2000

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5. TAXATION (Continued)

	Consolidated		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
<b>(d) Future Income Tax Benefit</b>				
Future income tax benefit comprises the estimated future benefit at current income tax rates of the following items:				
Provisions and accrued employee entitlements not currently deductible	4,808	7,963	2,418	2,044
Tax losses carried forward	-	1,080	-	-
	<u>4,808</u>	<u>9,043</u>	<u>2,418</u>	<u>2,044</u>

**(e) Future Income Tax Benefit Not Taken To Account**

The future income tax benefits arising from tax losses and timing differences in a controlled entity, which is a Company, which have not been recognised as an asset because recovery is not virtually certain:

Tax losses carried forward	<u>6,592</u>	<u>9,339</u>	-	-
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The potential future income tax benefit which has not been recognised as an asset will only be obtained if:

- (i) the relevant Company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another Company in accordance with Division 170 of the Income Tax Assessment Act 1997;
- (ii) the relevant Company and/or the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the relevant Company and/or the consolidated entity in realising the benefit.

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	Consolidated		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
<b>6. DIVIDENDS PAID AND DECLARED</b>				
Dividends provided for or paid by the Company are:				
<b>Ordinary</b>				
(i) a final ordinary dividend of 12 cents per share franked to 50% with Class C (36%) franking credits paid 30 September 1999, in relation to shares issued following the exercise of Executive Share Options exercised on 19 July 1999 and 15 September 1999 (1999: 8 cents 65% franked Class C (36%))	11	11	11	11
(ii) an interim ordinary dividend of 13 cents per share franked to 20% with Class C (36%) franking credits, paid 31 March 2000 (1999: 10 cents 35% franked Class C (36%))	7,820	4,545	7,820	4,545
(iii) a final ordinary dividend of 15 cents per share franked to 50% with Class C (34%) franking credits (1999: 12 cents 50% franked Class C (36%)) has been declared by the Directors	9,078	7,080	9,078	7,080
<b>Preference</b>				
(iv) fully franked dividend on the non-redeemable 7.75% cumulative convertible preference shares paid 1 December 1998	-	1,550	-	1,550
(v) fully franked dividend on the non-redeemable 7.75% non-cumulative convertible preference shares paid 1 June 1999	-	1,470	-	1,470
(vi) a final fully franked dividend on the non-redeemable 7.75% non-cumulative convertible preference shares was declared by the Directors and paid on 14 July 1999	-	220	-	220
	<u>16,909</u>	<u>14,876</u>	<u>16,909</u>	<u>14,876</u>

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6. DIVIDENDS PAID AND DECLARED (Continued)

	Consolidated		The Company	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000

The franked dividend payable as at 30 June 2000 will be franked out of existing credits, franking credits arising from the payment of income tax or out of receipt of franked dividends from controlled entities in the year ending 30 June 2000.

Dividend Franking Account

Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements and after deducting franking credits to be used in payment of the above dividends.

- Class C (34%) franking credits (1999: 36%)	8,139	4,685	-	340
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The ability to utilise the franking account credits is dependent upon there being sufficient available profits to declare dividends, and dividend payments which may be payable by partly owned subsidiaries.

Dividends actually paid, satisfied by the issue of shares under the dividend reinvestment plan or satisfied by the reduction in employee loans under the employee share plan during the years ended 30 June 2000 and 30 June 1999 were as follows:

Paid in cash - ordinary	10,218	5,368	10,218	5,368
Paid in cash - preference	220	3,020	220	3,020
Satisfied by issue of shares	4,604	2,736	4,604	2,736
Satisfied by reduction in employee share plan loans	89	30	89	30
	<u>15,131</u>	<u>11,154</u>	<u>15,131</u>	<u>11,154</u>

The above figures are reconciled to cash at the end of the financial year as shown in the statements of cash flows.

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
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**7. RECEIVABLES**

	Consolidated		The Company	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
<b>CURRENT</b>				
Trade debtors	135,960	124,654	-	-
Less: Provision for doubtful trade debtors	3,899	3,113	-	-
	<u>132,061</u>	<u>121,541</u>	-	-
Other debtors	26,062	5,486	1,496	177
	<u>158,123</u>	<u>127,027</u>	<u>1,496</u>	<u>177</u>
<b>NON-CURRENT</b>				
Loans to controlled entities (note 25)	-	- 115,249	123,859	
Other loans	3,746	184	3,746	184
	<u>3,746</u>	<u>184</u>	<u>118,995</u>	<u>124,043</u>

**8. INVENTORIES**

Raw materials and stores - at cost	4,140	3,796	-	57
	<u>4,140</u>	<u>3,796</u>	-	<u>57</u>

**9. OTHER CURRENT ASSETS**

Prepayments	9,972	13,441	2,286	664
Land and buildings held for resale - at cost	17,944	-	-	-
	<u>27,916</u>	<u>13,441</u>	<u>2,286</u>	<u>664</u>

**10. INVESTMENTS**

**NON-CURRENT**

Shares in controlled entities, unquoted - at cost (note 26)	-	-	1,988	1,988
Shares in other corporations - at cost	5,613	6,326	-	-
	<u>5,613</u>	<u>6,326</u>	<u>1,988</u>	<u>1,988</u>

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11. PROPERTY, PLANT AND EQUIPMENT

	Consolidated		The Company	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
<b>Land and Buildings</b>				
Freehold land - at cost	13,017	10,492	2,102	7,206
Freehold buildings - at cost	44,446	55,205	10,431	13,438
Less: Accumulated depreciation	5,704	6,379	1,535	2,535
	<u>38,742</u>	<u>48,826</u>	<u>8,896</u>	<u>10,903</u>
Leasehold improvements - at cost	40,821	46,483	3,816	47
Less: Accumulated depreciation	12,872	9,160	1,508	2
	<u>27,949</u>	<u>37,323</u>	<u>2,308</u>	<u>45</u>
<b>Total Land and Buildings</b>	<u>79,708</u>	<u>96,641</u>	<u>13,306</u>	<u>18,154</u>
<b>Plant and Equipment</b>				
Plant and equipment - at cost	180,983	153,545	6,727	6,031
Less: Accumulated depreciation	100,656	92,176	3,849	2,947
	<u>80,327</u>	<u>61,369</u>	<u>2,878</u>	<u>3,084</u>
Leased plant and equipment - at cost	9,544	3,253	-	60
Less: Accumulated amortisation	2,027	1,474	-	29
	<u>7,517</u>	<u>1,779</u>	<u>-</u>	<u>31</u>
<b>Total Plant and Equipment</b>	<u>87,844</u>	<u>63,148</u>	<u>2,878</u>	<u>3,115</u>
Capital works in progress - at cost	4,684	3,874	4,497	3,431
<b>Total Property, Plant and Equipment - Net book value</b>	<u>172,236</u>	<u>163,663</u>	<u>20,681</u>	<u>24,700</u>

**Valuation of Land and Buildings**

Independent valuations were prepared in December 1997 on all major properties by JLW Advisory Corporate Property Services on the basis of fair market value based on existing use. This valuation totalled \$89.5 million and this reflected a surplus over carrying values of \$25.6 million. These valuations are in accordance with the Company's policy of obtaining an independent valuation of land and buildings every three years.

12. OTHER NON-CURRENT ASSETS

Future income tax benefit (note 5(d))	4,808	9,043	2,418	2,044
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TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
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**13. ACCOUNTS PAYABLE**

	Consolidated		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
CURRENT				
Trade creditors	55,475	37,851	139	155
Other creditors and accruals	62,265	48,468	2,003	1,153
	<u>117,740</u>	<u>86,319</u>	<u>2,142</u>	<u>1,308</u>

**14. BORROWINGS**

CURRENT

Commercial bills and term loans - secured (note 15)	1,000	1,000	-	1,000
Lease liabilities - secured (note 24(d))	1,044	344	-	25
Hire purchase liabilities (note 24(e))	229	430	-	-
	<u>2,273</u>	<u>1,774</u>	<u>-</u>	<u>1,025</u>

NON-CURRENT

Commercial bills and term loans - secured (note 15)	7,000	46,000	-	46,000
- unsecured (note 15)	26,500	-	26,500	-
Other loans	2,500	1,688	-	-
Lease liabilities - secured (note 24(d))	6,734	658	-	-
Hire purchase liabilities (note 24(e))	152	194	-	-
	<u>42,886</u>	<u>48,540</u>	<u>26,500</u>	<u>46,000</u>

The nature and terms of bank and other credit facilities available to the consolidated entity are set out in Note 15.

**15. FINANCING ARRANGEMENTS**

The consolidated entity has unrestricted access at balance date to the following lines of credit:

Bank overdraft - unsecured	500	500	-	-
Commercial bills	93,000	92,500	85,000	92,500
Other facilities	45,350	30,350	-	-
	<u>138,850</u>	<u>123,350</u>	<u>85,000</u>	<u>92,500</u>

Facilities used at balance date:

Bank overdraft	-	-	-	-
Commercial bills	34,500	47,000	26,500	47,000
Other facilities	-	-	-	-
	<u>34,500</u>	<u>47,000</u>	<u>26,500</u>	<u>47,000</u>

Facilities unused at balance date:

Bank overdraft	500	500	-	-
Commercial bills	58,500	45,500	58,500	45,500
Other facilities	45,350	30,350	-	-
	<u>104,350</u>	<u>76,350</u>	<u>58,500</u>	<u>45,500</u>

**15. FINANCING ARRANGEMENTS (Continued)**

**Security**

During the financial year, the Company renegotiated its security position with its financiers. Subsequently, fixed and floating charges over the Company's land and buildings, with the exception of one site, has been released. All current financing is subject to negative pledge arrangements.

**Bank Overdraft**

The bank overdraft is payable on demand and is subject to annual review.

**Commercial Bill Acceptance Facility**

The commercial bill acceptance facility is available for varying periods and due for expiry as follows.

	\$'000	Expiry Date
Fixed and/or Floating and/or Capped Rate Funded	15,000	15 June 2001
Floating Rate Funded	20,000	30 June 2001
Fixed and/or Floating and/or Capped Rate Funded	25,000	30 November 2002
Floating Rate Funded	25,000	31 March 2003
Fixed and/or Floating and/or Capped Rate Funded	<u>8,000</u>	30 November 2007
	<u>93,000</u>	

**Other Bank Facilities**

These represent payroll/tape negotiation authority, bank guarantee facilities and encashment negotiation advices.

	Consolidated		The Company	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
<b>16. PROVISIONS</b>				
<b>CURRENT</b>				
Restructure	331	12,050	-	-
Dividends (note 6)	9,078	7,300	9,078	7,300
Other	16,276	10,570	813	-
Income tax (note 5(b))	6,531	55	2,056	832
Employee entitlements	32,871	33,313	6,410	4,361
	<u>65,087</u>	<u>63,288</u>	<u>18,357</u>	<u>12,493</u>
<b>NON-CURRENT</b>				
Restructure	-	1,000	-	-
Other	1,700	1,500	-	-
Employee entitlements	5,454	4,535	1,462	1,465
Deferred income tax (note 5(c))	9,482	13,072	304	284
	<u>16,636</u>	<u>20,107</u>	<u>1,766</u>	<u>1,749</u>

The key features of the restructure programs arising from the acquisitions of certain TNT businesses and IPEC consisted of employee and property rationalisations. The remaining restructure provision balance of \$0.33 million (1999: \$1.75 million) for the TNT acquisition at 30 June 2000 relates to the relivery of acquired vehicles.

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**16. PROVISIONS (continued)**

	Note	Consolidated		The Company	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Employee Entitlements					
Aggregate employee entitlements, including on costs					
Current	16	32,871	33,313	6,410	4,361
Non-current	16	5,454	4,535	1,462	1,465
		<u>38,325</u>	<u>37,848</u>	<u>7,872</u>	<u>5,826</u>

**17. SHARE CAPITAL**

		Consolidated		The Company	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
(a)	Issued and Paid Up Capital				
	60,522,484 ordinary shares fully paid (1999 – 58,999,489)	<u>98,756</u>	<u>90,233</u>	<u>98,756</u>	<u>90,233</u>

The non-redeemable 7.75% non-cumulative convertible preference shares were all converted to ordinary shares during the year ended 30 June 1999 on a 1 for 1 basis.

Option holders have no rights to participation in any share issue of the Company.

- (b) The Company has an established Dividend Reinvestment Plan, for the purpose of providing shareholders the opportunity to apply dividends paid or declared by the Company in subscribing for shares rather than receiving those dividends in cash. Shares are issued under the plan currently at a 2.5% (1999: 2.5%) discount to the weighted average market price over the five business days immediately after the transfer books close date for the purposes of the dividend payment.

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17. SHARE CAPITAL (continued)

(c) Movements in issued and paid up ordinary share capital of the Company during the past year was as follows:

Date	Details	Number of Shares	Issue Price	Share Capital \$'000
<u>Ordinary Shares</u>				
1 Jul 99	Opening balance	58,999,489		90,233
19 Jul 99	Exercise of Executive Share Options	20,000	1.8425	37
19 Jul 99	Exercise of Executive Share Options	30,000	1.4325	43
15 Sep 99	Exercise of Executive Share Options	40,000	1.4325	57
30 Sep 99	Dividend Reinvestment Plan Issue	393,844	5.1300	2,020
18 Feb 00	Employee Share Plan Issue	532,200	6.7300	3,582
23 Feb 00	Exercise of Executive Share Options	140,000	1.4325	200
31 Mar 00	Dividend Reinvestment Plan Issue	366,951	7.0700	2,594
	Rounding - Issue of DRP Shares			(10)
	Closing Balance	<u>60,522,484</u>		<u>98,756</u>

(d) Senior Executive Option Plan and Executive Share Option Scheme

As at 30 June 2000 unissued ordinary shares of the Company under option are :

Grant Date	Total Options Granted	Unexpired Options	No of Executives	Exercise Price \$	Expiry Date
1 Jul 98	1,025,000	965,000	38	2.1460	30 Jun 2003
23 Jun 99	100,000	100,000	1	5.4150	22 Jun 2004
6 Aug 99	400,000	400,000	2	5.4576	5 Aug 2004
22 Dec 99	10,000	10,000	2	2.1460	30 Jun 2003
29 May 00	1,115,000	1,115,000	41	7.9700	28 May 2005

Each option is convertible into one ordinary share at any time between three and five years after the grant date. The options granted are only exercisable on the satisfaction of specific hurdle criteria with regard to the Company's Total Shareholder Return and diluted EPS growth relative to the All Industrials (excluding banks) or ASX 200 Industrials diluted EPS growth, during the first three years after the grant date.

230,000 ordinary shares were issued during the financial year on the exercise of options granted under the executive share option scheme.

The market value of shares under these options at 30 June 2000 was \$25,511,500.

The market value of options exercised during the year, at the time of exercise was \$1,465,200.

**18. OUTSIDE EQUITY INTERESTS**

*Outside equity interests in controlled entities comprise:*

	Consolidated		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Interest in retained profits at the beginning of the financial year after adjusting for outside equity interests in entities acquired during the financial year	13	-	-	-
Interest in operating profit after income tax	263	370	-	-
Interest in extraordinary items after income tax	-	-	-	-
Interest in operating profit and extraordinary items after income tax	263	370	-	-
Interest in dividends provided for or paid	-	(2,000)	-	-
Interest in retained profits at the end of the financial year	276	(1,630)	-	-
Interest in share capital	50	50	-	-
Interest in reserves	-	1,644	-	-
Total outside equity interests	326	64	-	-

**19. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE**

(a) Interest rate risk

The consolidated entity enters into interest rate derivatives to manage cashflow risks associated with the interest rates on borrowings that are floating.

*Interest Rate Swaps*

Interest rate swaps allow the consolidated entity to swap floating rate borrowings into fixed rates. Maturities of swap contracts are principally three years.

Each contract involves quarterly payment of the net amount of interest. At 30 June 2000, the weighted average fixed rate was 5.71% (1999: 5.58%) and the floating rates were at bank bill rates. The weighted average effective floating interest rate at 30 June 2000 was 6.66% (1999: 5.30%).

*Interest Rate Collar*

Interest rate collars allow the consolidated entity to fix a range where interest rate costs are certain. Maturities are generally for three years. The range of the interest rate collar is from 6.00% to 7.75%.

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19. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (continued)

*Interest rate risk exposures*

2000	Weighted Average Interest Rate	Floating Interest Rate \$'000	1 year or less \$'000	Fixed interest maturing in:			Non-Interest Bearing \$'000	Total \$'000
				Over 1 to 5 years \$'000	More than 5 years \$'000			
<u>Financial Assets</u>								
Cash	5.50%	26,691	-	-	-	-	-	26,691
Receivables		-	-	-	-	-	158,123	158,123
Investments		-	-	-	-	-	5,613	5,613
		26,691	-	-	-	-	163,736	190,427
<u>Financial Liabilities</u>								
Bank overdraft and loans	6.91%	31,500	3,000	-	-	-	2,500	37,000
Accounts payable		-	-	-	-	-	117,740	117,740
Lease and HP liabilities	7.49%	-	1,273	6,886	-	-	-	8,159
Dividend payable		-	-	-	-	-	9,078	9,078
		31,500	4,273	6,886	-	-	129,318	171,977
Interest rate swaps*		(20,000)	5,000	15,000	-	-	-	-

\* Notional principal amount

*Interest rate risk exposures*

1999	Weighted Average Interest Rate	Floating Interest Rate \$'000	1 year or less \$'000	Fixed interest maturing in:			Non-Interest Bearing \$'000	Total \$'000
				Over 1 to 5 years \$'000	More than 5 years \$'000			
<u>Financial Assets</u>								
Cash	4.25%	22,919	-	-	-	-	-	22,919
Receivables		-	-	-	-	-	127,027	127,027
Investments		-	-	-	-	-	6,326	6,326
		22,919	-	-	-	-	133,353	156,272
<u>Financial Liabilities</u>								
Bank overdraft and loans	5.80%	42,688	3,000	3,000	-	-	-	48,688
Accounts payable		-	-	-	-	-	86,319	86,319
Lease and HP liabilities	7.44%	-	774	852	-	-	-	1,626
Dividend payable		-	-	-	-	-	7,300	7,300
		42,688	3,774	3,852	-	-	93,619	143,933
Interest rate swaps*		(20,000)	-	20,000	-	-	-	-

\* Notional principal amount

*Credit Risk Exposures*

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

On Balance Sheet Financial Instruments

The credit risk on financial assets, excluding investments, of the consolidated entity which have been recognised on the balance sheet is the carrying amount, net of any provision for doubtful debts.

The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties.

The consolidated entity is not materially exposed to any individual customer.

Off Balance Sheet Financial Instruments

The credit risk exposures arising from derivative financial instruments is measured by the net fair value of the contracts. The concentration of credit risk is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings.

(b) *Net fair values of financial assets and liabilities*

*Valuation approach*

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following basis:

On Balance Sheet Financial Instruments

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cashflows on amounts due from customers or due to suppliers. The carrying amounts of bank term deposits, accounts receivable, accounts payable, bank loans, lease and hire purchase liabilities and dividends payable approximate net fair value.

The net fair value of investments in unlisted shares in other corporations is determined by reference to the underlying net assets of the respective corporations.

Off-Balance Sheet Financial Instruments

The net fair value of off-balance sheet financial instruments detailed in this note reflects the estimated amounts which the consolidated entity expects to pay or receive to terminate the contracts (net of transaction costs) or to replace the contracts at their current market rate as at reporting date. This is based on independent market quotations and is determined using standard valuation techniques.

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On-Balance Sheet Financial Instruments

The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:

	Consolidated		Consolidated	
	2000	2000	1999	1999
	Carrying	Net fair	Carrying	Net fair
	amount	value	amount	value
	\$'000	\$'000	\$'000	\$'000
<i>Financial Assets</i>				
Cash	26,691	26,691	22,919	22,919
Receivables	158,123	158,123	127,027	127,027
Investments	5,613	5,613	6,326	6,326
	<u>190,427</u>	<u>190,427</u>	<u>156,272</u>	<u>156,272</u>
<i>Financial Liabilities</i>				
Bank overdrafts and loans	37,000	37,000	48,688	48,688
Accounts payable	117,740	117,740	86,319	86,319
Lease and hire purchase liabilities	8,159	8,159	1,626	1,626
Dividends payable	9,078	9,078	7,300	7,300
	<u>171,977</u>	<u>171,977</u>	<u>143,933</u>	<u>143,933</u>

Off-Balance Sheet Financial Instruments

The net fair value of off-balance sheet financial instruments held as at the reporting date are:

	2000	1999
	\$'000	\$'000
Interest rate derivatives	<u>140</u>	<u>62</u>

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20. DIRECTORS' REMUNERATION

	Consolidated		The Company	
	2000	1999	2000	1999
	\$	\$	\$	\$
<b>Directors Income</b>				
Total income paid or payable or otherwise made available to all directors of the Company and controlled entities from the Company or any related party			<u>2,312,617</u>	<u>2,043,210</u>
Total income paid or payable or otherwise made available to all directors of each entity in the consolidated entity from the Company or any related party	<u>2,695,709</u>	<u>2,932,148</u>		

The number of directors of the Company whose income from the Company or any related party which falls within the following bands:

\$'000	-	\$'000	2000	1999
\$ 50	-	\$ 60	3	3
\$100	-	\$110	-	1
\$140	-	\$150	1	-
\$180	-	\$190	-	1
\$360	-	\$370	1	-
\$730	-	\$740	-	1
\$740	-	\$750	1	-
\$860	-	\$870	-	1
\$870	-	\$880	1	-
			<u>7</u>	<u>7</u>

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21. EXECUTIVES' REMUNERATION

	Consolidated		The Company	
	2000	1999	2000	1999
	\$	\$	\$	\$
Total income received, or due and receivable, from entities in the consolidated entity or related entities by executive officers (including directors) whose income was at least \$100,000.	<u>12,798,253</u>	<u>11,447,306</u>	<u>11,653,306</u>	<u>11,447,306</u>

The number of executive officers (including directors) of the Company or related parties falls within the following bands:

\$'000	-	\$'000	2000	1999	2000	1999
\$100	-	\$110	5	2	5	2
\$110	-	\$120	1	2	1	2
\$120	-	\$130	5	8	5	8
\$130	-	\$140	6	7	6	7
\$140	-	\$150	4	7	4	7
\$150	-	\$160	6	4	3	4
\$160	-	\$170	5	3	5	3
\$170	-	\$180	3	3	3	3
\$180	-	\$190	3	6	2	6
\$190	-	\$200	2	-	2	-
\$200	-	\$210	2	1	2	1
\$210	-	\$220	1	3	1	3
\$220	-	\$230	4	2	3	2
\$230	-	\$240	1	1	1	1
\$240	-	\$250	1	-	1	-
\$250	-	\$260	2	-	2	-
\$260	-	\$270	2	1	1	1
\$290	-	\$300	-	2	-	2
\$330	-	\$340	2	1	2	1
\$350	-	\$360	-	1	-	1
\$360	-	\$370	1	-	1	-
\$370	-	\$380	2	-	2	-
\$450	-	\$460	1	-	1	-
\$650	-	\$660	-	1	-	1
\$730	-	\$740	-	1	-	1
\$740	-	\$750	1	-	1	-
\$860	-	\$870	-	1	-	1
\$870	-	\$880	1	-	1	-
			<u>61</u>	<u>57</u>	<u>55</u>	<u>57</u>

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS  
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**22. AUDITORS' REMUNERATION**

	Consolidated		The Company	
	2000	1999	2000	1999
	\$	\$	\$	\$
Amounts received or due and receivable for audit services by:				
Auditors of the consolidated entity	358,000	360,000	50,000	50,000
Amounts received or due and receivable for other services by:				
Auditors of the consolidated entity	335,000	402,000	60,000	50,000
Total auditors' remuneration	<u>693,000</u>	<u>762,000</u>	<u>110,000</u>	<u>100,000</u>

**23. CONTINGENT LIABILITIES**

The details and estimated maximum amounts of contingent liabilities, are set out below.

	\$'000	\$'000	\$'000	\$'000
(i) The consolidated entity has guaranteed the bank facilities of controlled entities in respect of bank overdraft, payroll and cheque clearing accounts.	<u>28,800</u>	<u>28,800</u>	-	-
(ii) Under the terms of the Deed of Cross Guarantees, described in note 29, the Company has guaranteed any deficiency which might arise if Toll Transport Pty Ltd, Toll Ports Pty Ltd, Hollandia Holdings Pty Ltd, Kentucky Woods Pty Ltd, Toll Recycling Pty Ltd, Toll Properties Pty Ltd, Freshmark Limited, Refrigerated Roadways Pty Ltd, Refrigerated Roadways (NSW) Pty Ltd, Toll Logistics Australia Pty Ltd, Toll Energy Logistics Pty Ltd, Toll North Pty Ltd, W & M Meats Transport Pty Ltd, Carpentaria Environmental Services Pty Ltd, DT Queensland Pty Ltd, Malles Transport Pty Ltd, Toll IPEC Pty Ltd and Toll Technologies Pty Ltd are wound up.				
(iii) The Company has guaranteed various bank and other financial facilities of controlled entities through the normal course of business.				

The directors are not aware of any circumstance or information which would lead them to believe that these liabilities will crystallise and consequently no provisions are included in the financial statements in respect of these matters.

**24. COMMITMENTS FOR EXPENDITURE**

**(a) Superannuation Commitments**

All employees of the consolidated entity are entitled to benefits on retirement, disability or death. The superannuation plans provide benefits based on accumulated funds. Employees may contribute to the plans at various percentages of their wages and salaries. Entities in the consolidated entity also contribute to the plans.

	Consolidated		The Company	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
<b>(b) Capital Expenditure Commitments</b>				

Total capital expenditure contracted for at balance date but not provided for in the financial statements, payable:

Not later than one year	<u>8,276</u>	<u>3,916</u>	-	-
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TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 June 2000

24. COMMITMENTS FOR EXPENDITURE (Continued)

	Consolidated		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
<b>(c) Operating Lease Commitments</b>				
Future non-cancellable operating lease rentals of property, plant and equipment, not provided for in the financial statements, payable:				
Not later than one year	53,381	50,673	808	1,135
Later than one year but not later than five years	109,187	112,595	966	1,605
Later than five years	39,792	44,811	-	-
	<u>202,360</u>	<u>208,079</u>	<u>1,774</u>	<u>2,740</u>
Property	116,055	113,020	1,137	950
Plant and Equipment	86,305	95,059	637	1,790
	<u>202,360</u>	<u>208,079</u>	<u>1,774</u>	<u>2,740</u>
<b>(d) Finance Lease Commitments</b>				
Finance lease rentals are payable as follows:				
Not later than one year	1,680	336	-	25
Later than one year but not later than five years	8,251	708	-	-
Later than five years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Future Lease rentals	9,931	1,044	-	25
Less: Future finance charges	2,153	42	-	-
Total Finance lease commitments in financial statements	<u>7,778</u>	<u>1,002</u>	<u>-</u>	<u>25</u>
Finance lease commitment				
Current (note 14)	1,044	344	-	25
Non-current (note 14)	6,734	658	-	-
Total lease liability	<u>7,778</u>	<u>1,002</u>	<u>-</u>	<u>25</u>

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS  
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24. COMMITMENTS FOR EXPENDITURE (Continued)

	Consolidated		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
(e) Hire purchase commitments				
Hire purchase payments are payable as follows:				
Not later than one year	244	453	-	-
Later than one year but not later than five years	156	216	-	-
Later than five years	-	-	-	-
Minimum repayments	400	669	-	-
Less future finance charges:	19	45	-	-
Total hire purchase commitments in the financial statements	<u>381</u>	<u>624</u>	-	-
Hire purchase liability				
Current (note 14)	229	430	-	-
Non-current (note 14)	152	194	-	-
Total hire purchase liability	<u>381</u>	<u>624</u>	-	-

25. RELATED PARTIES

Directors

The names of each person holding the position of Director of Toll Holdings Limited at any time during the financial year are as follows:

P Rowsthorn  
 P A Little  
 M Rowsthorn  
 J A Moule AM  
 N Chatfield  
 W Farrands, and  
 R Paul AM

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there are no material contracts involving directors' interests existing at year end.

**25. RELATED PARTIES (Continued)**

**Remuneration, Retirement Benefits and Service Arrangements**

Details of directors' remuneration, inclusive of superannuation and retirement payments are set out in Note 20.

**Transactions of Directors and Director Related Entities concerning Shares**

An aggregate of 272,841 ordinary shares of Toll Holdings Limited were issued to directors in accordance with the Dividend Reinvestment Plan during the year (1999: 482,289).

An aggregate of 25,000 ordinary shares of Toll Holdings Limited were acquired by directors or their director related entities during the year. (1999: 82,000)

An aggregate of 700 ordinary shares of Toll Holdings Limited were issued to directors in accordance with the Employee Share Ownership Plan during the year (1999: Nil).

No ordinary shares of Toll Holdings Limited were disposed of by the directors or their director related entities during the year. (1999: Nil)

The aggregate number of ordinary shares of Toll Holdings Limited held directly, indirectly or beneficially by directors or their director related entities at balance date was 21,367,366 (1999: 21,024,414).

At 30 June 2000, directors or their director related entities hold directly, indirectly or beneficially 500,000 options over ordinary shares (1999: 100,000).

During the year the Company granted options over 1,525,000 unissued shares under the Senior Executive Option Plan and Executive Share Option Scheme. Of these, 400,000 options were granted to directors and their director-related entities on the same terms and conditions as those granted to other employees.

**Other Transactions with the Company or its Controlled Entities**

A director of the Company, Mr J Moule AM, is a director of National Australia Financial Management Limited (NAFM) which provides management services to the Company's superannuation fund which is managed in accordance with a Master Trust arrangement. NAFM's parent company National Australia Bank Limited is the Company's banker and derives fees and charges in accordance with normal commercial practices.

A director of the Company, Mr W Farrands, is Chairman of The Ready Group Pty Ltd, a company which is a provider of labour resources to some of the company's businesses to service their additional outsourced requirements, on normal commercial terms.

A director of the Company, Mr R Paul AM, is a director of Evans Deakin Industries Limited, which supplies equipment and services to some businesses within the Toll Group on normal commercial terms.

The Company rented premises from Labrador Pty Ltd for \$25,332, for a period during the year, at normal market rentals. This company is jointly owned by Mr P Little and Mr M Rowsthorn who are directors of Toll Holdings Limited.

The company contributed \$150,000 during the year to Paul Little Racing Pty Ltd for promotional and advertising arrangements. The company, of which Mr P Little is a director, was involved in motor racing within Australia.

In all matters outlined above, the terms and conditions of the transactions were no more favourable than those available, or which might reasonably be expected to be available on similar transactions to non-director related entities on an arms length basis.

**25. RELATED PARTIES (Continued)**

**Wholly Owned Group**

The wholly owned group consists of Toll Holdings Limited and its wholly owned controlled entities as set out in note 26.

Transactions between Toll Holdings Limited and related parties in the wholly owned group during the years 30 June 2000 and 30 June 1999 consisted of:

- (a) loans advanced by Toll Holdings Limited;
- (b) loans repaid to Toll Holdings Limited;
- (c) the payment of interest on the above loans;
- (d) the payment of dividends to Toll Holdings Limited;
- (e) the payment of property rentals to Toll Holdings Limited;
- (f) the payment of head office overheads to Toll Holdings Limited.

The above transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of principal on loans advanced by or to Toll Holdings Limited.

Aggregate amounts included in the determination of operating profit before income tax that resulted from transactions with related parties in the wholly owned group were as follows:

	The Company	
	2000	1999
	\$'000	\$'000
Interest revenue	2	-
Rental revenue	-	5,647
Dividend revenue	14,000	14,400
Management charge	15,943	11,644
Distribution from Trust	3,321	-

Aggregate amounts receivable from related parties in the wholly owned group at balance date were as follows:

Non-Current receivables	115,249	123,859
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**Ownership Interests in Related Parties**

Interests held in related parties are set out in note 26.

**Superannuation Fund**

Details of the consolidated entity's employee superannuation funds are set out in Note 24(a).

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
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26. PARTICULARS IN RELATION TO CONTROLLED ENTITIES

Name of Entity	Note	Class of Share	Equity Holding	
			2000 %	1999 %
<b>The Company</b>				
Toll Holdings Limited				
<b>Controlled Entities</b>				
Toll Transport Pty Ltd	a,b	Ord	100	100
Toll Ports Pty Ltd	a,b,m	Ord	100	100
Hollandia Holdings Pty Ltd	a,d	Ord	100	100
Toll Recycling Pty Ltd	a,b,j	Ord	100	100
Freshmark Limited	a,c	Ord	100	100
Toll Properties Pty Ltd	a,b	Ord	100	100
Kentucky Woods Pty Ltd	a,b	Ord	100	100
Toll Metro (NZ) Limited	e,g,o	Ord	100	100
Refrigerated Roadways Pty Ltd	a,b,g	Ord	100	100
Refrigerated Roadways (NSW) Pty Ltd	a,f,i	Ord	100	100
Toll Logistics Australia Pty Ltd	a,f,g	Ord	100	100
Toll Energy Logistics Pty Ltd	a,d,g	Ord	100	100
Toll North Pty Ltd	a,c	Ord	100	100
Toll North Pty Ltd	k	Pref	100	100
W & M Meats Transport Pty Ltd	a,c,h	Ord	100	100
Carpentaria Environmental Services Pty Ltd	a,c,h	Ord	100	100
DT Queensland Pty Ltd	a,c,h	Ord	100	100
R & H Transport Pty Ltd	f,n,o	Ord	50	50
Toll IPEC Pty Ltd	a,b	Ord	100	100
GeelongPort Pty Ltd	b,g	Ord	100	100
GeelongPort Pty Ltd	l	Pref	100	100
Toll Technologies Pty Ltd	a,b	Ord	100	-
Malleys Transport Pty Ltd	a,c,h	Ord	100	50

(a) Entities have entered into a Deed of Cross Guarantee with Toll Holdings Ltd in respect of relief granted from specific accounting and financial reporting requirements in accordance with a class order executed by the ASIC on 13 August 1998.

(b) Incorporated in Victoria.

(c) Incorporated in Queensland.

(d) Incorporated in Western Australia.

(e) Incorporated in New Zealand.

(f) Incorporated in New South Wales.

(g) Wholly owned by Toll Transport Pty Ltd.

(h) Wholly owned by Toll North Pty Ltd.

(i) Wholly owned by Refrigerated Roadways Pty Ltd.

(j) Wholly owned by Kentucky Woods Pty Ltd.

(k) Non-cumulative redeemable preference shares.

(l) Non-cumulative preference shares.

(m) Formerly Tasmania Express Pty Ltd.

(n) Shareholding actually 50.001% and as such R&H Transport Pty Ltd is a controlled entity.

(o) Not included in Deed of Cross Guarantee.

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
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**27. DEED OF CROSS GUARANTEE**

Pursuant to an ASIC Class Order 98/1418 dated 13 August, 1998, relief was granted to the wholly owned subsidiaries listed below from the Corporations Law requirements for preparation, audit and lodgement of financial reports.

It is a condition of the Class Order that the Company and each of the controlled entities enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the controlled entities under certain provisions of the Corporations Law. If a winding up occurs under the provisions of the Law, the Company will be liable in the event that after six months any creditor has not been paid in full. The controlled entities have also given similar guarantees in the event that the Company is wound up.

The controlled entities subject to the Deed are:

Controlled Entity	Date relief granted
Toll Transport Pty Ltd;	11 June 1993
Toll Ports Pty Ltd;	11 June 1993
Hollandia Holdings Pty Ltd;	11 June 1993
Freshmark Limited;	29 June 1994
Toll Properties Pty Ltd;	21 December 1994
Kentucky Woods Pty Ltd;	19 June 1995
Toll Recycling Pty Ltd.	19 June 1995
Refrigerated Roadways Pty Ltd	15 June 1998
Refrigerated Roadways (NSW) Pty Ltd	15 June 1998
Toll Logistics Australia Pty Ltd	15 June 1998
Toll Energy Logistics Pty Ltd	15 June 1998
Toll North Pty Ltd	15 June 1998
W & M Meats Transport Pty Ltd	15 June 1998
Carpentaria Environmental Services Pty Ltd	15 June 1998
DT Queensland Pty Ltd	15 June 1998
Toll IPEC Pty Ltd	26 October 1999
Malleys Transport Pty Ltd	16 February 2000
Toll Technologies Pty Ltd	5 June 2000

A consolidated profit and loss statement and consolidated balance sheet, comprising the Company and subsidiaries which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2000 is set out below.

	Consolidated	
	2000	1999
	\$'000	\$'000
<b>Profit and Loss Statement</b>		
<b>Operating profit before income tax</b>	46,946	36,359
Income tax attributable to operating profit		7,000
<b>Operating profit after income tax</b>		<u>39,946</u>
Retained profits at the beginning of the financial year		19,762
<b>Total available for appropriation</b>		<u>75,984</u>
Dividends provided for or paid		16,909
<b>Retained profits at the end of the financial year</b>	<u>59,075</u>	<u>33,791</u>

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
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27. DEED OF CROSS GUARANTEE (continued)

	Consolidated	
	2000	1999
	\$'000	\$'000
<b>Balance Sheet</b>		
Cash	24,275	17,023
Receivables	152,869	100,994
Inventories	4,140	3,395
Other	27,883	11,727
<b>Total Current Assets</b>	<u>209,167</u>	<u>133,139</u>
Receivables	3,662	184
Investments	5,613	2,435
Property, plant and equipment	169,803	165,451
Intangibles	-	-
Other	4,677	5,753
<b>Total Non-Current Assets</b>	<u>183,755</u>	<u>173,823</u>
<b>TOTAL ASSETS</b>	<u><u>392,922</u></u>	<u><u>306,962</u></u>
Accounts Payable	114,777	77,061
Borrowings	2,273	1,455
Provisions	64,639	38,871
<b>Total Current Liabilities</b>	<u>181,689</u>	<u>117,387</u>
Borrowings	36,584	45,382
Provisions	16,592	20,169
<b>Total Non-Current Liabilities</b>	<u>53,176</u>	<u>65,551</u>
<b>TOTAL LIABILITIES</b>	<u>234,865</u>	<u>182,938</u>
<b>NET ASSETS</b>	<u><u>158,057</u></u>	<u><u>124,024</u></u>
Share capital	98,656	90,233
Retained profits	59,075	33,791
Outside equity interests in controlled entities	326	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u><u>158,057</u></u>	<u><u>124,024</u></u>

28. SEGMENT INFORMATION

The Group derives revenue from the provision of the total logistics solution through use of economy and express freight forwarding services, storage, warehousing and distribution of freight nationally by road, rail and sea, rail linehaul operations, international forwarding, ports management and time sensitive freight distribution services. These activities are inter-dependent and inter-related as a collection of related services forming one segment within the transport and logistics industry.

**Geographical Segments**

The consolidated entity operates predominantly in Australia and all material revenue, operating profit before income tax and segment assets relate to operations within Australia.

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
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29. NOTES TO THE STATEMENTS OF CASH FLOWS

	Consolidated		The Company	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
<b>(a) Reconciliation of cash</b>				
For the purposes of the Statements of Cash Flows, cash includes on hand and at bank and short term deposits at call, net of outstanding bank overdrafts Cash as at the end of the financial year as shown in the Statements of Cash Flows:				
Cash at bank and on hand	26,691	22,919	10	3
<b>(b) Reconciliation of operating profit after income tax to net cash provided by operating activities</b>				
Operating profit after income tax	40,667	30,510	16,394	15,371
Add/(less) non-cash items				
Depreciation and Amortisation	21,452	21,186	1,275	1,007
Amortisation of goodwill	-	475	-	-
Provision for doubtful trade debtors	780	(621)	-	-
Write-off of goodwill	-	4,131	-	-
Excess of discount on acquisition over fair value of assets acquired	-	(3,500)	-	-
(Profit) on sale - abnormal	-	(1,582)	-	-
(Profit)/loss on sale - other	(4,526)	(2,776)	252	(446)
Net cash inflow from operating activities before changes in assets and liabilities	58,373	47,823	17,921	15,932
Changes in assets and liabilities adjusted for effects of purchase and disposal of controlled entities during the financial year:				
(Increase)/decrease in trade debtors	(10,054)	12,724	-	-
(Increase)/decrease in other debtors	(20,544)	2,826	(943)	(89)
(Increase)/decrease in inventory	(309)	628	57	1
(Increase)/decrease in prepayments	3,576	(4,874)	(2,221)	8
Increase/(decrease) in trade creditors	16,670	(9,445)	(16)	155
Increase/(decrease) in other creditors	6,300	(11,134)	1,762	(943)
Increase/(decrease) in provision for employee entitlements	342	2,413	2,047	(121)
(Increase)/decrease in loan to controlled entities	-	-	(11,517)	(13,508)
Increase/(decrease) in income taxes payable	6,415	(1,273)	1,224	(114)
(Increase)/decrease in future income tax benefit	3,895	2,142	(374)	(471)
Increase/(decrease) in provision for deferred income tax	(3,590)	5,056	20	(1,213)
Net cash inflow/(outflow) from operating activities	61,074	46,886	7,960	(363)
<b>(c) Financing facilities</b>				

Note 15 discloses details of financing arrangements.

29. NOTES TO THE STATEMENTS OF CASH FLOWS (Continued)

(d) Acquisition of entities \$'000

2000

(i) On 1 February 2000, the Group acquired the business operations of Removals Australia from the Commonwealth Government.  
 Details of the acquisition are as follows:

Consideration	<u>9,665</u>
Deferred consideration	-
Outflow of cash to acquire operations	<u>9,665</u>

Fair value of net assets acquired:

Property, plant and equipment	10,400
Prepayments	
Provisions	<u>(735)</u>
	<u>9,665</u>

(ii) On 3 November 1999, the Group acquired the remaining 50% of the share capital of Malleys Transport Pty Ltd. The 50% held at the beginning of the financial year was previously carried as an investment.  
 Details of the acquisition are as follows:

\$'000

Consideration	<u>2,613</u>
Cash acquired	(1,248)
Prior consideration	<u>(1,113)</u>
Outflow of cash to acquire operations	<u>252</u>

Net assets acquired:

Cash	1,248
Trade debtors	1,246
Inventories	36
Prepayments	107
Property, plant and equipment	3,082
Future income tax benefit	(340)
Other assets	31
Trade creditors	(953)
Lease liabilities	(501)
Hire purchase liabilities	(511)
Other creditors	(637)
Provision for employee entitlements	(134)
Provision for income tax	<u>(61)</u>

Consideration	<u>2,613</u>
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TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS  
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\$'000

**1999**

- (i) On 4 October 1998 the Group acquired the business operations of IPEC from Mayne Nickless Limited  
 Details of the acquisition are as follows:

Consideration / (Cash received)	<u>(4,968)</u>
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Outflow of cash to acquire operations:

Fair value of net assets acquired (after allocation of discount on acquisition). Refer Note 1 (c)

Inventories	504
Other Receivables/Prepayments	2,427
Trade Debtors	19,805
Future Income Tax Benefit	2,716
Provision for Restructure	(19,975)
Excess of discount on acquisition over fair value of assets acquired	(3,500)
Employee Entitlements	<u>(6,945)</u>
Consideration / (Cash received)	<u>(4,968)</u>

**(e) Non-cash financing and investment activities**

- (i) During the year the consolidated entity acquired plant and equipment with an aggregate fair value of \$7.9 million (1999: \$0.3 million) by means of finance leases and hire purchase agreements.
- (ii) 760,795 shares with an aggregate value of \$4.6 million (1999: \$2.7 million) were issued in accordance with the Dividend Reinvestment Plan in lieu of remitting cash dividends.
- (iii) A final prior year dividend of 12 cents per share and an interim current year dividend of 13 cents per share was utilised to reduce employee loans in accordance with the Employee Share Plan. Employee loans were reduced as a result by \$88,502 (1999: \$29,718).

The above non cash activities are not reflected in the Statements of Cash Flows.

**30. EARNINGS PER SHARE**

	Consolidated	
	2000	1999
<b><u>Basic earnings per share</u></b>	67.67¢	59.16¢
Earnings used in the calculation of basic earnings per share excluding dividends applicable to the non-redeemable cumulative preference shares	\$40,404,000	\$26,899,000
Weighted average number of ordinary shares used in the calculation of basic earnings per share pursuant to the Australian Accounting Standard	59,709,722	45,470,121
Total number of ordinary shares on issue as at the end of the financial year.	60,522,484	58,999,489
<b><u>Diluted earnings per share</u></b>	66.28¢	51.41¢
Earnings used in the calculation of diluted earnings per share	\$40,590,000	\$30,140,000
Weighted average number of potential ordinary shares used in the calculation of diluted earnings per share	61,238,256	58,624,152

Classification of Securities

7.75% per annum non-redeemable non-cumulative convertible preference shares

The 7.75% per annum non-cumulative convertible preference shares were not redeemable and were convertible into ordinary shares of the Company subject to certain events, on or before 30 November 2002. The number of new ordinary shares to be issued on conversion was linked to the weighted average sale price of all fully paid ordinary shares in the Company sold on the Australian Stock Exchange during the 20 trading days immediately preceding 30 November 2002. The number of new ordinary shares was subject to a minimum number of shares being 3,333,334 where the average sale price was above \$3.24 per share and a maximum of 200,000,010 where the average sale price was below \$0.216 per share. These shares were included in the determination of basic earnings per share, from their date of conversion to fully paid ordinary shares, which occurred between 12 March 1999 and 30 June 1999. At 30 June 1999 all of the 7.75% per annum non-redeemable non-cumulative convertible preference shares had been converted into fully paid ordinary shares.

Options

Options to purchase ordinary shares not exercised at 30 June 2000 have been included in the determination of the diluted earnings per share.

**Conversion, Call, Subscription or Issue after 30 June 2000**

Since 30 June 2000, no ordinary shares have been issued.

Other than as noted above there has been no:

- (a) conversion to, calls of, or subscriptions for ordinary shares; or
- (b) issues of potential ordinary shares;

since the reporting date and before the completion of these accounts.

**31. EVENT SUBSEQUENT TO BALANCE DATE**

On 27 June 2000, the Company launched a takeover for 100% of Finemore Holdings Ltd (Finemore). Formal takeover documents were despatched to Finemore shareholders on 2 August 2000. The bid, which has been recommended by Finemore directors, in the absence of a higher offer, is priced at \$2.25 per fully paid ordinary share resulting in an approximate purchase price of \$119 million, and is conditional upon receiving 90% acceptances. The bid, which is to be funded by fully committed debt facilities, is scheduled to close on 22 September 2000.

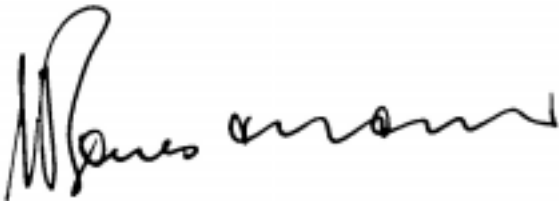
Other than the matter discussed above there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES  
DIRECTORS' DECLARATION

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1. In the opinion of the directors of Toll Holdings Limited:
  - (a) the financial statements and notes set out on pages 15 to 54 are in accordance with the Corporations Law including:
    - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2000 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
    - (ii) complying with Accounting Standards and the Corporations Regulations; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.
2. There are reasonable grounds to believe that the Company and the subsidiaries identified in Note 27 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries pursuant to ASIC Class Order 98/1418.

Signed in accordance with a resolution of the Directors:



P Rowsthorn

Director



P A Little

Director

Dated at Melbourne this 5<sup>th</sup> day of September 2000.

## **Independent Auditor's Report**

**To the members of Toll Holdings Limited**

### **Scope**

We have audited the financial report of Toll Holdings Limited for the financial year ended 30 June 2000, consisting of the profit and loss statements, balance sheets, statements of cash flows, accompanying notes, and the directors' declaration set out on pages 15 to 55. The financial report includes the consolidated financial statements 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. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

### **Audit opinion**

In our opinion, the financial report of Toll Holdings Limited is in accordance with:

- (a) the Corporations Law, including:
  - i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2000 and of their performance for the year ended on that date; and
  - ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

KPMG

J J O'Connell  
Partner

5 September 2000

## Shareholder Information

Additional information required by the Australian Stock Exchange Listing Rules not elsewhere disclosed in this report. The shareholder information set out below was applicable as at 28 August 2000.

### A. Distribution of shareholders

(a) Analysis of numbers of shareholders by size of share holdings for ordinary securities.

	Number	Units	%
1 – 1,000	3,580	1,731,270	2.86
1,001 – 5,000	2,847	6,952,515	11.49
5,001 – 10,000	446	3,265,622	5.40
10,001 – 100,000	259	6,551,146	10.82
100,001– and over	37	42,021,931	69.43
	7,169	60,522,484	100.00

There were one hundred and twenty holders with less than a marketable parcel of ordinary shares.

Each ordinary share is entitled to one vote per share.

### B. Twenty largest shareholders

The names of the twenty largest shareholders are listed below:

Name	Number of Ordinary Shares Held	Percentage of Issue Shares %
1 Mostia Dion Nominees Pty Ltd	8,823,071	14.58
2 Mr Paul Alexander Little	8,616,356	14.24
3 PGA (Investments) Pty Ltd	3,665,000	6.06
4 Mr Peter Rowsthorn	3,071,749	5.08
5 Chase Manhattan Nominees Limited	2,517,478	4.16
6 Australian Foundation Investment Company Limited (Investment Portfolio A/C)	2,333,334	3.86
7 National Nominees Limited	1,319,731	2.18
8 AMP Life Limited	1,059,116	1.75
9 Cable Nominees Pty Ltd (33390 A/C)	1,000,000	1.65
10 NRMA Nominees Pty Limited	994,645	1.64
11 Djerriwarrh Investments Limited	992,210	1.64
12 Westpac Custodian Nominees Limited	793,861	1.31
13 Commonwealth Custodial Services Limited (No 17 A/C)	626,293	1.03
14 Camrock (Australia) Pty Limited	571,755	0.94
15 AMP Nominees Pty Limited	500,335	0.83
16 Citicorp Nominees Pty Limited	474,494	0.78
17 Mr Richard John Raw and Mrs Rosemary Joan Raw	442,492	0.73
18 Mr Ashley William Lyons Hancock & Raelene Joy Hancock	421,875	0.70
19 Commonwealth Custodial Services Limited (No 4 A/C)	413,351	0.68
20 Perpetual Trustees Victoria Limited (JBEMEP A/C)	345,724	0.57
Total	38,982,870	64.41%

### C. Substantial shareholders

The following are registered by the Company as substantial shareholders, having declared a relevant interest in the number of voting shares shown adjacent as at the date of giving the notice.

Name	Number and Percentage of Shares in which interest held in Ordinary Shares	
	Number	Interest %
(a) Mr Mark Rowsthorn and related bodies corporate	9,171,161	15.15
(b) Mr Paul Alexander Little and related bodies corporate	8,863,637	14.65
(c) PGA (Investments) Pty Ltd and related bodies corporate	4,665,000	7.71
(d) Mr Peter Rowsthorn	3,112,160	5.14