



*what does it mean to lead?*

**TOLL**

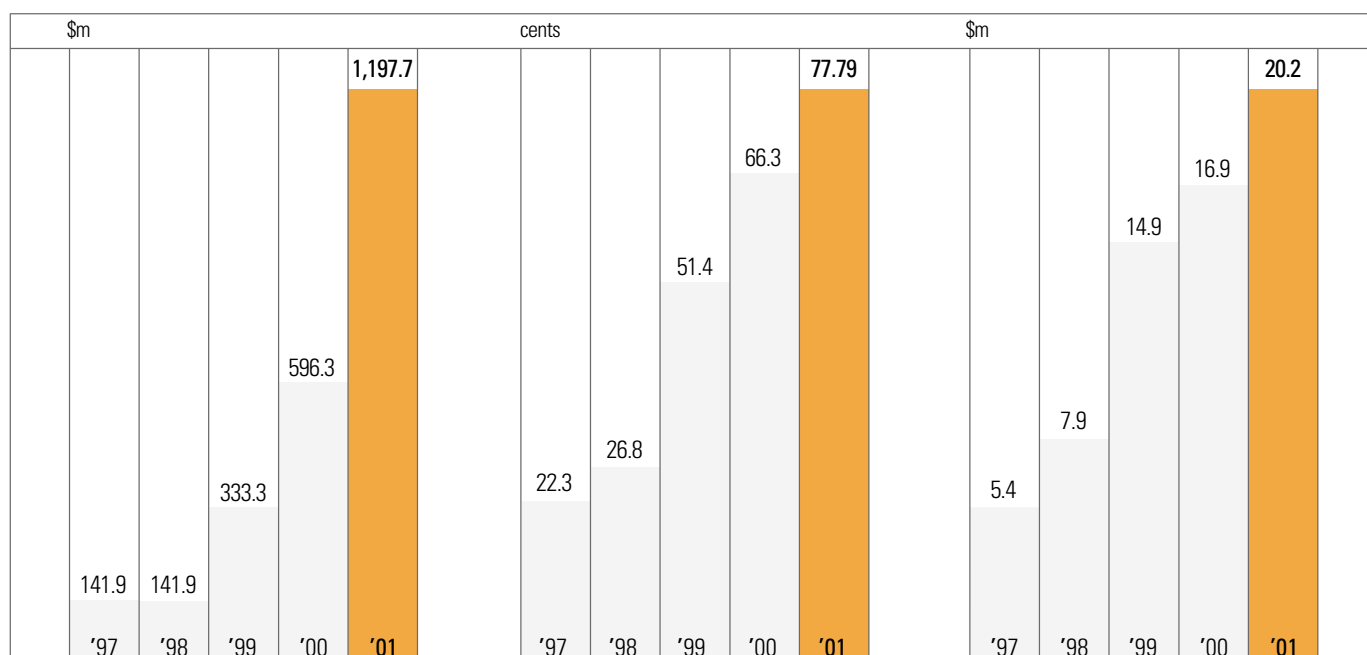
# CONTENTS

Financial Performance	1	21. Outside Equity Interests	34
Report by Directors	2	22. Additional Financial Instruments Disclosure	35
Corporate Governance Statement	9	23. Directors' Remuneration	38
Statements of Financial Performance	13	24. Executives' Remuneration	38
Statements of Financial Position	14	25. Auditors' Remuneration	40
Statements of Cash Flows	15	26. Contingent Liabilities	40
Notes to and forming part of the financial statements	16	27. Commitments for Expenditure	40
1. Statement of Significant Accounting Policies	16	28. Related Parties	42
2. Revenue from Ordinary Activities	21	29. Particulars in Relation to Controlled Entities	45
3. Expenses from Ordinary Activities	21	30. Investments Accounted for using the Equity Method	47
4. Operating Profit	22	31. Deed of Cross Guarantee	49
5. Taxation	23	32. Segment Information	52
6. Dividends Paid and Declared	25	33. Notes to the Statements of Cash Flows	52
7. Receivables	26	34. Earnings Per Share	57
8. Inventories	26	35. Event Subsequent to Balance Date	57
9. Other Assets	26	Directors' Declaration	58
10. Investments Accounted for using the Equity Method	27	Independent Auditors' Report	59
11. Other Financial Assets	27	Shareholder Information	60
12. Property, Plant and Equipment	27	Company Directory	inside back cover
13. Intangible Assets	29		
14. Payables	29		
15. Interest Bearing Liabilities	30		
16. Financing Arrangements	30		
17. Provisions	32		
18. Contributed Equity	32		
19. Reserves	34		
20. Retained Profits	34		

# FINANCIAL PERFORMANCE

	2001	2000	% change	
<b>For the year</b>				
Revenue (\$m)	1,602.8	1,360.1	17.8	✓
Profit before income taxes (\$m)	66.0	47.9	37.8	✓
Income tax (\$m)	16.4	7.3	124.6	
Profit after income tax (\$m)	49.6	40.7	21.9	✓
Earnings per share fully diluted (¢)	77.8	66.3	17.3	✓
Return on shareholders' funds (%)	25.1	25.5	(1.6)	
Dividends per share (¢)	33.0	28.0	17.8	✓

✓ Best ever Toll Holdings result since listing



## MARKET CAPITALISATION

The company is now in the ASX top 100 as its market capitalisation continues to reflect our growth

## EPS (FULLY DILUTED)

Earnings per share has improved on the back of improved margins

## TOTAL DIVIDENDS PAID

Shareholders continue to share in the performance growth year-on-year

# REPORT BY DIRECTORS

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 ('the Group'), for the year ended 30 June 2001 and the auditors' report thereon.

## Directors

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

### Director

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

## 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;
- Specialised international forwarding services;
- Ports management and stevedoring services;
- National removals and relocation brokerage service;
- Vehicle transport and distribution; and
- Bulk liquid transportation.

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

The Group acquired the business of AR Neal on 19 January 2001, 100% of the shares in Finemore Holdings Limited on 2 March 2001 and part of the Strang Stevedoring Group of companies on 5 April 2001.

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:

	2001 \$'000	2000 \$'000
Operating profit after income tax attributable to members of Toll Holdings Limited	49,238	40,404
<b>Earnings per share</b>	<b>2001</b>	<b>2000</b>
Basic earnings per share	80.49¢	67.67¢
Diluted earnings per share	77.79¢	66.28¢

## Review of Operations

Results for the year were another record for the company with EBIT for the full year growing by over 38% to \$70.6 million, on operating revenues which increased 18% to \$1.603 billion.

EBIT margin increased 17.6% to 4.41%, which continued the strong margin expansion experienced over the past four years. Excluding the results of the Finemore acquisition since March 2001, the EBIT margin improved by over 23% to 4.64%. Margin improvement was achieved by all divisions.

Earnings continued to be driven by greater asset efficiencies and investment in new infrastructure, together with sound cost control and efficiencies brought on by technology developments.

Recent acquisitions including Finemores, although slightly earnings per share positive and in line with plan, did not have a material impact on earnings for the year.

Profit after tax of \$49.2 million for the year was another record for the company, increasing 25% over the previous corresponding period of \$39.3 million (before an abnormal income tax gain of \$1.06 million).

The Long Distance division performed well for the year with EBIT margins growing strongly across all operations. The increase in revenue came largely from Toll Express and Toll IPEC, whilst planned lower revenues resulted from Refrigerated Roadways.

Toll Express and Toll IPEC performed exceptionally well during the year, building on their sound market position and producing strong EBIT and margin growth.

All other Long Distance businesses, including Toll SPD and Toll Tasmania recorded higher EBIT compared to the previous year.

Refrigerated Roadways continued its improvement with performance well ahead of the previous corresponding period.

The Toll North division traded strongly in the year with EBIT growth being generated through new depots developed during the year and sound cost control programs.

Both NQX and QRX performed above plan and benefited from reduced cost structures, whilst flat conditions in both the mining and building sector, particularly in the first half of the year, restricted revenue growth.

## REPORT BY DIRECTORS continued

Toll Logistics division continued to improve earnings margins due to cost reductions, technology improvements and greater operational efficiencies. EBIT growth was particularly strong in the Ports, Food and Retail and Automotive sectors.

Toll Technologies increased its revenue from \$29 million in 2000 to \$109 million for the year due to the full year impact of Removals Australia, which was acquired in February 2000.

Since the end of the financial year Removals Australia, movinghome.com.au and the International Corporate Relocations businesses have been integrated into Toll Transitions, forming a total relocation management service organisation.

### Dividends – Toll Holdings Limited

- In respect of the current year:

	2001 \$'000	2000 \$'000
<b>Ordinary Shares</b>		
An interim ordinary dividend of 15 cents per share franked to 60% with Class C (34%) franking credits was paid on 30 March 2001 (2000: 13 cents 20% franked Class C (36%))	9,191	7,820
The final dividend declared by the directors of the Company in respect of the year ended 30 June 2001 is an ordinary dividend of 18 cents per share franked to 70% with Class C (30%) franking credits (2000: 15 cents 50% franked Class C (34%))	11,050	9,078
The total dividends provided for or paid in respect of the year ended 30 June 2001	20,241	16,898

### Significant Changes in the State of Affairs

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

- An increase in paid up capital of \$9.9 million to \$108.6 million which included the following:
  - Issue of 865,108 fully paid ordinary shares in accordance with the Dividend Reinvestment Plan;
- An increase in assets and liabilities due to the acquisitions of the AR Neal business on 19 January 2001, Finemore Holdings Group on 2 March 2001 and the Strang Stevedoring Group on 5 April 2001;
- The issue of 6,753,588 unsecured, subordinated convertible notes @ \$17 each in May 2001.

### Environmental Regulation

The operations of the Group in Australia are subject to various environmental regulations under both Commonwealth and State legislation.

In making this report, the directors note that the Group's operations frequently involve the use or development of land, the transport of goods and the storage, transport and disposal of waste. Some of these activities require a licence, consent or approval from Commonwealth or State regulatory bodies. This regulation of the Group's activities is typically of a general nature, applying to all persons carrying out such activities, and does not in the directors' view comprise particular and significant environmental regulation.

Based upon enquiries within the Group, the directors are not aware of any breaches of particular and significant environmental regulation affecting the Group's operations.

The directors believe the environmental performance of the Group is sound and that the Group has appropriate systems in place for the management of its ongoing corporate environmental responsibilities.

### Events Subsequent to Balance Date

On 5 September 2001, the Company announced it would form a consortium with Lang Corporation to bid for the sale of National Rail Corporation and FreightCorp. Other than the above item, 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.

## REPORT BY DIRECTORS continued

### Information on Directors

Director	Experience and Qualifications	Age	Special Responsibilities
<b>Mr P Rowsthorn</b> FAICD, FCIT, FAIM Chairman Non-Executive Director	31 years in the Transport Industry Chairman for 15 years Director since 1986	71	Chairman of Board of Directors Chairman of Remuneration and Succession Planning Committee. Member of Corporate Governance & Audit and Financial Risk Committees
<b>Mr P A Little</b> FAICD, FCIT Managing Director	33 years in the Transport Industry Managing Director for 15 years Director since 1986	53	Member of the Corporate Governance Committee
<b>Mr M Rowsthorn</b> B.Ec, Grad Dip. Bus. Executive Director Operations	24 years in the Transport Industry Executive Director Operations for 14 years Director since 1988	46	Chairman of Risk Management Committee
<b>Mr J A Moule AM</b> FCA, FAICD Non-Executive Director	Chairman Austrim Nylex Limited, Gribbles Group Limited, Former Managing Partner Deloitte Touche Tohmatsu Director since 1995	62	Chairman of Audit and Financial Risk Committee, Member of Corporate Governance and Remuneration and Succession Planning Committees
<b>Mr W Farrands</b> 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	68	Chairman of Corporate Governance Committee, Member of Audit and Financial Risk and Remuneration and Succession Planning Committees
<b>Mr R Paul AM</b> D.Univ Non-Executive Director	Former Chairman Evans Deakin Industries Limited Director since 1998	69	Member of Audit and Financial Risk, Corporate Governance and Remuneration and Succession Planning Committees
<b>Mr N Chatfield</b> FCPA Chief Financial Officer	27 years experience in transport and resource industries Director since 1998	47	Member of the Audit and Financial Risk Committee
<b>Mr R Dunning</b> B.E. (Hons) B.Com Non-Executive Director	Director Downer EDI Ltd, Brisbane Airport Corporation Ltd Chairman – Powercoal Pty Ltd Port of Brisbane Corporation, Pacific Power Appointed Director 25 July 2001	59	Member of Audit and Financial Risk, Corporate Governance and Remuneration and Succession Planning Committees

## REPORT BY DIRECTORS continued

### Directors' Interests

The relevant interest of each director in the shares, options or convertible notes issued by the companies within the consolidated entity and other related body corporates, as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at 28 August 2001 is as follows:

	Toll Holdings Limited		
	Ordinary Shares	Options Over Ordinary Shares	Convertible Notes
Mr P Rowsthorn	3,112,160	–	–
Mr P A Little	8,984,147	400,000	748,678
Mr M Rowsthorn	9,235,850	400,000	769,652
Mr J A Moule AM	174,062	–	–
Mr W Farrands	20,000	–	1,666
Mr R Paul AM	20,000	–	–
Mr N Chatfield	67,562	110,000	623
Mr R Dunning	–	–	–

### 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 2001 and the number of meetings attended by each director who held office during the financial year.

Director	Directors' Meetings		Audit and Financial Risk Committee Meetings		Remuneration and Succession Planning Committee Meetings		Corporate Governance Committee Meetings	
	No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Mr P Rowsthorn	12	12	4	4	2	2	2	2
Mr P A Little*	12	12	4	4	–	–	–	–
Mr M Rowsthorn*	12	12	–	–	–	–	1	1
Mr J A Moule AM	11	12	4	4	2	2	2	2
Mr W Farrands	12	12	4	4	2	2	2	2
Mr R Paul AM	11	12	4	4	2	2	2	2
Mr N Chatfield*	12	12	4	4	–	–	2	2

During the year, a due diligence committee was established for the issue of the Convertible Notes. Mr J A Moule AM (Non-Executive Director) was appointed Chairman. Executive Directors Mr P A Little and Mr N Chatfield and the Company Secretary Mr B McInerney were appointed members of the committee.

\* Mr P A Little was appointed to the Corporate Governance Committee on 27 June 2001 and may attend Meetings of the other Committees as an invitee.

\* Mr M Rowsthorn may attend Meetings as an invitee.

\* Mr N Chatfield was appointed to the Audit and Financial Risk Committee on 27 June 2001 and may attend Meetings of the Corporate Governance Committee as an invitee.

## REPORT BY DIRECTORS continued

### 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.

Directors	No. of options granted	Exercise Price	Expiry Date
Mr P Little	200,000*	\$11.8242	1 November 2005
Mr M Rowsthorn	200,000*	\$11.8242	1 November 2005
Mr N Chatfield	100,000*	\$7.9700	28 May 2005

\* All options were granted during the financial year in accordance with resolutions passed by shareholders at the Company's Annual General Meeting held on 2 November 2000.

### Senior Executive Option Plan and Executive Share Option Scheme

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

As at 28 August 2001, 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 1998	1,025,000	470,000	22	2.1460	30 Jun 2003
23 Jun 1999	100,000	100,000	1	5.4150	22 Jun 2004
6 Aug 1999	400,000	400,000	2	5.4576	5 Aug 2004
22 Dec 1999	10,000	10,000	2	2.1460	30 June 2003
29 May 2000	1,115,000	1,110,000	40	7.9700	28 May 2005
26 July 2000	5,000	5,000	1	7.9700	28 May 2005
2 Oct 2000	25,000	25,000	1	7.9700	28 May 2005
2 Nov 2000	100,000	100,000	1	7.9700	28 May 2005
2 Nov 2000	400,000	400,000	2	11.8242	1 Nov 2005
27 Jun 2001	40,000	40,000	2	19.9100	26 Jun 2006

Each option is convertible into one ordinary share at any time after the initial qualifying period, which is usually 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 period from grant date to the end of the qualifying period (generally a three year period).

No ordinary shares were issued during the financial year on the exercise of options granted under either the Senior Executive Option Plan or the Executive Share Option Scheme (2000: 230,000 shares). 485,000 ordinary shares have been issued since the end of the financial year on the exercise of options granted under the scheme. (2000: Nil shares)

### Directors and Senior Executives Emoluments

The Remuneration and Succession Planning 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:

## REPORT BY DIRECTORS continued

### Non-Executive Directors of Toll Holdings Limited

Name	Directors Fee \$	Non-Cash Benefits \$	Superannuation \$	Total \$
Mr P Rowsthorn (Chairman)	141,302	7,114	–	148,416
Mr J Moule AM	55,000	–	4,400	59,400
Mr W Farrands	55,000	–	4,400	59,400
Mr R Paul AM	55,000	–	4,400	59,400

### Executive Directors of Toll Holdings Limited

Name	Base Salary \$	Performance Incentive \$	Non-Cash Benefits \$	Superannuation \$	Option Value \$	Total \$
Mr P Little Managing Director	619,547	255,000	16,241	44,213	588,080*	1,523,081
Mr M Rowsthorn Executive Director Operations	553,159	260,000	18,426	8,416	588,080*	1,428,081
Mr N Chatfield Chief Financial Officer	341,059	50,000	40,555	8,416	343,367**	783,397

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

Name	Base Salary \$	Performance Incentive \$	Non-Cash Benefits \$	Superannuation \$	Option Value \$	Total \$
Mr D Telford Divisional Director Toll Logistics	370,000	50,000	–	40,000	–	460,000
Mr J Ludeke Divisional Director Long Distance	320,000	50,000	40,000	50,000	–	460,000
Mr S Stanley Director Development	402,501	22,500	–	29,999	–	455,000
Mr T Mallon Divisional Director Toll North	230,821	50,000	34,179	85,000	–	400,000
Mr G Lyon Divisional Director Toll Technologies	270,000	50,000	52,000	28,000	–	400,000

\* 200,000 options were granted each to P Little and M Rowsthorn on 2 November 2000 at an exercise price of \$11.8242. 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 \$2.94 per option using the Binomial Method.

\*\* 100,000 options were granted to N Chatfield on 2 November 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 \$3.43 per option.

## REPORT BY DIRECTORS continued

### Insurance of Officers

During the financial year, Toll Holdings Limited paid premiums of \$78,458 (2000: \$44,502) 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, R Dunning 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.

### 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.

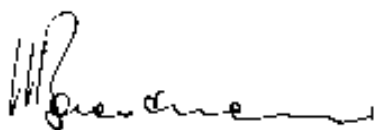
### Rounding off

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 Act 2001.

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



P Rowsthorn  
Director



P A Little  
Director

Dated at Melbourne this 5th day of September 2001.

# CORPORATE GOVERNANCE STATEMENT

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

## 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, monitoring and directing the Company's performance, allocation of resources, planning for the future, and succession planning.

In addition to specific items for Board consideration, the Board's annual program includes regular reviews of Company activities and strategies, and directors participate actively in visitation of operations around Australia. Regular opportunities are provided both within and apart from Board meetings for directors to meet with senior executives and personnel.

## Composition of the Board

During 2000/2001 the Company had seven directors, with a majority of non-executive directors, which included the Chairman.

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 2 of these financial statements.

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

- The current number of directors 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, background and experience.

The composition of the Board is reviewed on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. From time to time the Board considers criteria for identifying suitable candidates for the Board.

All directors, except the Managing Director, are subject to re-appointment by shareholders in general meeting on a rolling three year basis. Non-Executive directors are required to retire at the end of the Annual General Meeting following their 72nd birthday (65th birthday for executive directors). Board policy is that new non-executive directors are limited to a maximum of 15 years service.

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.

## Securities Trading Policy

Directors, executives and employees are prohibited from trading in the Company's securities whenever they have price sensitive information, which is not generally available. Apart from such occasions, trading will normally only be permitted for the six weeks period commencing after two full trading days following the release of full year and half year results, the Annual General Meeting, or other occasions where any price sensitive information has been released by the Company.

## Conflict of Interest

In accordance with the Corporations Act 2001 and the Company's Constitution directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists the director concerned does not receive any relevant Board papers and is not present in the meeting while the item is considered. The Board has developed procedures to assist directors to disclose potential conflicts of interest.

## Board Committees

To assist in the execution of its responsibilities, the Board has established a number of Board Committees comprising a Corporate Governance Committee, Audit and Financial Risk Committee and Remuneration and Succession Planning Committee. Matters attended to by Board Committees are reported to the Board following each meeting. Initial membership of each Committee is for three years, and is then subject to annual rotation. The Chairman of each Committee is a non-executive director.

## Corporate Governance Committee

The Corporate Governance Committee is responsible for establishing and monitoring the ethical standards of the consolidated entity. Its duties and responsibilities are:

- To periodically review the Company's Corporate Governance Guidelines and to establish procedures to promote compliance;
- To establish and periodically review the Corporate Code of Practice, as well as procedures to promote compliance;
- To approve and review policies on sensitive issues or practices such as Environmental, Equal Opportunity and Conflicts of Interest;
- To consider and make recommendations to the Board on its structure, its selection criteria for new or additional directors, and on the Board's operating guidelines; and
- To supervise special investigations as referred to it by the Board.

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

## **Corporate Governance Committee** continued

Membership of the Committee comprises no less than three non-executive directors and, as of 27 June 2001, the Managing Director. 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 (appointed on 27 June 2001)

Mr N Chatfield may attend Corporate Governance Committee Meetings as an invitee. Mr Little previously attended Committee meetings as an invitee.

## **Remuneration and Succession Planning Committee**

The Remuneration and Succession Planning Committee (previously the Remuneration Committee) reviews and makes recommendations to the Board on remuneration packages and policies applicable to the managing director, executive director of operations, non-executive directors and where appropriate, senior executives. It also reviews and makes recommendations regarding the policies applicable to staff salary reviews. Remuneration levels are to be competitively set to attract appropriately qualified and experienced directors and senior executives.

The duties of the Remuneration and Succession Planning Committee are as follows:

- Review, determine and approve, the managing director's and executive director of operations remuneration, allowances and incentives;
- From 30 May 2001, review and approve the managing director's recommendations regarding remuneration, allowances and incentives applicable to other executive directors;
- Review 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 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.

Membership of the Committee comprises no less than three non-executive directors. The members of the Remuneration and Succession Planning 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 may attend remuneration and succession planning committee meetings as an invitee. The general manager human resources and company secretary are required to attend each meeting.

Normally at least two meetings are held each year, one in each half, including at least one prior to the financial year end to review the senior executive salary review process.

Further details of director's remuneration, superannuation and retirement payments are set out in the directors' report and in Note 23 to the financial statements.

## **Audit and Financial Risk Committee**

The Audit and Financial Risk Committee (previously 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 and Financial Risk Committee examines any other matters referred to it by the Board.

The duties of the Audit and Financial Risk Committee are as follows:

- Monitoring compliance with the Corporations Act 2001, 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;
- 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.

From 27 June 2001 the following duties have been added:

- Review and make recommendations regarding changes to accounting policies;

### **Audit and Financial Risk Committee** continued

- Review effectiveness of internal audit and cross divisional reviews; and
- Monitor and review risks relating to Business Continuity, Disaster Recovery, Reputation, Currency and Interest Rate exposures.

The members of the Audit and Financial Risk Committee during the year were:

Mr J A Moule AM (Chairman)

Mr P Rowsthorn

Mr W Farrands

Mr R Paul AM

Mr N Chatfield (appointed on 27 June 2001)

Mr P A Little and/or Mr M Rowsthorn, and Mr B McInerney are expected to attend Audit and Financial Risk Committee Meetings as invitees.

Meetings are held at least three times a year or as otherwise required, including:

- 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 annual report and accounts.

### **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 five 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.
- Continuous disclosure – the consolidated entity has a policy that all shareholders and investors have equal access to the Company's information and has procedures to ensure that all price sensitive information is disclosed to the Australian Stock Exchange in accordance with the requirements of the Corporations Act 2001 and the ASX Listing Rules. All information provided to the stock exchange is immediately posted to the Company's website at [www.toll.com.au](http://www.toll.com.au).
- 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. A new Financial Policy and Procedures Manual was introduced following recommendation by the Audit and Financial Risk Committee on 30 May 2001.
- 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 appropriate business segments. In certain other businesses quality assurance programs have been developed which are tailored to their specific business profiles.

### **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. The Company's Code of Practice has been issued to all Group employees. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

### **Risk Management**

As part of the consolidated entity's strategy to implement an integrated framework of control, a management initiated formal risk management framework is in place 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.

This included the development of a Risk Management Charter, and the formation of a Risk Management Committee chaired by the Executive Director Operations. Other members of the Committee are the Chief Financial Officer (executive director), each of the divisional directors, the Company Secretary and the group risk manager. The Committee's duties require it to:

- Monitor the management of previously identified risks;
- Identify new risks and implement appropriate actions to manage them;
- Report to each meeting of the Board; and
- Implement new internal controls as appropriate and strengthen others.

### **Risk Management** continued

The establishment of the Risk Management Committee has assisted the ongoing process of managing the Group's risk exposures and development of a standardised Group approach to evaluation and reporting on key areas such as environmental, occupational health and safety and incident reporting and management.

### **Reporting to 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 Concise Annual Review 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. A brief summary of half-yearly results is distributed to shareholders;
- The Annual General Meeting provides an opportunity for active participation of shareholders to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. At this meeting shareholders have the opportunity to vote on the appointment of directors. In addition, where appropriate, special meetings of shareholders are held to consider relevant proposals which need to be dealt with outside the time frame of the annual meeting; and
- The Company's internet website at [www.toll.com.au](http://www.toll.com.au) is regularly updated and provides details of recent announcements by the Company to the stock exchange, annual and half-yearly reports, and general information on the Company and its businesses.

# STATEMENTS OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2001

	Notes	Consolidated		The Company	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
<b>Revenue from ordinary activities</b>	2	1,637,927	1,384,339	57,310	70,893
<b>Expenses from ordinary activities</b>	3	1,536,805	1,311,393	28,492	48,857
<b>Earnings before borrowing costs, tax, depreciation and amortisation</b>		101,122	72,946	28,818	22,036
Borrowing Costs	4	5,727	3,542	4,645	2,720
Depreciation and amortisation	4	29,793	21,452	1,779	1,275
Share of net profits of associates and joint ventures accounted for using the equity method	30	414	–	–	–
<b>Profit from ordinary activities before income tax</b>		66,016	47,952	22,394	18,041
Income tax relating to ordinary activities	5(a)	16,415	7,285	(1,092)	1,647
<b>Profit from ordinary activities after income tax</b>		49,601	40,667	23,486	16,394
Net profit attributable to outside equity interest		363	263	–	–
<b>Net profit attributable to members of the parent entity</b>		49,238	40,404	23,486	16,394
<b>Non-owner transaction changes in equity</b>					
Net exchange difference on translation of financial statements of self sustaining foreign operations	19	(48)	–	–	–
<b>Total changes in equity from non-owner related transactions attributable to the members of the parent entity</b>		49,190	40,404	23,486	16,394
Basic earnings per share	34	80.49¢	67.67¢		
Diluted earnings per share	34	77.79¢	66.28¢		

The above profit and loss statements are to be read in conjunction with the accompanying notes to the financial statements set out on pages 16 to 57.

# STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2001

	Notes	Consolidated		The Company	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
<b>Current Assets</b>					
Cash assets		46,896	26,691	179	10
Receivables	7	214,943	158,123	1,067	1,496
Inventories	8	7,596	4,140	–	–
Other	9	21,932	27,916	2,955	2,286
<b>Total Current Assets</b>		<b>291,367</b>	<b>216,870</b>	<b>4,201</b>	<b>3,792</b>
<b>Non-Current Assets</b>					
Receivables	7	3,174	3,746	121,410	118,995
Investments accounted for using the equity method	10	17,813	–	–	–
Other financial assets	11	9,145	5,613	124,568	1,988
Property, plant and equipment	12	317,484	172,236	23,955	20,681
Intangible assets	13	45,748	–	–	–
Deferred tax assets	5(d)	12,485	4,808	2,942	2,418
Other	9	1,526	–	1,526	–
<b>Total Non-Current Assets</b>		<b>407,375</b>	<b>186,403</b>	<b>274,401</b>	<b>144,082</b>
<b>TOTAL ASSETS</b>		<b>698,742</b>	<b>403,273</b>	<b>278,602</b>	<b>147,874</b>
<b>Current Liabilities</b>					
Payables	14	163,719	117,740	9,306	2,142
Interest bearing liabilities	15	7,403	2,273	–	–
Current tax liabilities	5(b)	18,158	6,531	902	2,056
Provisions	17	94,339	58,556	19,778	16,301
<b>Total Current Liabilities</b>		<b>283,619</b>	<b>185,100</b>	<b>29,986</b>	<b>20,499</b>
<b>Non-Current Liabilities</b>					
Interest bearing liabilities	15	180,190	42,886	134,811	26,500
Deferred tax liabilities	5(c)	23,400	9,482	120	304
Provisions	17	13,840	7,154	1,462	1,462
<b>Total Non-Current Liabilities</b>		<b>217,430</b>	<b>59,522</b>	<b>136,393</b>	<b>28,266</b>
<b>TOTAL LIABILITIES</b>		<b>501,049</b>	<b>244,622</b>	<b>166,379</b>	<b>48,765</b>
<b>NET ASSETS</b>		<b>197,693</b>	<b>158,651</b>	<b>112,223</b>	<b>99,109</b>
<b>Equity</b>					
Contributed equity	18	108,625	98,756	108,625	98,756
Reserves	19	(48)	–	–	–
Retained profits	20	88,566	59,569	3,598	353
<b>Total parent entity interest</b>		<b>197,143</b>	<b>158,325</b>	<b>112,223</b>	<b>99,109</b>
Outside equity interests	21	550	326	–	–
<b>TOTAL EQUITY</b>		<b>197,693</b>	<b>158,651</b>	<b>112,223</b>	<b>99,109</b>

The above balance sheets are to be read in conjunction with the accompanying notes to the financial statements set out on pages 16 to 57.

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2001

	Notes	Consolidated		The Company	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
<b>Cash flows from operating activities</b>					
Cash receipts in the course of operations		1,659,799	1,350,718	57,310	40,923
Cash payments in the course of operations		(1,544,343)	(1,276,084)	(34,631)	(30,899)
Restructure costs paid		(6,118)	(10,957)	–	–
Interest received		1,113	472	86	2
Dividend received		551	329	–	–
Interest and other costs of finance paid		(5,729)	(3,239)	(4,645)	(2,037)
Income taxes paid	5(b)	(8,009)	(165)	(553)	(29)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>97,264</b>	<b>61,074</b>	<b>17,567</b>	<b>7,960</b>
<b>Cash flows from investing activities</b>					
Proceeds on disposal of controlled entities		1,213	–	–	–
Payment for entities and businesses, net of cash acquired	33(d)	(132,536)	(9,917)	(122,579)	–
Payment for property, plant and equipment		(58,101)	(50,958)	(4,999)	(22,915)
Proceeds from sale of property, plant and equipment	2	30,244	20,261	–	29,970
Payment for investments		(1,615)	(350)	–	–
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(160,795)</b>	<b>(40,964)</b>	<b>(127,578)</b>	<b>7,055</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		125,298	34,605	124,927	44,772
Repayment of borrowings		(32,332)	(40,688)	(6,500)	(49,525)
Dividends paid	6	(12,538)	(10,438)	(12,538)	(10,438)
Proceeds from share issue		4,291	183	4,291	183
Finance lease payments		(983)	–	–	–
<b>Net cash inflow/(outflow) from financing activities</b>		<b>83,736</b>	<b>(16,338)</b>	<b>110,180</b>	<b>(15,008)</b>
<b>Net increase/(decrease) in cash held</b>		<b>20,205</b>	<b>3,772</b>	<b>169</b>	<b>7</b>
Cash at the beginning of the financial year		26,691	22,919	10	3
<b>Cash at the end of the financial year</b>	33(a)	<b>46,896</b>	<b>26,691</b>	<b>179</b>	<b>10</b>
Financing arrangements	16				
Non-cash financing and investing activities	33(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 16 to 57.

## 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 Act 2001.

It has been prepared on the basis of historical costs, and except where stated, does not take into account changing money values or fair values 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

#### (i) Controlled entities

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.

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.

#### (ii) Associates

Associates are those entities, other than partnerships, over which the consolidated entity exercises significant influence and which are not intended for sale in the near future.

In the consolidated financial statements investments in associates are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. The consolidated entity's equity accounted share of the associates' net profit or loss is recognised in the consolidated statement of financial performance from the date significant influence commences until the date significant influence ceases. Other movements in reserves are recognised directly in consolidated reserves.

#### (iii) Joint Ventures

A joint venture is either an entity or operation that is jointly controlled by the consolidated entity.

#### Joint venture entities

In the consolidated financial statements investments in joint venture entities, including partnerships, are accounted for using equity accounting principles. Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount.

The consolidated entity's share of the joint venture entity's net profit or loss is recognised in the consolidated operating statement of financial performance from the date joint control commences until the date joint control ceases. Other movements in reserves are recognised directly in consolidated reserves.

#### (iv) Transactions Eliminated on Consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

Unrealised gains resulting from transactions with associates and joint ventures are eliminated to the extent of the consolidated entity's interest. Unrealised gains relating to associates and joint venture entities are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence a recoverable amount impairment.

#### (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 5 to not more than 20 years.

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

##### (ii) Interest Income

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

## 1. Statement of Significant Accounting Policies continued

### (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. The profit or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

### (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.

### (v) Dividends

Revenue from dividends and distributions from controlled entities is recognised by the parent entity when they are declared by the controlled entities.

Revenue from dividends from associates is recognised by the parent entity when dividends are received.

Revenue from dividends from other investments are recognised when received.

Dividends received out of pre-acquisition reserves are eliminated against the carrying amount of the investment and not recognised in revenue.

### (e) Taxation

#### 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.

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. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

### (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

#### (i) Controlled Entities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

#### (ii) Associates

In the Company's financial statements investments in unlisted shares of associates are carried at the lower of cost and recoverable amount.

#### (iii) Joint Ventures

In the Company's financial statements investments in joint venture entities other than partnerships are carried at the lower of cost and recoverable amounts.

#### (iv) Other entities

Investments in other listed and unlisted entities are measured at the lower of cost and recoverable amount.

### (i) Inventories

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

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

#### (i) 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.

#### (ii) Recognition of income

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

**1. Statement of Significant Accounting Policies** continued

**(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 12 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.

**(iii) 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 follows:

- Buildings 2.5% – 4%
- Leasehold improvements 2.5% – 15%
- Plant and equipment 8.5% – 40%
- Leased plant and equipment 8.5% – 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.

**(iv) 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 statement of financial performance.

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.

**(v) 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 statement of financial performance.

**(l) Provisions**

**(i) Employee Entitlements**

**Annual Leave**

The provisions for employee entitlements to annual leave represent 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.

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 provision for restructuring on acquisition is only recognised at the date of acquisition where there is a demonstrable commitment and a detailed plan such that there is little or no discretion to avoid payments to other parties and the amount can be reliably estimated.

## 1. Statement of Significant Accounting Policies continued

The provision relates only to costs associated with the acquired entity.

Other provisions for restructuring are only recognised when a detailed plan has been approved and the restructuring has either commenced or been publicly announced. Costs related to ongoing activities are not provided for.

### (m) Senior Executive Option Plan, Executive Share Option Scheme and Employee Share 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 a 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.

Toll Holdings Limited may issue shares to Group employees. Shares are issued to employees after a qualifying period at the current market price. Employees are required to pay a nominal amount for these shares, with the balance made up by an interest free loan from the Company. The interest free loan is reduced via the dividends on the employee shares.

### (n) Superannuation Fund

The Company and its controlled entities contribute to employee superannuation funds. Contributions are expensed 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 convertible notes on issue during the financial year, and also the effect of share options on issue during the financial year.

### (q) Payables

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) Derivatives

The principal objective of using derivative financial instruments is to manage the interest rate exposure on the net borrowings of the consolidated entity. To achieve this objective, a combination of derivatives including interest rate swaps, forward rate agreements and interest rate options may be used.

#### (i) Hedges

Hedging derivatives must be effective at reducing the risk associated with the exposure being hedged and must be designated at the inception of the contract.

Where derivative transactions are designated as a hedge of an interest rate exposure, the net amounts receivable or payable are recorded in interest expense on an accruals basis. Costs or gains arising at the time of entering into the hedge are deferred and amortised over the life of the hedge.

The premiums paid on interest rate options and any realised gains on exercise are included in Other Assets or Other Liabilities and are amortised to interest expense over the term of the contract.

If the derivative that is used to manage an interest rate exposure is terminated early, any resulting gain or loss is deferred within Other Assets or Other Liabilities and amortised to interest expense over the remaining period originally covered by the terminated contract. If the underlying interest rate exposure position ceases to exist, any deferred gain or loss is recognised immediately in the statement of financial performance.

Gains and losses on derivatives used to hedge exposures arising from anticipated transactions are deferred in the statement of financial position until such time as the accounting impact of the anticipated transaction is recognised in the financial report. Such gains and losses only qualify for deferral where there is a high probability of the future transaction materialising.

## 1. Statement of Significant Accounting Policies continued

All non-designated derivative contracts are initially recorded at the relevant contract rate. Transactions outstanding at balance date are valued at the rates ruling on that date and any gains and losses are brought to account in the statement of financial performance.

### (ii) Interest rate swaps and forward rate agreements

Net interest payments under interest rate swap contracts are recognised on an accruals basis in the statement of financial performance as an adjustment to interest expense during the period.

### (iii) 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) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### (u) Foreign currency

#### (i) Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the financial year in which the exchange rates change.

#### (ii) Translation of controlled foreign entities

The assets and liabilities of foreign operations, including associates and joint ventures, that are self-sustaining are translated at the rates of exchange ruling at balance date. Equity items are translated at historical rates. The statements of financial

performance are translated at a weighted average rate for the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve.

The balance of the foreign currency translation reserve relating to a foreign operation that is disposed of is transferred to retained earnings in the year of disposal.

### (v) Reclassification of financial information

Some line items and sub-totals reported in the previous financial year have been reclassified and repositioned in the financial statements as a result of the first time application on 1 July 2000 of the revised standards AASB 1018 Statement of Financial Performance, AASB 1034 Financial Report Presentation and Disclosures and the new AASB 1040 Statement of Financial Position.

Adoption of these standards has resulted in the transfer of the reconciliation of opening to closing retained profits from the face of the statement of financial performance to Note 20.

The following assets and liabilities have been removed from previous classifications and are now disclosed as separate line items on the face of the statement of financial position:

- deferred tax assets, previously presented within other non-current assets;
- current tax liabilities, previously presented within current provisions; and
- deferred tax liabilities, previously presented within non-current provisions.

### (w) Financial instruments issued

#### Other financial instruments

The proceeds received from the issue of Convertible Notes are classified as a liability and related distribution as interest expense.

### (x) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with arrangement of borrowings.

Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is that incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

### (y) Comparatives

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

**NOTES** TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
<b>2. Revenue from Ordinary Activities</b>				
<b>Revenue from operating activities</b>				
Services	1,602,798	1,360,098	695	1,076
<b>Other Revenue</b>				
From operating activities				
Dividends				
– Related parties	–	–	21,220	14,000
Distribution from trust	301	329	2,920	3,321
Rental revenue	3,471	3,179	272	218
Internal Recharges	–	–	32,117	22,306
Interest				
– Other parties	1,113	472	86	2
From outside operating activities				
Proceeds from sale of non-current assets	30,244	20,261	–	29,970
<b>Total revenue from ordinary activities</b>	<b>1,637,927</b>	<b>1,384,339</b>	<b>57,310</b>	<b>70,893</b>

**3. Expenses from Ordinary Activities**

Transport costs	890,549	820,731	–	–
Wages and salaries	400,672	324,292	16,664	7,711
Occupancy	73,052	54,618	2,183	1,510
Other	172,532	111,752	9,645	39,636
<b>Total</b>	<b>1,536,805</b>	<b>1,311,393</b>	<b>28,492</b>	<b>48,857</b>

**NOTES** TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
<b>4. Profit from Ordinary Activities before Income Tax Expense</b>				
Operating profit before income tax is arrived at after charging/(crediting) the following items:				
<b>Charging</b>				
Borrowing costs:				
Other parties	5,365	2,774	4,645	2,720
Finance charges on capitalised leases	762	768	–	–
Less capitalised borrowing costs	(400)	–	–	–
	<b>5,727</b>	<b>3,542</b>	<b>4,645</b>	<b>2,720</b>
Depreciation of:				
Buildings	4,369	4,238	486	509
Plant and equipment	21,966	15,532	1,240	764
Total depreciation	<b>26,335</b>	<b>19,770</b>	<b>1,726</b>	<b>1,273</b>
Amortisation of:				
Leased assets capitalised	1,637	1,682	–	2
Goodwill	1,768	–	–	–
Deferred costs	53	–	53	–
Total amortisation	<b>3,458</b>	<b>1,682</b>	<b>53</b>	<b>2</b>
Amounts set aside to provision for:				
Doubtful trade debts	1,522	744	–	–
Employee entitlements	20,285	14,320	3,983	3,038
Operating lease rental expense – property	41,155	31,201	695	1,474
– plant and equipment	39,641	29,105	–	–
<b>Crediting</b>				
Net gains/(losses) on sales of property, plant and equipment	3,598	4,526	–	(252)

**NOTES** TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
<b>5. Taxation</b>				
<b>(a) Income Tax Expense</b>				
Prima facie tax payable @ 34% (2000 – 36%)	22,445	17,263	7,614	6,495
Tax effect of permanent differences				
Non deductible expenditure	1,860	444	735	17
Non deductible depreciation and amortisation	640	666	67	52
Rebate on dividend income	–	–	(7,215)	(5,040)
Tax deductible expenditure and depreciation not included in operating profit	(6,078)	(7,990)	(343)	–
Non-assessable gains	(692)	(707)	–	(24)
Assessable gains	31	–	–	–
Income tax on operating profit before individually significant income tax items	18,206	9,676	858	1,500
Individually significant income tax items:				
Tax benefit attributable to recognising tax losses not previously brought to account	–	(1,035)	–	–
Restatement of deferred tax balances due to change in income tax rate to 30%	(144)	(1,062)	22	423
Under/(Over) provision in prior years accounts	(1,647)	(294)	(1,972)	(276)
Income tax expense attributable to operating profit	16,415	7,285	(1,092)	1,647
Total income tax expense is made up of:				
Current years income tax provision	21,511	9,403	1,415	2,512
Deferred income tax provision	(2,500)	(3,591)	(86)	20
Future income tax benefit	(949)	4,235	(449)	374
Under/(Over) provision in prior year	(1,647)	(2,762)	(1,972)	(1,259)
	16,415	7,285	(1,092)	1,647
<b>(b) Provision for Current Income Tax</b>				
Movements during the year were as follows:				
Balance at beginning of year	6,531	55	2,056	832
Income tax paid	(8,009)	(165)	(553)	(29)
Income tax provision acquired	269	–	–	–
Current year's income tax expense on operating profit	21,511	9,403	1,415	2,512
Under/(Over) provision in prior year	(2,144)	(2,762)	(2,016)	(1,259)
	18,158	6,531	902	2,056

	Consolidated		The Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000

**5. Taxation** continued

**(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	20,095	5,655	239	211
Expenditure currently deductible but deferred and amortised for accounting purposes	3,305	3,827	(119)	93
	<b>23,400</b>	<b>9,482</b>	<b>120</b>	<b>304</b>

**(d) Future Income Tax Benefit**

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	11,757	4,808	2,942	2,418
Tax losses carried forward	728	–	–	–
	<b>12,485</b>	<b>4,808</b>	<b>2,942</b>	<b>2,418</b>

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

The future income tax benefit 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	4,060	6,592	–	–
----------------------------	-------	-------	---	---

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.

The Company

2001	2000
\$'000	\$'000

## 6. Dividends Paid and Declared

Dividends provided for or paid by the Company are:

### Ordinary

(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	–	11
(ii) an interim ordinary dividend of 15 cents per share franked to 60% with Class C (34%) franking credits, paid 30 March 2001 (2000: 13 cents 20% franked Class C (36%))	9,191	7,820
(iii) a final ordinary dividend of 18 cents per share franked to 70% with Class C (30%) franking credits (2000: 15 cents 50% franked Class C (34%)) has been declared by the Directors	11,050	9,078
	<b>20,241</b>	<b>16,909</b>

### Dividend franking account

Class C (30% (2000:34%)) franking credits available to shareholders of Toll Holdings Limited for subsequent financial years.	<b>8,165</b>	<b>8,139</b>
--	--------------	--------------

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at year-end;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at year-end; and
- (d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

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 2001 and 30 June 2000 were as follows:

Paid in cash – ordinary	12,538	10,218
Paid in cash – preference	–	220
Satisfied by issue of shares	5,576	4,604
Satisfied by reduction in employee share plan loans	154	89
	<b>18,268</b>	<b>15,131</b>

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

**NOTES** TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000

## 7. Receivables

### Current

Trade debtors	190,901	135,960	–	–
Less: Provision for doubtful trade debtors	8,611	3,899	–	–
	182,290	132,061	–	–
Other debtors	32,653	26,062	1,067	1,496
	214,943	158,123	1,067	1,496

### Non-Current

Loans to controlled entities (Note 29)	–	–	118,253	115,249
Other loans	3,174	3,746	3,157	3,746
	3,174	3,746	121,410	118,995

## 8. Inventories

Raw materials and stores – at cost	7,596	4,140	–	–
	7,596	4,140	–	–

## 9. Other Assets

### Current

Prepayments	21,932	9,972	2,955	2,286
Land and building held for resale – at cost	–	17,944	–	–
	21,932	27,916	2,955	2,286

### Non-Current

Deferred Expenditure	1,579	–	1,579	–
Less Accumulated amortisation	53	–	53	–
	1,526	–	1,526	–

Land and buildings held for resale comprises:

Cost of acquisition	–	1,625	–	–
Development costs capitalised	–	16,319	–	–
	–	17,944	–	–

**NOTES** TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000

**10. Investments Accounted for Using the Equity Method**

**Non-Current**

Associates (Note 30 (a))	17,813	–	–	–
	17,813	–	–	–

**11. Other Financial Assets**

**Non-Current**

Investments in other entities				
Shares in controlled entities, unquoted				
– at cost (Note 29)	–	–	124,568	1,988
Listed shares – at cost	2,184	–	–	–
Unlisted shares – at cost	6,961	5,613	–	–
	9,145	5,613	124,568	1,988

**12. Property, Plant and Equipment**

**Land and Buildings**

Freehold land – at cost	14,239	13,017	2,102	2,102
Freehold buildings – at cost	43,973	35,231	10,475	10,431
Less: Accumulated depreciation	6,185	4,492	1,796	1,535
	37,788	30,739	8,679	8,896
Leasehold improvements – at cost	50,134	50,036	3,816	3,816
Less: Accumulated depreciation	16,660	14,084	1,731	1,508
	33,474	35,952	2,085	2,308
<b>Total Land and Buildings</b>	<b>85,501</b>	<b>79,708</b>	<b>12,866</b>	<b>13,306</b>

**Plant and Equipment**

Plant and equipment – at cost	397,208	180,983	8,000	6,727
Less: Accumulated depreciation	202,854	100,656	5,192	3,849
	194,354	80,327	2,808	2,878
Leased plant and equipment – at cost	17,429	9,544	–	–
Less: Accumulated amortisation	3,748	2,027	–	–
	13,681	7,517	–	–
<b>Total Plant and Equipment</b>	<b>208,035</b>	<b>87,844</b>	<b>2,808</b>	<b>2,878</b>

Capital works in progress – at cost	23,948	4,684	8,281	4,497
<b>Total Property, Plant and Equipment – Net book value</b>	<b>317,484</b>	<b>172,236</b>	<b>23,955</b>	<b>20,681</b>

**NOTES** TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001

	Consolidated		The Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000

**12. Property, Plant and Equipment** continued

**Reconciliations**

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

**Freehold land**

Carrying amount at beginning of year	13,017	10,492	2,102	7,206
Additions	1,745	3,040	–	–
Acquisitions through entity acquired	1,102	–	–	–
Disposals	(1,625)	(515)	–	(5,104)
Carrying amount at end of year	14,239	13,017	2,102	2,102

**Buildings**

Carrying amount at beginning of year	30,739	40,285	8,896	10,903
Additions	4,920	–	46	22,272
Acquisitions through entity acquired	3,542	–	–	–
Disposals	–	(8,103)	–	(23,880)
Depreciation	(1,413)	(1,443)	(263)	(399)
Carrying amount at end of year	37,788	30,739	8,679	8,896

**Leasehold improvements**

Carrying amount at beginning of year	35,952	45,864	2,308	45
Additions	428	–	–	2,373
Acquisition through entity acquired	1,922	–	–	–
Disposals	(1,872)	(7,117)	–	–
Amortisation	(2,956)	(2,795)	(223)	(110)
Carrying amount at end of year	33,474	35,952	2,085	2,308

**Plant and Equipment**

Carrying amount at beginning of year	80,327	61,369	2,878	3,084
Additions	35,060	34,490	1,170	1,767
Acquisition through entity acquired	124,082	–	–	–
Transfer from capital works in progress	–	–	–	–
Disposals	(23,149)	–	–	(1,209)
Depreciation	(21,966)	(15,532)	(1,240)	(764)
Carrying amount at end of year	194,354	80,327	2,808	2,878

**NOTES** TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
<b>12. Property, Plant and Equipment</b> continued				
<b>Leased plant and equipment</b>				
Carrying amount at beginning of year	7,517	1,779	–	31
Additions	5,424	7,420	–	–
Acquisition through entity acquired	2,377	–	–	–
Disposals	–	–	–	(29)
Amortisation	(1,637)	(1,682)	–	(2)
Carrying amount at end of year	13,681	7,517	–	–

**Capital works in progress**

Carrying amount at beginning of year	4,684	3,874	4,497	3,431
Additions	19,264	810	3,784	1,066
Carrying amount at end of year	23,948	4,684	8,281	4,497

Borrowing costs were capitalised to land at a weighted average rate of 6.6% (2000: Nil)

**Valuation of Land and Buildings**

Independent valuations were prepared as at 30 June 2001 on all major properties by Colliers Jardine on the basis of fair market value based on existing use. This valuation totalled \$65.9 million and this reflected a surplus over carrying values of \$13.3 million. These valuations are in accordance with the Company's policy of obtaining an independent valuation of land and buildings every three years.

**13. Intangible Assets**

Goodwill – at cost	47,516	–	–	–
Less Accumulated Amortisation	1,768	–	–	–
	45,748	–	–	–

**14. Payables**

**Current**

Trade creditors	53,546	55,475	–	139
Other creditors and accruals	110,173	62,265	9,306	2,003
	163,719	117,740	9,306	2,142

**NOTES** TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
<b>15. Interest Bearing Liabilities</b>				
<b>Current</b>				
Commercial bills – secured	1,652	1,000	–	–
Commercial bills – unsecured	1,500	–	–	–
Lease liabilities – secured (Note 27(d))	2,466	1,044	–	–
Hire purchase liabilities (Note 27(e))	1,785	229	–	–
	<b>7,403</b>	<b>2,273</b>	<b>–</b>	<b>–</b>

**Non-Current**

Commercial bills – secured	10,808	7,000	–	–
Commercial bills – unsecured	25,500	26,500	20,000	26,500
Convertible Notes – unsecured, subordinated	114,811	–	114,811	–
Bank loans	10,000	–	–	–
Other loans	3,311	2,500	–	–
Lease liabilities – secured (Note 27(d))	11,974	6,734	–	–
Hire purchase liabilities (Note 27(e))	3,786	152	–	–
	<b>180,190</b>	<b>42,886</b>	<b>134,811</b>	<b>26,500</b>

The nature and terms of bank and other credit facilities available to the consolidated entity are set out in Note 16.

**16. Financing Arrangements**

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

Bank overdraft – unsecured	500	500	–	–
Commercial bills	98,461	93,000	79,000	85,000
Other facilities	42,175	45,350	–	–
	<b>141,136</b>	<b>138,850</b>	<b>79,000</b>	<b>85,000</b>

Facilities used at balance date:

Bank overdraft	–	–	–	–
Commercial bills	39,460	34,500	20,000	26,500
Other facilities	4,815	–	–	–
	<b>44,275</b>	<b>34,500</b>	<b>20,000</b>	<b>26,500</b>

Facilities unused at balance date:

Bank overdraft	500	500	–	–
Commercial bills	59,001	58,500	59,000	58,500
Other facilities	37,360	45,350	–	–
	<b>96,861</b>	<b>104,350</b>	<b>59,000</b>	<b>58,500</b>

## 16. Financing Arrangements continued

### Security

During the previous financial year, the Company renegotiated its security position with its financiers. All current financing is subject to negative pledge arrangements.

Borrowings acquired with the purchase of the Finemore Group are subject to fixed and floating charges over the assets of Finemore Holdings Ltd and its controlled entities.

Commercial bills of \$5.8 million are secured by mortgages over the operating lease of properties of the consolidated entity.

### Bank Overdraft

The bank overdraft is payable on demand and is subject to annual review. Interest on bank overdrafts is charged at prevailing market rates.

### Commercial Bill Acceptance Facility

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

	\$'000	Review Date
Floating Rate Funded	15,000	31 December 2001
Fixed and/or Floating and/or Capped Rate Funded	23,000	31 December 2001
Floating Rate Funded	20,000	31 December 2001
Fixed and/or Floating and/or Capped Rate Funded	21,000	30 November 2002
Fixed Rate Funded	5,800	31 August 2003
Floating Rate Funded	650	30 September 2003
Fixed Rate Funded	2,695	31 December 2003
Fixed Rate Funded	3,316	4 April 2005
Fixed and/or Floating and/or Capped Rate Funded	7,000	31 August 2007
	<u>98,461</u>	

The weighted average effective interest rate is 6.34%.

### Convertible Notes

The Convertible Notes are unsecured and subordinated. Interest is payable half-yearly on 30 September and 31 March at a fixed rate of 6.53% p.a. Maturity date of the Convertible Notes is 31 March 2006. Notes may be converted into ordinary shares prior to maturity date by note holders on 31 March and 30 September each year commencing from 30 September 2002.

Toll may redeem the Convertible Notes prior to maturity date, if at any time after 30 September 2002 the volume weighted average sale price of Toll's ordinary shares is above \$23.00 for 20 consecutive business days, or if less than 1 million Convertible Notes remain on issue.

### Other Bank Facilities

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

**NOTES** TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001

	Notes	Consolidated		The Company	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000

**17. Provisions**

**Current**

Restructure	33(d)	10,363	331	–	–
Dividends	6	11,050	9,078	11,050	9,078
Other		25,444	16,276	835	813
Employee entitlements		47,482	32,871	7,893	6,410
		94,339	58,556	19,778	16,301

**Non-Current**

Restructure	33(d)	–	–	–	–
Other		5,775	1,700	–	–
Employee entitlements		8,065	5,454	1,462	1,462
		13,840	7,154	1,462	1,462

**Employee Entitlements**

Aggregate employee entitlements, including on costs					
Current		47,482	32,871	7,893	6,410
Non-current		8,065	5,454	1,462	1,462
		55,547	38,325	9,355	7,872
Number of employees at year end		8,984	5,980		

**18. Contributed Equity**

(a) Issued and Paid Up Capital					
61,387,592 ordinary shares fully paid (2000 – 60,522,484)		108,625	98,756	108,625	98,756

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% (2000: 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.

**NOTES** TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001

**18. Contributed Equity** continued

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

Date	Details	No. of Shares	Issue Price	Share Capital \$'000
<b>Ordinary Shares</b>				
1 Jul 00	Opening balance	60,522,484		98,756
30 Sep 00	Dividend Reinvestment Plan Issue	752,486	11.03	8,300
31 Mar 01	Dividend Reinvestment Plan Issue	112,622	15.0018	1,689
	Rounding – Issue of DRP Shares			(120)
	Closing Balance	61,387,592		108,625

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

As at 30 June 2001 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	955,000	36	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	1,110,000	40	7.9700	28 May 2005
26 Jul 00	5,000	5,000	1	7.9700	28 May 2005
2 Oct 00	25,000	25,000	1	7.9700	28 May 2005
2 Nov 00	400,000	400,000	2	11.8242	1 Nov 2005
2 Nov 00	100,000	100,000	1	7.9700	28 May 2005
27 Jun 01	40,000	40,000	2	19.9100	26 Jun 2006

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.

Nil ordinary shares were issued during the financial year on the exercise of options granted under the executive share option scheme (2000: 230,000 shares).

The market value of shares under these options at 30 June 2001 was \$61,355,805.

The market value of options exercised during the year, at the time of exercise was Nil (2000: \$1,465,200).

**NOTES** TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
<b>19. Reserves</b>				
<b>Foreign Currency Translation</b>				
Balance at beginning of year	–	–	–	–
Net translation adjustment	(48)	–	–	–
Balance at end of year	(48)	–	–	–

**Nature and purpose of reserves**

Foreign currency reserve

The foreign currency translation reserve records the foreign currency differences arising from the translation of self-sustaining foreign operations.

**20. Retained Profits**

Retained profits at beginning of year	59,569	36,074	353	868
Net profit attributable to members of the parent entity	49,238	40,404	23,486	16,394
Dividends (Note 6)	(20,241)	(16,909)	(20,241)	(16,909)
Retained profits at the end of the year	88,566	59,569	3,598	353

**21. Outside Equity Interests**

Outside equity interests in controlled entities comprise:

	Consolidated	
	2001 \$'000	2000 \$'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	687	13
Interest in operating profit after income tax	363	263
Interest in dividends provided for or paid	(550)	–
Interest in retained profits at the end of the financial year	500	276
Interest in share capital	50	50
Interest in reserves	–	–
Total outside equity interests	550	326

## 22. 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 2001, the weighted average fixed rate was 5.85% (2000: 5.71%) and the floating rates were at bank bill rates. The weighted average effective floating interest rate at 30 June 2001 was 5.88% (2000: 6.66%).

#### Interest Rate Collar

Interest rate collars allow the consolidated entity to fix a range for its floating rate borrowings where interest rate costs are certain. Maturities are generally for three years. The range of the interest rate collars is from 5.37% to 7.75%.

#### Interest rate risk exposures

	Weighted Average Interest Rate	Floating Interest Rate \$'000	Fixed interest maturing in:				Non-Interest Bearing \$'000	Total \$'000
			1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000			
<b>2001</b>								
<i>Financial Assets</i>								
Cash	4.75%	46,896	–	–	–	–	46,896	
Receivables		–	–	–	–	218,117	218,117	
Investments		–	–	–	–	26,958	26,958	
		46,896	–	–	–	245,075	291,971	
<i>Financial Liabilities</i>								
Bank overdraft and loans	5.89%	37,650	1,892	9,918	–	3,311	52,771	
Accounts payable		–	–	–	–	163,719	163,719	
Lease and HP liabilities	6.73%	–	4,251	15,760	–	–	20,011	
Convertible Notes	6.53%	–	–	114,811	–	–	114,811	
Dividend payable		–	–	–	–	11,050	11,050	
		37,650	6,143	140,489	–	178,080	362,362	
Interest rate swaps*		(60,000)	10,000	50,000				

\* Notional principal amount

## 22. Additional Financial Instruments Disclosure continued

### Interest rate risk exposures

2000	Fixed interest maturing in:							Total \$'000
	Weighted Average Interest Rate	Floating Interest Rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non-Interest Bearing \$'000		
<i>Financial Assets</i>								
Cash	5.50%	26,691	–	–	–	–	–	26,691
Receivables		–	–	–	–	–	161,869	161,869
Investments		–	–	–	–	–	5,613	5,613
		26,691	–	–	–	–	167,482	194,173
<i>Financial Liabilities</i>								
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

### 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 and an assessment of future maintainable earnings and cashflows of the respective corporations.

The net fair value of the Convertible Notes has been estimated based on the present value of future cashflows excluding any value attributable to the future conversion option.

**22. Additional Financial Instruments Disclosure** continued

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

*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.

*On-Balance Sheet Financial Instruments*

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

	Consolidated		Consolidated	
	2001 Carrying amount \$'000	2001 Net fair value \$'000	2000 Carrying amount \$'000	2000 Net fair value \$'000
<i>Financed Assets</i>				
Cash	46,896	46,896	26,691	26,691
Receivables	218,117	218,117	161,869	161,869
Investments	26,958	26,958	5,613	5,613
	<b>291,971</b>	<b>291,971</b>	<b>194,173</b>	<b>194,173</b>
<i>Financed Liabilities</i>				
Bank overdrafts and loans	52,771	52,771	37,000	37,000
Accounts payable	163,719	163,719	117,740	117,740
Lease and hire purchase liabilities	20,011	21,526	8,159	8,159
Convertible Notes	114,811	112,366	–	–
Dividends	11,050	11,050	9,078	9,078
	<b>362,362</b>	<b>361,432</b>	<b>171,977</b>	<b>171,977</b>

*Off-Balance Sheet Financial Instruments*

The net fair value of financial instruments not recognised on the statement of financial position held as at the reporting date are:

	2001 \$'000	2000 \$'000
Interest rate derivatives	(385)	140

**NOTES** TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001

	Consolidated		The Company	
	2001	2000	2001	2000
	\$	\$	\$	\$

**23. Directors' Remuneration**

**Directors' Income**

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	2,951,690	2,695,709	2,541,652	2,312,617
--	-----------	-----------	-----------	-----------

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

\$'000 – \$'000	2001	2000
\$ 50 – \$ 60	3	3
\$100 – \$110	–	–
\$140 – \$150	1	1
\$180 – \$190	–	–
\$360 – \$370	–	1
\$440 – \$450	1	–
\$740 – \$750	–	1
\$840 – \$850	1	–
\$870 – \$880	–	1
\$930 – \$940	1	–
	7	7

	Consolidated		The Company	
	2001	2000	2001	2000
	\$	\$	\$	\$

**24. Executives' Remuneration**

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	12,563,162	12,201,619	11,817,871	11,056,672
--	------------	------------	------------	------------

**NOTES** TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001

**24. Executives' Remuneration** continued

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

\$'000 – \$'000	Consolidated		The Company	
	2001	2000	2001	2000
\$100 – \$110	1	3	1	3
\$110 – \$120	3	–	2	–
\$120 – \$130	2	4	2	4
\$130 – \$140	1	5	1	5
\$140 – \$150	6	4	6	4
\$150 – \$160	1	6	1	3
\$160 – \$170	3	5	2	5
\$170 – \$180	3	3	3	3
\$180 – \$190	2	3	2	2
\$190 – \$200	5	2	4	2
\$200 – \$210	4	2	4	2
\$210 – \$220	2	1	2	1
\$220 – \$230	2	4	2	3
\$230 – \$240	1	1	1	1
\$240 – \$250	4	1	4	1
\$250 – \$260	1	2	1	2
\$260 – \$270	3	2	2	1
\$330 – \$340	–	2	–	2
\$360 – \$370	–	1	–	1
\$370 – \$380	–	2	–	2
\$400 – \$410	2	–	2	–
\$440 – \$450	1	–	1	–
\$450 – \$460	1	1	1	1
\$460 – \$470	2	–	2	–
\$740 – \$750	–	1	–	1
\$840 – \$850	1	–	1	–
\$870 – \$880	–	1	–	1
\$930 – \$940	1	–	1	–
	<b>52</b>	<b>56</b>	<b>48</b>	<b>50</b>

	Consolidated		The Company	
	2001 \$	2000 \$	2001 \$	2000 \$
<b>25. Auditors' Remuneration</b>				
Audit services:				
Auditors of the consolidated entity	565,343	358,000	60,000	50,000
Other services:				
Auditors of the consolidated entity	499,139	335,000	70,000	60,000
Total auditors' remuneration	1,064,482	693,000	130,000	110,000

## 26. 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	41,733	28,800	–	–

(ii) Under the terms of the Deed of Cross Guarantees, described in Note 31, 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 Properties Pty Ltd, Freshmark Limited, Refrigerated Roadways 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, Malleys Transport Pty Ltd, Toll IPEC Pty Ltd, Toll Technologies Pty Ltd, AEI Group Transport Services Pty Limited, Blanbury Pty Ltd, Burnie Searoads Pty Limited, CJ Dean Transport Pty Ltd, Canberra Pacific Nominees Pty Ltd, Toll (FHL) Limited, Finemores Pty Ltd, Finemores (No 2) Pty Ltd, Finemores (No 3) Pty Ltd, Toll (Albury) Pty Ltd, Toll (FS) Pty Ltd, Finemores (No 46) Pty Ltd, Toll (Cowra) Pty Ltd, Toll Fleet Management Pty Ltd, Toll (FGCT) Pty Ltd, Toll (FLAG) Pty Ltd, Toll (FM) Pty Ltd, Finemores Properties Pty Ltd, Toll Pty Ltd, Toll (Fuel) Pty Ltd, Gainall Pty Ltd, LJ Pty Ltd, Performance Leasing Pty Ltd, Real Property Leases Pty Ltd, Takedda Pty Ltd, Toll Relocations Pty Ltd, Toll Technologies Investments Pty Ltd, Strang Stevedoring Australia WDW Pty Ltd, and Forest Products Terminal Pty Ltd are wound up.

(iii) The Company has guaranteed various bank facilities, payments and other financial facilities of controlled entities through the normal course of business.

From time to time the Group is subject to claims and litigation during the normal course of business. The directors have given consideration to such matters which are or may be subject to litigation at year end, and are of the opinion that no material liability exists.

The directors are not aware of any circumstances 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.

## 27. 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.

**NOTES** TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001

	Consolidated		The Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000

**27. Commitments for Expenditure** continued

**(b) Capital Expenditure Commitments**

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

Not later than one year	24,842	8,276	–	–
-------------------------	--------	-------	---	---

**(c) Non-Cancellable Operating Lease Commitments**

Future non-cancellable operating lease rentals of property, plant and equipment, not provided for in the financial statements, payable:

Not later than one year	74,150	53,381	453	808
Later than one year but not later than five years	163,908	109,187	349	966
Later than five years	66,173	39,792	–	–
	304,231	202,360	802	1,774

Property	198,286	116,055	540	1,137
Plant and Equipment	105,945	86,305	262	637
	304,231	202,360	802	1,774

**(d) Finance Lease Commitments**

Finance lease rentals are payable as follows:

Not later than one year	3,569	1,680	–	–
Later than one year but not later than five years	12,734	8,251	–	–
Later than five years	–	–	–	–
Future Lease rentals	16,303	9,931	–	–
Less: Future finance charges	1,863	2,153	–	–
Total Finance lease commitments in financial statements	14,440	7,778	–	–

Finance lease commitment

Current (Note 15)	2,466	1,044	–	–
Non-current (Note 15)	11,974	6,734	–	–
Total lease liability	14,440	7,778	–	–

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
<b>27. Commitments for Expenditure</b> continued				
<b>(e) Hire purchase commitments</b>				
Hire purchase payments are payable as follows:				
Not later than one year	1,997	244	–	–
Later than one year but not later than five years	4,289	156	–	–
Later than five years	–	–	–	–
Minimum repayments	6,286	400	–	–
Less Future finance charges	715	19	–	–
Total hire purchase commitments in the financial statements	5,571	381	–	–
Hire purchase liability				
Current (Note 15)	1,785	229	–	–
Non-current (Note 15)	3,786	152	–	–
Total hire purchase liability	5,571	381	–	–

## 28. 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:

Mr P Rowsthorn  
Mr P A Little  
Mr M Rowsthorn  
Mr J A Moule AM  
Mr N Chatfield  
Mr W Farrands, and  
Mr 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.

### Remuneration, Retirement Benefits and Service Arrangements

Details of directors' remuneration, inclusive of superannuation and retirement payments are set out in Note 23.

**28. Related Parties** continued

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

An aggregate of 186,415 ordinary shares of Toll Holdings Limited were issued to directors in accordance with the Dividend Reinvestment Plan during the year (2000: 272,841).

An aggregate of nil ordinary shares of Toll Holdings Limited were acquired by directors or their director related entities during the year. (2000: 25,000)

An aggregate of 1,518,953 convertible notes of Toll Holdings Limited were acquired by directors or their director related entities during the year. (2000: Nil)

An aggregate of nil ordinary shares of Toll Holdings Limited were issued to directors in accordance with the Employee Share Ownership Plan during the year (2000: 700).

No ordinary shares of Toll Holdings Limited were disposed of by the directors or their director related entities during the year. (2000: 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 21,553,781 (2000: 21,367,366).

At 30 June 2001, directors or their director related entities hold directly, indirectly or beneficially 1,000,000 options over ordinary shares (2000: 500,000).

During the year the Company granted options over 570,000 unissued shares under the Senior Executive Option Plan and Executive Share Option Scheme (2000: 1,525,000). Of these, 500,000 options were granted to directors and their director-related entities on the same terms and conditions as those granted to other employees (2000: 400,000).

**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, was Chairman of The Ready Group Pty Ltd, for a period during the year ended 30 June 2001, 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, was a director of Evans Deakin Industries Limited, for a period during the year ended 30 June 2001 which supplies equipment and services to some businesses within the Toll Group on normal commercial terms.

The company contributed \$100,000 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.

**28. 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 29.

Transactions between Toll Holdings Limited and related parties in the wholly owned group during the years 30 June 2001 and 30 June 2000 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; and
- (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	
	2001 \$'000	2000 \$'000
Interest revenue	86	2
Rental revenue	272	–
Dividend revenue	21,220	14,000
Internal recharge	32,117	22,306
Distribution from Trust	2,920	3,321
Aggregate amounts receivable from related parties in the wholly owned group at balance date were as follows:		
Non-current receivables	118,253	115,249

**Ownership Interests in Related Parties**

Interests held in related parties are set out in Note 29.

**Superannuation Fund**

Details of the consolidated entity's employee superannuation funds are set out in Note 27(a).

**NOTES** TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001

Name of Entity	Notes	Class of Share	Equity Holding	
			2001 %	2000 %

**29. Particulars in Relation to Controlled Entities**

**The Company**

Toll Holdings Limited

**Controlled Entities of Toll Holdings Limited**

Toll Transport Pty Ltd	a,b	Ord	100	100
Toll Ports Pty Ltd	a,b	Ord	100	100
Hollandia Holdings Pty Ltd	a,b	Ord	100	100
Toll Recycling Pty Ltd	i	Ord	–	100
Freshmark Limited	a,b	Ord	100	100
Toll Properties Pty Ltd	a,b	Ord	100	100
Kentucky Woods Pty Ltd	a,b	Ord	100	100
Toll North Pty Ltd	a,b	Ord	100	100
Toll North Pty Ltd	e	Pref	100	100
Toll IPEC Pty Ltd	a,b	Ord	100	100
Toll Technologies Pty Ltd	a,b	Ord	100	100
Toll (FHL) Limited	a,b	Ord	100	–

**Controlled Entities of Toll Transport Pty Ltd**

Toll Metro (NZ) Limited	d,h	Ord	100	100
Refrigerated Roadways Pty Ltd	a,b	Ord	100	100
Toll Logistics Australia Pty Ltd	a,b	Ord	100	100
Toll Energy Logistics Pty Ltd	a,b	Ord	100	100
GeelongPort Pty Ltd	b,h	Ord	100	100
GeelongPort Pty Ltd	f	Pref	100	100

**Controlled Entities of Toll North Pty Ltd**

W&M Meats Transport Pty Ltd	a,b	Ord	100	100
Carpentaria Environmental Services Pty Ltd	a,b	Ord	100	100
R&H Transport Pty Ltd	b,g,h	Ord	50	50
Malleys Transport Pty Ltd	a,b	Ord	100	100

**Controlled Entities of Toll Technologies Pty Ltd**

Movinghome.com.au Pty Ltd	b,h	Ord	100	–
Toll Technologies Investments Pty Ltd	a,b	Ord	100	–
Toll Relocations Pty Ltd	a,b	Ord	100	–

**Controlled Entities of Toll Relocations Pty Ltd**

International Corporate Relocations Pty Ltd	b,h	Ord	75	–
---	-----	-----	----	---

**NOTES** TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001

Name of Entity	Notes	Class of Share	Equity Holding	
			2001 %	2000 %
<b>29. Particulars in Relation to Controlled Entities</b> continued				
<b>Controlled Entities of Toll Ports Pty Ltd</b>				
Strang Stevedoring Australia WDW Pty Ltd	a,b	Ord	100	–
Forest Products Terminal Pty Ltd	a,b	Ord	100	–
<b>Controlled Entities of Toll (FHL) Limited</b>				
Toll Pty Ltd	a,b	Ord	100	–
C J Dean Transport Pty Limited	a,b	Ord	100	–
Toll (Albury) Pty Ltd	a,b	Ord	100	–
Toll (FLAG) Pty Ltd	a,b	Ord	100	–
Finemores (No 46) Pty Limited	a,b	Ord	100	–
L J Pty Limited	a,b	Ord	100	–
Takedda Pty Limited	a,b	Ord	100	–
A.E.I. Group Transport Services Pty Limited	a,b	Ord	100	–
Toll Fleet Management Pty Ltd	a,b	Ord	100	–
Toll (FM) Pty Ltd	a,b	Ord	100	–
Finemore Properties Pty Ltd	a,b	Ord	100	–
Toll (FGCT) Pty Ltd	a,b	Ord	100	–
Toll Holdings (Thailand) Co., Limited	c,h	Ord	100	–
Resarta Pty Limited	b,h	Ord	100	–
Toll (Cowra) Pty Limited	a,b	Ord	100	–
Performance Leasing Pty Ltd	a,b	Ord	100	–
Autotrans Express (Aust) Pty Ltd	b,h	Ord	50	–
<b>Controlled Entities of Toll (FM) Pty Ltd</b>				
Blanbury Pty Limited	a,b	Ord	100	–
Canberra Pacific Nominees Pty Limited	a,b	Ord	100	–
<b>Controlled Entities of Takedda Pty Limited</b>				
Gainall Pty Limited	a,b	Ord	100	–
<b>Controlled Entities of Gainall Pty Limited</b>				
Burnie Searoads Pty Limited	a,b	Ord	100	–
Finemore Pty Ltd	a,b	Ord	100	–
Finemores (No 2) Pty Limited	a,b	Ord	100	–
Finemores (No 3) Pty Limited	a,b	Ord	100	–
Toll (Fuel) Pty Ltd	a,b	Ord	100	–
Toll (FS) Pty Limited	a,b	Ord	100	–
Real Property Leases Pty Limited	a,b	Ord	100	–
<b>Controlled Entities of Toll Holdings (Thailand) Co., Limited</b>				
Finemores Logistics (Thailand) Co., Limited	c,h	Ord	51	–
Toll (Thailand) Co., Limited	c,j,h	Ord	51	–

**29. Particulars in Relation to Controlled Entities** continued

- (a) Entities have entered into a Deed of Cross Guarantee with Toll Holdings Limited 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 Australia.
- (c) Incorporated in Thailand.
- (d) Incorporated in New Zealand.
- (e) Non-cumulative redeemable preference shares.
- (f) Non-cumulative preference shares.
- (g) Shareholding actually 50.001% and as such R&H Transport Pty Ltd is a controlled entity.
- (h) Not included in Deed of Cross Guarantee.
- (i) During the year 100% of the issued shares of Toll Recycling Pty Ltd were sold.
- (j) Remaining 49% owned by Toll Holdings Limited.

	Consolidated		The Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000

**30. Investments Accounted for Using the Equity Method**

Share of net profits accounted for using the equity method included in the statement of financial performance:

– associates	414	–	–	–
--------------	-----	---	---	---

**(a) Investments in associates**

Details of investments in associates are as follows

Name	Ordinary Share ownership interest		Investment Carrying Value			
	Consolidated & The Company		Consolidated		The Company	
	2001	2000	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
BBF Logistics	50	–	–	–	–	–
(Warehouse & Logistics)	Ord Class					
Prixcar Services Pty Ltd	33	–	5,416	–	–	–
(Pre-dealer motor vehicle preparation)	Ord Class					
Actraint No 126 Pty Ltd	50	–	–	–	–	–
(Management)	Ord Class					
Minto Properties Pty Ltd	100	–	8,876	–	–	–
(Property Owner)	Ord 'B' class					
SeaHighway Pty Ltd	100	–	3,521	–	–	–
(Property Owner)	Ord 'B' class					
			17,813	–	–	–

(i) Balance date for all associated companies is 30 June 2001.

(ii) The consolidated entity held 50% of Minto Properties Pty Ltd and SeaHighway Pty Ltd.

Dividends received from associates for the year ended 30 June 2001 by the consolidated entity amounted to \$250,000.

**NOTES** TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001

	Consolidated	
	2001	2000
	\$'000	\$'000

**30. Investments Accounted for Using the Equity Method** continued

**Results of associates**

Shares of associates' operating profit before income tax	481	–
Share of associates income tax attributable to operating profit	(64)	–
Share of associates net profit	417	–
Adjustments:		
– amortisation of goodwill arising from investment	(3)	–
Share of associates net profit accounted for using the equity method	414	–

**Share of post-acquisition retained profits and reserves attributable to associates**

Retained profits		
Shares of associates retained profits at beginning of year	–	–
Shares of associates net profits accounted for using the equity method	414	–
Dividends from associates	(250)	–
Share of associates retained profits at end of year	164	–

**Movements in carrying amount of investments**

Carrying amount of investments in associates at the beginning of the financial year	–	–
Investments in associates acquired during the year	17,649	–
Share of associates net profit	414	–
Dividends received from associates	(250)	–
	17,813	–
Share of increment in associates asset revaluation reserves	–	–
Carrying amount of investments in associates at end of year	17,813	–

**Commitments**

Share of associates operating lease commitments payable:

Within one year	4,197	–
One year or later and no later than five years	15,677	–
Later than five years	11,411	–
	31,285	–

Consolidated

2001  
\$'000

2000  
\$'000

### 30. Investments Accounted for Using the Equity Method continued

#### Summary financial position of associates

The consolidated entity's share of aggregate assets and liabilities of associates is as follows:

Current assets	5,247	–
Non-current assets	26,513	–
Total assets	31,760	–
Current liabilities	4,682	–
Non-current liabilities	17,071	–
Total liabilities	21,753	–
Net assets – as reported by associates	10,007	–
Adjustments arising from equity accounting	7,806	–
Net assets – equity adjusted	17,813	–

### 31. 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 Act 2001 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 Act 2001. If a winding up occurs under the provisions of the Act, 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	27 June 1995
Refrigerated Roadways 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
Toll IPEC Pty Ltd	26 October 1999
Malleys Transport Pty Ltd	16 February 2000

**31. Deed of Cross Guarantee** continued

Controlled Entity	Date relief granted
Toll Technologies Pty Ltd	5 June 2000
A E I Group Transport Services Pty Limited	5 June 2001
Blanbury Pty Ltd	5 June 2001
Burnie Searoads Pty Limited	5 June 2001
C J Dean Transport Pty Ltd	5 June 2001
Canberra Pacific Nominees Pty Limited	5 June 2001
Toll (FHL) Limited (formerly Finemore Holdings Limited)	5 June 2001
Finemore Pty Limited	5 June 2001
Finemores (No 2) Pty Limited	5 June 2001
Finemores (No 3) Pty Limited	5 June 2001
Toll (Albury) Pty Ltd (formerly Finemores (No 4) Pty Limited)	5 June 2001
Toll (Fuel) Pty Ltd (formerly Finemores (No 6) Pty Limited)	5 June 2001
Finemores (No 46) Pty Limited	5 June 2001
Toll (Cowra) Pty Ltd (formerly Finemores Cowra Pty Limited)	5 June 2001
Toll Fleet Management Pty Ltd (formerly Finemores Fleet Management Pty Limited)	5 June 2001
Toll (FGCT) Pty Ltd (formerly Finemores GCT Pty Limited)	5 June 2001
Toll (FLAG) Pty Ltd (formerly Finemores Logistics Australia Group Pty Limited)	5 June 2001
Toll (FM) Pty Ltd (formerly Finemores Management Pty Limited)	5 June 2001
Finemores Properties Pty Limited	5 June 2001
Toll Pty Ltd (formerly Finemores Pty Ltd)	5 June 2001
Toll (FS) Pty Ltd (formerly Finemores Services Pty Limited)	5 June 2001
Gainall Pty Limited	5 June 2001
L J Pty Limited	5 June 2001
Performance Leasing Pty Limited	5 June 2001
Real Property Leases Pty Limited	5 June 2001
Takedda Pty Limited	5 June 2001
Forest Products Terminal Pty Ltd	12 June 2001
Strang Stevedoring Australia WDW Pty Ltd	12 June 2001
Toll Relocations Pty Ltd	12 June 2001
Toll Technologies Investments Pty Ltd	12 June 2001

A consolidated statement of financial performance and consolidated statement of financial position, 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 2001 is set out below.

**NOTES** TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2001

	Consolidated	
	2001	2000
	\$'000	\$'000
<b>31. Deed of Cross Guarantee</b> continued		
<b>Statement of financial performance</b>		
<b>Profit from ordinary activities before income tax</b>	64,415	46,946
Income tax expense relating to ordinary activities	16,208	7,000
<b>Profit from ordinary activities after income tax</b>	48,207	39,946
Net profit	48,207	39,946
Retained profits at the beginning of the financial year	60,072	36,038
Dividends provided for or paid	20,491	16,909
<b>Retained profits at the end of the financial year</b>	<b>87,788</b>	<b>59,075</b>
<b>Statement of financial position</b>		
Cash assets	43,622	24,275
Receivables	205,687	152,869
Inventories	7,228	4,140
Other	19,893	27,883
<b>Total Current Assets</b>	<b>276,430</b>	<b>209,167</b>
Receivables	3,090	3,662
Investments accounted for using the equity method	17,737	–
Other financial assets	9,145	5,613
Property, plant and equipment	306,194	169,803
Intangible assets	45,420	–
Deferred tax assets	12,113	4,677
Other	1,526	–
<b>Total Non-Current Assets</b>	<b>395,224</b>	<b>183,755</b>
<b>TOTAL ASSETS</b>	<b>671,654</b>	<b>392,922</b>
Payables	157,816	114,777
Interest bearing liabilities	7,404	2,273
Current tax liabilities	17,913	6,370
Provisions	92,229	58,269
<b>Total Current Liabilities</b>	<b>275,362</b>	<b>181,689</b>
Interest bearing liabilities	165,245	36,584
Deferred tax liabilities	23,176	9,482
Provisions	13,780	7,110
<b>Total Non-Current Liabilities</b>	<b>202,201</b>	<b>53,176</b>
<b>TOTAL LIABILITIES</b>	<b>487,563</b>	<b>234,865</b>
<b>NET ASSETS</b>	<b>194,091</b>	<b>158,057</b>
Contributed equity	106,312	98,656
Reserves	(9)	326
Retained profits	87,788	59,075
<b>TOTAL EQUITY</b>	<b>194,091</b>	<b>158,057</b>

### 32. 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.

	Consolidated		The Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000

### 33. Notes to the Statement of Cash Flows

#### (a) Reconciliation of cash

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 Statement of Cash Flows:

Cash at bank and on hand	46,896	26,691	179	10
--------------------------	--------	--------	-----	----

#### (b) Reconciliation of operating profit after income tax to net cash provided by operating activities

Operating profit after income tax	49,601	40,667	23,486	16,394
Add/(Less) non-cash items:				
Depreciation and Amortisation	28,025	21,452	1,779	1,275
Amortisation of goodwill	1,768	–	–	–
Provision for doubtful trade debtors	1,522	780	–	–
(Profit)/loss on sale – other	(3,598)	(4,526)	–	252
Share of associates net profit	(414)	–	–	–
Net cash inflow from operating activities before changes in assets and liabilities	76,904	58,373	25,265	17,921
Changes in assets and liabilities adjusted for effects of purchase and disposal of controlled entities during the financial year:				
(Increase)/decrease in trade debtors	(130)	(10,054)	–	–
(Increase)/decrease in other debtors	5,168	(20,544)	428	(943)
(Increase)/decrease in inventory	(856)	(309)	–	57
(Increase)/decrease in prepayments	(5,975)	3,576	(669)	(2,221)
Increase/(decrease) in trade creditors	(21,528)	16,670	–	(16)
Increase/(decrease) in other creditors	32,628	6,300	7,186	1,762
Increase/(decrease) in provision for employee entitlements	2,162	342	1,483	2,047
(Increase)/decrease in loan to controlled entities	–	–	(14,264)	(11,517)
Increase/(decrease) in income taxes payable	11,437	6,415	(1,154)	1,224
(Increase)/decrease in future income tax benefit	(179)	3,895	(524)	(374)
Increase/(decrease) in provision for deferred income tax	(2,367)	(3,590)	(184)	20
Net cash inflow/(outflow) from operating activities	97,264	61,074	17,567	7,960

**33. Notes to the Statement of Cash Flows** continued

**(c) Financing facilities**

Note 16 discloses details of financing arrangements.

**(d) Acquisition/disposal of controlled entities**

The following controlled entities were acquired or disposed of during the financial year:

**Acquisition of entities**

(i) During the financial year the consolidated entity purchased 100% of the voting shares of Toll (FHL) Limited. Details of the acquisitions are as follows:

	\$'000
Consideration	119,906
Cash acquired	(9,110)
Outflow of cash	110,796
Fair value of net assets of entity acquired:	
Property, plant and equipment	100,253
Future income tax benefit	6,959
Cash assets	9,111
Inventories	2,564
Prepayments	5,638
Trade debtors	51,847
Investments	20,880
Other assets	11,817
Term loans and other external loans	(29,303)
Trade creditors	(19,806)
Other creditors	(24,226)
Lease liability	(7,418)
HP liability	(121)
Provision for employee entitlements	(13,342)
Provision for income tax	(189)
Provision for deferred income tax	(16,285)
Provision for restructuring	(11,403)
Other provisions	(7,415)
	79,561
Outside equity interests at acquisition	(397)
	79,164
Goodwill on acquisition	40,742
Consideration (cash)	119,906

**33. Notes to the Statement of Cash Flows** continued

**(d) Acquisition/disposal of controlled entities** continued

Toll (FHL) Limited (formerly Finemore Holdings Limited) was acquired on 2 March 2001 and the operating results of the entity from that date have been included in consolidated operating profit. The entity operates in transport and logistics.

A restructuring provision of \$11,403,000 was established for restructuring the operations of that entity, involving rationalisation of employee numbers and property holdings. A balance of \$8,704,510 remains in the provision at 30 June 2001.

(ii) During the financial year the consolidated entity purchased 100% of the voting shares of Strang Stevedoring Australia WDW Pty Ltd. Details of the acquisition are as follows:

	\$'000
Consideration	8,351
Cash acquired	1,545
Outflow of cash	9,896
Fair value of net assets of entity acquired:	
Property, plant and equipment	23,355
Future income tax benefit	334
Cash assets	(1,545)
Term loans and other external loans	(8,800)
HP liability	(5,298)
Provision for employee entitlements	(983)
Provision for restructuring	(1,700)
	5,363
Goodwill on acquisition	2,988
Consideration (cash)	8,351

Strang Stevedoring Australia WDW Pty Ltd was acquired on 5 April 2001 and the operating results of the entity from that date have been included in consolidated operating profit. The entity carries out stevedoring operations.

A restructuring provision of \$1,700,000 was established for restructuring the operations of that entity, involving rationalisation of employee numbers. A balance of \$884,160 remains in the provision at 30 June 2001.

**33. Notes to the Statement of Cash Flows** continued

**(d) Acquisition/disposal of controlled entities** continued

(iii) During the financial year the consolidated entity purchased the business operations of AR Neal. Details of the acquisition are as follows:

	\$'000
Consideration	11,383
Cash acquired	–
Outflow of cash	11,383
Fair value of net assets of entity acquired:	
Property, plant and equipment	9,359
Future income tax benefit	204
Inventories	28
Prepayments	347
Provision for employee entitlements	(735)
Provision for restructuring	(957)
Other provisions	(150)
	8,096
Goodwill on acquisition	3,287
Consideration (cash)	11,383

The business operations of AR Neal was acquired on 19 January 2001, and the operating results of the business have been included from that date.

A restructuring provision of \$957,000 was established for restructuring the operations of the business, involving rationalisation of employee numbers. A balance of \$774,584 remains in the provision at 30 June 2001.

**Disposal of entities**

During the financial year the consolidated entity disposed of all of the ordinary shares of Toll Recycling Pty Ltd. Details of the disposal are as follows:

	\$'000
Consideration (cash)	1,213
Net assets of entities disposed of:	
Property, plant and equipment	28
Trade debtors	486
Other assets	10
Trade creditors	(307)
Other creditors	(1)
	216
Profit on disposal	997
	%
Interest held after disposal	–

The entity was disposed of on 18 April 2001 and the operating results to that date have been included in consolidated operating profit.

**33. Notes to the Statement of Cash Flows** continued

**(d) Acquisition/disposal of controlled entities** continued

2000 \$'000

(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	9,665
Deferred consideration	–
Outflow of cash to acquire operations	9,665
Fair value of net assets acquired:	
Property, plant and equipment	10,400
Provisions	(735)
	9,665

(ii) On 3 November 1999, the Group acquired the remaining 50% of the share capital of Malloys 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:

Consideration	2,613
Cash acquired	(1,248)
Prior consideration	(1,113)
Outflow of cash to acquire operations	252
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	(61)
Consideration	2,613

**33. Notes to the Statement of Cash Flows** continued

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

- (i) During the year the consolidated entity acquired plant and equipment with an aggregate fair value of Nil (2000: \$7.9 million) by means of finance leases and hire purchase agreements.
- (ii) 466,084 shares with an aggregate value of \$5.5 million (2000: \$4.6 million) were issued in accordance with the Dividend Reinvestment Plan in lieu of remitting cash dividends.
- (iii) A final prior year dividend of 15 cents per share and an interim current year dividend of 15 cents per share was utilised to reduce employee loans in accordance with the Employee Share Plan. Employee loans were reduced as a result by \$154,000 (2000: \$88,000).

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

**34. Earnings per Share**

	Consolidated	
	2001	2000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	61,171,908	59,709,722
Weighted average number of potential ordinary shares used in the calculation of diluted earnings per share	65,163,988	61,238,256

**Classification of securities as potential ordinary shares**

The following securities have been classified as potential ordinary shares and included in diluted earnings per share only:

- (a) Options outstanding under the Executive Share Option Plan;
- (b) Convertible Notes.

**35. Event Subsequent to Balance Date**

On 5 September 2001, the Company announced it would form a consortium with Lang Corporation to bid for the sale of National Rail Corporation and FreightCorp. Other than the above item, 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.

## DIRECTORS' DECLARATION

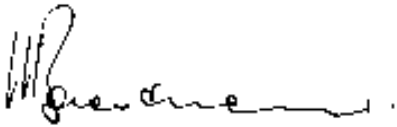
1. In the opinion of the directors of Toll Holdings Limited:

- (a) The financial statements and notes set out on pages 13 to 57 are in accordance with the Corporations Act 2001 including:
- (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2001 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.

(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 31 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 5th day of September 2001.

# 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 2001, consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes 1 to 35, and the directors' declaration set out on pages 13 to 58. 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.

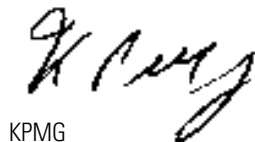
Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial 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.

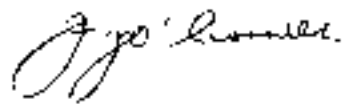
## Audit opinion

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

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2001 and of their performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.



KPMG



J J O'Connell  
Partner

Melbourne  
5 September 2001

## 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 2001.

### A. Distribution of shareholders

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

	Number	Units	%
1 – 1,000	4,599	2,064,219	3.33
1,001 – 5,000	2,683	6,287,416	10.16
5,001 – 10,000	356	2,547,292	4.12
10,001 – 100,000	236	6,617,626	10.70
100,001 – and over	39	44,356,039	71.69
	7,913	61,872,592	100.00

There were one hundred and fifty seven 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	No. of Ordinary Shares Held	Percentage of Issue Shares %
1 Mostia Dion Nominees Pty Ltd	8,908,691	14.40
2 Mr Paul Alexander Little	8,736,077	14.12
3 PGA (Investments) Pty Ltd	3,665,000	5.92
4 Mr Peter Rowsthorn	3,071,749	4.96
5 Chase Manhattan Nominees Limited	2,619,338	4.23
6 National Nominees Limited	2,501,198	4.04
7 Australian Foundation Investment Company Limited (Investment Portfolio A/C)	2,233,334	3.61
8 Westpac Custodian Nominees Limited	1,344,800	2.17
9 Perpetual Nominees Limited (JBEMEP A/C)	1,037,764	1.68
10 Cable Nominees Pty Ltd (33390 A/C)	1,000,000	1.62
11 ANZ Nominees Limited	920,617	1.49
12 Queensland Investment Corporation	897,408	1.45
13 Djerriwarrh Investments Limited	600,000	0.97
14 Commonwealth Custodial Services Limited (No 17 A/C)	587,940	0.95
15 The National Mutual Life Association of Aust Limited	580,468	0.94
16 Camrock (Australia) Pty Limited	571,755	0.92
17 NRMA Nominees Pty Limited	560,835	0.91
18 Mr Richard John Raw and Mrs Rosemary Joan Raw	442,492	0.72
19 Citicorp Nominees Pty Limited	408,283	0.66
20 Mr Ashley William Lyons Hancock and Mrs Raelene Joy Hancock	404,875	0.65
Total	41,092,624	66.41%

### 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	9,235,850	14.93
(b) Mr Paul Alexander Little and related bodies corporate	8,984,147	14.52
(c) PGA (Investments) Pty Ltd and related bodies corporate	4,665,000	7.54
(d) Mr Peter Rowsthorn	3,112,160	5.03

# COMPANY DIRECTORY

## Directors

### Chairman

Peter Rowsthorn

### Managing Director

Paul Little

### Executive Directors

Mark Rowsthorn

Neil Chatfield

### Non-Executive Directors

John Moule AM

William Farrands

Ronald Paul AM

Ross Dunning

### Divisional Directors

John Ludeke Long Distance

Don Telford Logistics

Terry Mallon Toll North

Graham Lyon Toll Technologies

Stephen Stanley Development

### Secretary

Bernard McInerney

### Principal Registered Office in Australia

Level 8, 380 St Kilda Road

Melbourne Vic 3004

Telephone: (03) 9694 2888

Facsimile: (03) 9694 2880

## Divisional Offices

### Long Distance & Logistics

Level 1, 32 Walker Street

North Sydney NSW 2060

Telephone: (02) 8923 2333

Facsimile: (02) 8904 0219

### Toll North

146 Kerry Road

Archerfield Qld 4108

Telephone: (07) 3275 0400

Facsimile: (07) 3275 0444

### Toll Technologies

Level 8, 380 St Kilda Road

Melbourne Vic 3004

Telephone: (03) 9694 2888

Facsimile: (03) 9694 2880

### Share Register

#### Computershare Investor Services

Level 12, 565 Bourke Street

Melbourne Vic 3000

Telephone: (03) 9611 5711

Facsimile: (03) 9611 5710

Website: [www.computershare.com](http://www.computershare.com)

### Stock Exchange Listing

Toll Holdings Limited shares are listed  
on the Australian Stock Exchange

The home exchange is in Melbourne

### Auditors

#### KPMG

Level 5, 161 Collins Street

Melbourne Vic 3000

### Bankers

#### National Australia Bank

271 Collins Street

Melbourne Vic 3000

### Solicitors

#### Clayton Utz

#### Solicitors & Attorneys

Level 18, 333 Collins Street

Melbourne Vic 3000



We set the standard for excellence of integrated logistics and distribution through total commitment to quality people and services, with superior financial results.