TOLL HOLDINGS LIMITED ANNUAL REPORT 2002 – FINANCIAL REPORT

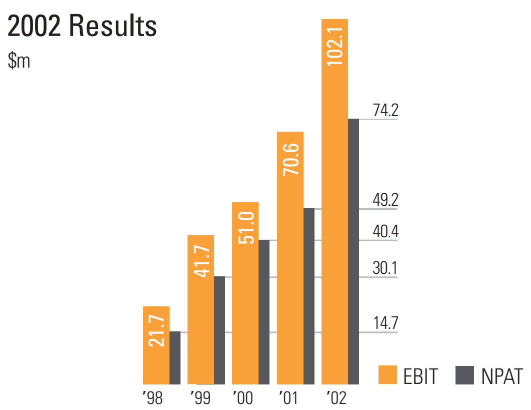
Contents

Financial Performance

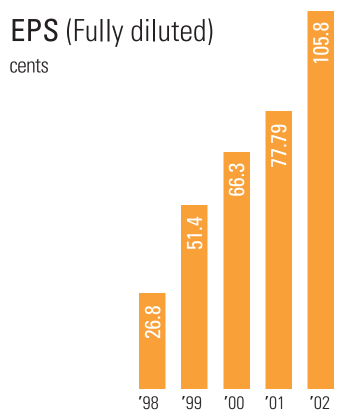
FINANCIAL PERFORMANCE

	2002	2001	% change
For the year			
Revenue ($m)	2,038.0 ✓	1,602.8	27.2
Profit before income taxes ($m)	97.8 ✓	66.0	48.2
Income tax ($m)	23.1	16.4	40.9
Profit after income tax ($m)	74.2 ✓	49.2	50.8
Earnings per share fully diluted (¢)	105.8 ✓	78.3	35.1
Dividends per share (¢)	40.0 ✓	33.0	21.2

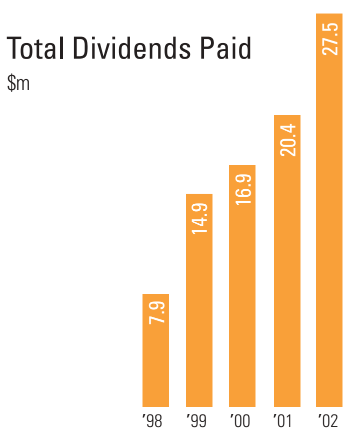
✓ Best ever Toll Holdings result since listing



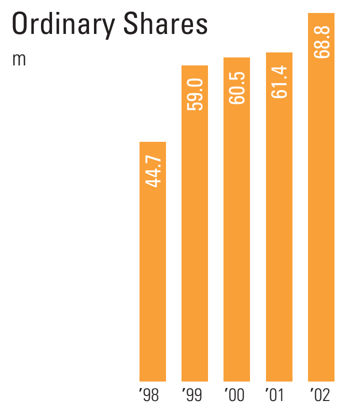
Growth leads to a need to increase equity through share issues.



Earnings growth has far exceeded growth in issued shares.



Shareholders continue to benefit from improved dividends, year on year.



Current year results continue to reflect record results.

Directors' Report

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 2002 and the auditors' report thereon.

Directors

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

Mr Peter Rowsthorn (Chairman)
Mr Paul Little (Managing Director)
Mr Mark Rowsthorn
Mr John Moule AM
Mr William Farrands
Mr Ron Paul AM (resigned 1 July 2002)
Mr Neil Chatfield
Mr Ross Dunning AC (appointed 25 July 2001)

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.

During the year the consolidated entity acquired a 50% interest in Pacific National, a rail linehaul operator. There were no other significant changes in the nature of the activities of the consolidated entity during the year.

Consolidated Result

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

	2002 $'000	2001 $'000
Operating profit after income tax attributable to members of Toll Holdings Limited	**74,156**	49,238

Earnings per share	**2002**	2001
Basic earnings per share	**111.53¢**	80.49¢
Diluted earnings per share	**105.78¢**	78.31¢

Review of Operations

Record results for the year were recorded by the Company, with net profit after tax increasing 51% to $74.2 million.

The result reflects strong organic growth and cost efficiency combined with benefits from acquisitions. Particularly pleasing is the progress made to date with the Pacific National rail business and the expansion in our port operations both in Australia and New Zealand.

Total operating revenue for the group, excluding Pacific National grew 27% to $2.04 billion, with acquisitions and strong organic growth driving revenue higher. Of the increase in revenue $309 million relates to acquisitions, whilst 8% or $126 million is attributable to underlying trading growth.

Excluding Pacific National, EBIT for the group grew 45% to $102 million, with the EBIT margin increasing 14% to 5.01%. Margins improved across each division of the Company, continuing the solid margin expansion experienced over the last 3 years.

The improvement in earnings is attributable to continued emphasis on cost control, together with a focussed capital expenditure program, process improvements due to investment in technology and the benefits arising from the Company's acquisition strategy.

The Company's equity accounted share of earnings after tax in Pacific National was $7.9 million during the period since acquisition in February 2002, this result was aided by strong volumes, particularly in the Grain and Intermodal divisions.

The Company continued to grow its share of business in each industry sector and recorded an improvement in performance compared to the previous year.

The food, beverage and retail sectors, had a strong year with volumes increasing and our base in the sector growing through acquisition. This sector continues to generate in excess of 45% of group revenues.

The industrial and manufacturing sector experienced generally stable conditions with the improved activity level in the building and construction industry assisting growth in volumes.

Review of Operations (continued)

The resources sector showed continued signs of improvement, with Western Australian activities driving revenue growth.

The ports business experienced solid growth in revenue, largely through the benefit of acquisitions both in the prior year and the current year. The commissioning of the new woodchip port facility at Albany in Western Australia has proceeded in line with expectations. Toll now has a presence in 17 ports around Australia and New Zealand.

The automotive sector was impacted by supplier industrial action and this together with tighter margins restricted earnings growth. The contracts recently awarded to the Company from Holden and Ford reflected Toll's commitment to providing innovative integrated solutions across customers supply chains and it is expected with ongoing fleet and technology investment, increased cost efficiencies and returns can be achieved.

The relocations sector performed satisfactorily during the year given the slowdown arising from the events of 11 September 2001.

The group's solutions centre is gaining momentum introducing solutions to complex supply chain issues for major customers. The managed transport service offering, together with consulting and design services and advanced technology capability is continuing to win customer support. Toll Solutions centre is expected to assist greatly in ensuring the company attracts a major share of the growing outsourced logistics market.

The Long Distance division performed well with solid margin expansion achieved by the division. Toll IPEC, Toll SPD and Toll Express all performed strongly, as did Toll Tasmania.

The refrigeration business continued to perform below target and has resulted in further rationalisation of the operations in order to downsize activities to a level that satisfactory returns can be achieved.

Toll North traded strongly during the year reflecting strong organic growth and new customers, together with the benefit of reduced costs.

The two major businesses NQX and QRX both performed solidly.

Toll Logistics division also recorded a solid result reflecting the benefit of acquisitions as well as strong underlying growth.

The higher result was driven by strong volumes in the food and beverage sector and the full year benefit of the automotive logistics business acquired in the Finemore acquisition in March 2001.

Pacific National earnings since acquisition (22 February 2002) have exceeded expectations due to achieving earlier than anticipated volume improvement from Toll and Patrick Corporation and from the timing of grain shipments. Cost savings have also been realised ahead of original plans.

The business integration of the former National Rail Corporation and FreightCorp operations has been progressing well and is delivering expected efficiencies.

Dividends

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

	2002 $'000	2001 $'000
Ordinary Shares		
• In respect of the prior year A final ordinary dividend of 18 cents per share franked to 70% with Class C (30%) franking credits paid 30 September 2001, in relation to shares issued following the exercise of Executive Share Options between 1 July 2001 and 14 September 2001	121	–
• In respect of the current year An interim ordinary dividend of 18 cents per share franked to 100% with Class C (30%) franking credits was paid on 28 March 2002 (2001: 15 cents 60% franked Class C (34%))	12,311	9,191
The final dividend declared by the directors of the Company in respect of the year ended 30 June 2002 is an ordinary dividend of 22 cents per share franked to 100% with Class C (30%) franking credits (2001: 18 cents 70% franked Class C (30%))	15,146	11,050
The total dividends provided for or paid in respect of the year ended 30 June 2002	27,457	20,241

Significant Changes in the State of Affairs

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

(a) An increase in paid up capital of $157 million to $265 million which included the following:

- Issue of 431,939 fully paid ordinary shares in accordance with the Dividend Reinvestment Plan;
- Placement of 5,500,000 ordinary shares in October 2001;
- Issue of 568,800 ordinary shares as part of the Share Purchase Plan in December 2001;
- Issue of 957,000 ordinary shares as a result of conversion of Executive Share Options throughout the year.

(b) An increase in assets and liabilities due to the acquisitions of a 50% interest in Pacific National on 22 February 2002, purchase of the Wesfarmers Transport business on 12 November 2001 and the purchase of the DX business from Ausdoc Ltd on 30 June 2002.

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

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.

Information on Directors

Director	Experience and Qualifications	Age	Special Responsibilities
Mr P Rowsthorn FAICD, FCIT, FAIM Retiring Chairman Non-Executive Director	32 years in the Transport Industry Chairman for 16 years Director since 1986	72	Chairman of Board of Directors Chairman of Remuneration and Succession Planning Committee Member of Corporate Governance & Audit and Financial Risk Committees
Mr P A Little FAICD, FCIT Managing Director	34 years in the Transport Industry Managing Director for 16 years Director since 1986	54	*Member of the Corporate Governance Committee
Mr M Rowsthorn B Ec, Grad Dip Bus. Executive Director Operations	25 years in the Transport Industry Director since 1988	47	*Chairman of the Risk Management Committee
Mr J A Moule AM FCA, FAICD Chairman from 5 September 2002 Non Executive Director	Chairman Gribbles Group Limited, Director MLC Ltd Group, Former Managing Partner Deloitte Touche Tohmatsu Director since 1995	63	Chairman of Audit and Financial Risk Committee Member of Corporate Governance and Remuneration and Succession Planning Committees
Mr W Farrands B.Com Non Executive Director	Former Group General Manager of the Building & Industrial Products Division and for the Coated Products Division within BHP Steel Director since 1997	69	Chairman of Corporate Governance Committee, Member of Audit and Financial Risk and Remuneration and Succession Planning Committees
Mr R Paul AM Non Executive Director	Former Chairman Evans Deakin Industries Limited Director since 1998 Resigned 1 July 2002	70	Member of Audit and Financial Risk, Corporate Governance and Remuneration and Succession Planning Committees
Mr N Chatfield FCPA Chief Financial Officer	28 years experience in Transport and Resource Industries Director since 1998	48	*Member of the Risk Management Committee
Mr R Dunning AC 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	60	Member of Audit and Financial Risk, Corporate Governance and Remuneration and Succession Planning Committees

* Refer Meetings of Directors as detailed on page 6.

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 27 August 2002 is as follows:

	Ordinary Shares	Toll Holdings Limited Options Over Ordinary Shares	Convertible Notes
Mr P Rowsthorn	2,112,285	–	–
Mr P A Little	8,484,147	400,000	748,678
Mr M Rowsthorn	8,236,100	400,000	769,652
Mr J A Moule	174,897	–	–
Mr W Farrands	20,125	–	1,666
Mr R Paul (resigned 1 July 2002)	–	–	–
Mr N Chatfield	50,248	100,000	623
Mr R Dunning (appointed 25 July 2001)	–	–	–

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 2002 and the number of meetings attended by each director who held office during the financial year.

	Directors Meetings		Audit and Financial Risk Committee Meetings		Remuneration and Succession Planning Committee Meetings		Corporate Governance Committee Meetings	
Director	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held
Mr P Rowsthorn	11	11	4	4	3	3	2	2
Mr P A Little*	11	11	2*	4	–*	–	1	2
Mr M Rowsthorn*	11	11	–*	–	–*	–	–*	–
Mr J A Moule	10	11	4	4	3	3	2	2
Mr W Farrands	10	11	4	4	3	3	2	2
Mr R Paul	10	11	4	4	3	3	2	2
Mr N Chatfield*	11	11	4*	4	–*	–	–*	–
Mr R Dunning	11	11	4	4	3	3	2	2

* May attend meetings as an invitee.

Share Options

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

	Number of options granted*	Exercise Price	Expiry Date
Directors			
Mr P Little	–	–	–
Mr M Rowsthorn	–	–	–
Mr N Chatfield	–	–	–
Officers			
Mr J Ludeke	100,000	$27.01	24 January 2007
Mr D Telford	100,000	$27.01	24 January 2007
Mr S Stanley	100,000	$27.01	24 January 2007
Mr T Mallon	75,000	$27.01	24 January 2007
Mr G Lyon	50,000	$27.01	24 January 2007

* 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.

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

Senior Executive Option Plan and Executive Share Option Scheme

As at the 27 August 2002, 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	8,000	1	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
29 May 2000	1,115,000	1,110,000	40	7.9700	28 May 2005
26 Jul 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
28 Nov 2001	20,000	20,000	1	23.7400	27 Nov 2006
25 Jan 2002	1,263,000	1,263,000	173	27.0100	24 Jan 2007

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).

957,000 ordinary shares were issued at $2.1460 per share during the financial year on the exercise of options granted under either the Senior Executive Option Plan or the Executive Share Option Scheme (2001: Nil shares). Nil ordinary shares have been issued since the end of the financial year on the exercise of options granted under the scheme. (2001: 485,000 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 :

Non-Executive Directors of Toll Holdings Limited

Name	Directors Fee $	Non Cash Benefits $	Superannuation $	Total $
Mr P Rowsthorn (retiring Chairman)	162,703	6,100	–	168,803
Mr J Moule (Chairman from 5 September 2002)	95,000	–	7,600	102,600
Mr W Farrands	70,000	–	5,600	75,600
Mr R Paul	70,000	–	4,600	75,600
Mr R Dunning	70,753	–	–	70,753

Executive Directors of Toll Holdings Limited

Name	Base Salary $	Performance Incentive $	Non-Cash Benefits $	Superannuation $	Option Value $	Total $
Mr P Little *Managing Director*	736,585	400,000	19,202	44,213	–	1,200,000
Mr M Rowsthorn *Executive Director Operations*	671,923	350,000	19,274	8,803	–	1,050,000
Mr N Chatfield *Chief Financial Officer*	433,746	50,000	42,451	8,803	–	535,000

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*	402,946	50,000	–	82,054	685,000*	1,220,000
Mr J Ludeke *Divisional Director* *Long Distance*	385,000	50,000	40,000	60,000	685,000*	1,220,000
Mr S Stanley *Director* *Strategy*	419,464	22,500	–	30,386	685,000*	1,157,350
Mr T Mallon *Divisional Director* *Toll North*	302,642	50,000	34,179	40,000	513,750*	940,571
Mr G Lyon *Divisional Director* *Toll Technologies*	282,250	50,000	52,000	28,000	342,500*	754,750

* Options were granted to Mr D Telford (100,000), Mr J Ludeke (100,000), Mr S Stanley (100,000), Mr T Mallon (75,000) and Mr G Lyon (50,000) on 25 January 2002 at an exercise price of $27.01. 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 ASX 200 Industrials. These options have been valued at grant date at a maximum value of $6.85 per option using the Binomial Method.

Insurance of Officers

During the financial year, Toll Holdings Limited paid premiums of $99,276 (2001: $78,458) to insure officers of the Company and related bodies corporate.

The officers of the Company covered by the insurance policy include the directors, Mr P Rowsthorn, Mr P A Little, Mr M Rowsthorn, Mr J A Moule, Mr W Farrands, Mr R Paul, Mr N Chatfield, Mr R Dunning and the secretary Mr 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 2002.

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

Until 24 July 2001 the Company had seven directors and, for the remainder of the year, eight directors. Throughout the year there was a majority of non-executive directors, including 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;
- Subject to casual vacancies, 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. From November 2001, the Board determined that it would, at least annually, give consideration to the manner in which it operates and to directors' personal performances.

An orientation program for new directors provides education about the nature of the business, corporate strategy, current issues, regulatory and governance processes, and expectations concerning performance of directors.

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. Board Committees are authorised to seek any information they require from any officer or employee of the consolidated entity and may take such independent professional advice as they consider necessary. They have no executive powers regarding their findings and recommendations. 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. It meets at least once each half year. 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.

Membership of the Committee comprises no less than three non-executive directors and 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
Mr R Paul
Mr P A Little
Mr R Dunning (from 25 July 2001)

Remuneration and Succession Planning Committee

The Remuneration and Succession Planning 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;
- 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 and director 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
Mr W Farrands
Mr R Paul
Mr R Dunning (from 25 July 2001)

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 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 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;

Audit and Financial Risk Committee continued

- 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;
- Review the performance and compensation of the external auditors;
- Review and make recommendations regarding changes to accounting policies, where appropriate;
- 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 (Chairman)
Mr P Rowsthorn
Mr W Farrands
Mr R Paul
Mr N Chatfield (resigned 29 May 2002)
Mr R Dunning (from 25 July 2001)

Mr P A Little and/or Mr M Rowsthorn, Mr N Chatfield and Mr B 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.

Auditor Independence Policy

The Company has established a policy in relation to Audit Independence, implicit in the policy are the principles that the roles of external auditor and management consultant should be mutually exclusive.

In order to ensure that there is no potential conflict of interest in work being undertaken by the auditors, the auditing firm may only provide audit and audit-related services that, while outside the scope of the statutory audit, are consistent with the role of auditor.

The auditing firm will not provide services that are perceived to be materially in conflict with the role of auditor. These include consulting advice, subcontracting operating activities normally undertaken by management and where the auditor may ultimately be required to express an opinion on its own work.

The auditing firm may be permitted to provide non-audit services that are not perceived to be materially in conflict with the role of auditor, subject to the approval of the Audit and Financial Risk Committee.

In addition to the above, the Company has adopted the policy of only appointing Audit firms, which have well developed independence policies, including partner rotation and quality review processes.

The current auditors were appointed in 1993. As per the KPMG partner rotation policy, Mr J O'Connell will rotate off the audit after the completion of the 2001/02 audit.

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;
- 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;
- 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 and Privacy;

Internal Control Framework continued

- Operating unit controls – financial controls and procedures including information systems controls are in place. A comprehensive Financial Policy and Procedures Manual is maintained and updated on a regular basis;
- Investment appraisal – the Company has clearly defined guidelines for capital expenditure. These include return on investment criteria, 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

A management initiated Risk Management Group Committee is responsible for setting group risk policies, risk strategies, risk performance monitoring and is a forum to discuss any major risk issues.

The Risk Management Group Committee is 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 General Manager Risk.

The Committee's duties and responsibilities are:

- to provide assurance that risk management policy and strategy set by the Board is operating effectively;
- to provide policy, framework and methodology to operational units to identify, analyse and manage their risk more effectively;
- to develop risk response processes and assess the adequacy of responses;
- to monitor the performance of divisions in regard to losses;
- to monitor adequacies of insurance or financial covers to protect against catastrophic loss;
- to be a primary advocate for risk management strategically and operationally; and
- to review compliance strategies with any government regulations relating to issues such as Occupational Health & Safety, dangerous goods and the environment.

The Toll Group continually reviews its Occupational Health and Safety system. This review included the development of a further 22 safety modules covering all aspects of the Company. The policies and procedures manual is compliant to Australian Safety Standards 4801 & 4804. A copy of the manual is located at all sites within Toll.

An additional enhancement to Toll's Safety Management system will be the development and use of a specialised Corporate audit program. This audit will monitor statutory safety requirements and Toll's policy compliance at all sites. Its structure will allow for each site, business unit and division to aim for continuous improvement in their safety management system.

Reporting to Shareholders

The Board of Directors aims to ensure that 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 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 is regularly updated and provides details of recent significant 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 2002

		Consolidated		The Company	
	Notes	**2002 $'000**	2001 $'000	**2002 $'000**	2001 $'000
Revenue from ordinary activities	2	**2,086,079**	1,637,927	**69,635**	57,310
Expenses from ordinary activities before borrowing costs, depreciation and amortisation and tax	3	**1,929,957**	1,536,805	**24,938**	28,492
Depreciation and amortisation	4	**52,605**	29,793	**2,821**	1,779
Borrowing costs	4	**15,028**	5,727	**12,942**	4,645
Share of net profits of associates and joint ventures accounted for using the equity method	30	**9,330**	414	**–**	–
Profit from ordinary activities before income tax		**97,819**	66,016	**28,934**	22,394
Income tax relating to ordinary activities	5(a)	**23,138**	16,415	**2,314**	(1,092)
Profit from ordinary activities after income tax		**74,681**	49,601	**26,620**	23,486
Net profit attributable to outside equity interests		**525**	363	**–**	–
Net profit attributable to members of the parent entity	20	**74,156**	49,238	**26,620**	23,486
Non-owner transaction changes in equity					
Net exchange difference on translation of financial statements of self sustaining foreign operations	19	**656**	(48)	**–**	–
Total changes in equity from non-owner related transactions attributable to the members of the parent entity		**74,812**	49,190	**26,620**	23,486
Basic earnings per share – ordinary shares	34	**111.53¢**	80.49¢		
Diluted earnings per share – ordinary shares	34	**105.78¢**	78.31¢		

The above statements of financial performance are to be read in conjunction with the accompanying notes to the financial statements set out on pages 17 to 61.

Statements of financial position AS AT 30 JUNE 2002

	Notes	Consolidated 2002 $'000	Consolidated 2001 $'000	The Company 2002 $'000	The Company 2001 $'000
Current Assets					
Cash assets		**47,550**	46,896	**11**	179
Receivables	7	**266,833**	214,943	**9,243**	1,067
Inventories	8	**9,047**	7,596	**–**	–
Other	9	**17,592**	21,932	**12,420**	2,955
Total Current Assets		**341,022**	291,367	**21,674**	4,201
Non-Current Assets					
Receivables	7	**31,104**	3,174	**401,156**	121,410
Investments accounted for using the equity method	10	**315,395**	17,813	**–**	–
Other financial assets	11	**5,443**	9,145	**147,022**	124,568
Property, plant and equipment	12	**373,558**	317,484	**41,816**	23,955
Intangible assets	13	**67,515**	45,748	**–**	–
Deferred tax assets	5(d)	**14,458**	12,485	**4,083**	2,942
Other	9	**1,262**	1,526	1,262	1,526
Total Non-Current Assets		**808,735**	407,375	**595,339**	274,401
TOTAL ASSETS		**1,149,757**	698,742	**617,013**	278,602
Current Liabilities					
Payables	14	**190,981**	163,719	**5,023**	9,306
Interest bearing liabilities	15	**14,746**	7,403	**–**	–
Current tax liabilities	5(b)	**22,609**	18,158	**1,148**	902
Provisions	17	**111,148**	94,339	**26,780**	19,778
Total Current Liabilities		**339,484**	283,619	**32,951**	29,986
Non-Current Liabilities					
Interest bearing liabilities	15	**361,577**	180,190	**314,811**	134,811
Deferred tax liabilities	5(c)	**18,931**	23,400	**(211)**	120
Provisions	17	**27,011**	13,840	**1,332**	1,462
Total Non-Current Liabilities		**407,519**	217,430	**315,932**	136,393
TOTAL LIABILITIES		**747,003**	501,049	**348,883**	166,379
NET ASSETS		**402,754**	197,693	**268,130**	112,223
Equity					
Contributed equity	18	**265,490**	108,625	**265,490**	108,625
Reserves	19	**608**	(48)	**–**	–
Retained profits	20	**135,144**	88,566	**2,640**	3,598
Total parent entity interest		**401,242**	197,143	**268,130**	112,223
Outside equity interests	21	**1,512**	550	**–**	–
TOTAL EQUITY		**402,754**	197,693	**268,130**	112,223

The above statements of financial position are to be read in conjunction with the accompanying notes to the financial statements set out on pages 17 to 61.

Statements of cash flows FOR THE YEAR ENDED 30 JUNE 2002

	Notes	Consolidated 2002 $'000	Consolidated 2001 $'000	The Company 2002 $'000	The Company 2001 $'000
Cash flows from operating activities					
Cash receipts in the course of operations		**2,198,847**	1,659,799	**65,157**	57,310
Cash payments in the course of operations		**(2,055,779)**	(1,544,343)	**(21,903)**	(34,631)
Restructure costs paid		**(4,797)**	(6,118)	**(1,941)**	–
Interest received		**2,749**	1,113	**1,560**	86
Dividend received		**398**	551	**20,000**	–
Interest and other costs of finance paid		**(15,028)**	(5,729)	**(12,942)**	(4,645)
Income taxes paid	5(b)	**(21,747)**	(8,009)	**(1,963)**	(553)
Net cash inflow/(outflow) from operating activities		**104,643**	97,264	**47,968**	17,567
Cash flows from investing activities					
Proceeds on disposal of controlled entities		**2,237**	1,213	**–**	–
Payment for entities and businesses, net of cash acquired	33(d)	**(42,101)**	(132,536)	**(23,533)**	(122,579)
Payment for property, plant and equipment		**(92,786)**	(58,101)	**(20,357)**	(4,999)
Proceeds from sale of property, plant and equipment	2	**35,890**	30,244	**–**	–
Proceeds from sale of investments		**2,001**	–	**–**	–
Payment for investments		**(312,662)**	(1,615)	**(314,130)**	–
Net cash inflow/(outflow) from investing activities		**(407,421)**	(160,795)	**(358,020)**	(127,578)
Cash flows from financing activities					
Proceeds from borrowings		**198,482**	125,298	**193,703**	124,927
Repayment of borrowings		**(24,914)**	(32,332)	**(17,345)**	(6,500)
Dividends paid	6	**(17,828)**	(12,538)	**(17,828)**	(12,538)
Proceeds from share issue		**151,354**	4,291	**151,354**	4,291
Finance lease payments		**(3,919)**	(983)	**–**	–
Net cash inflow/(outflow) from financing activities		**303,175**	83,736	**309,884**	110,180
Net increase/(decrease) in cash held		**397**	20,205	**(168)**	169
Cash at the beginning of the financial year		**46,896**	26,691	**179**	10
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		**257**	–	**–**	–
Cash at the end of the financial year	33(a)	**47,550**	46,896	**11**	179
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 17 to 61.

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 statements of financial performance.

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

For associates the consolidated financial statements include the carrying amount of goodwill in the equity accounted investment carrying amount.

1. Statement of Significant Accounting Policies (continued)

(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.

(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(k) 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 statements of financial position 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.

1. Statement of Significant Accounting Policies (continued)

(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.

(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% – 4%
- Leasehold improvements 2% – 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. No change has occurred in the above depreciation rates during the year.

(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 or diminishing value 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.

1. Statement of Significant Accounting Policies (continued)

(l) Provisions (continued)

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

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

(ii) Doubtful Debts

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

(iii) Restructure

A 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.

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.

(iv) Workers Compensation

Provisions for workers compensation using self insurance are based on independent actuarial assessments.

(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 charged to the consolidated entity due to the absence of a definitive accounting standard. Costs are disclosed in relation to directors and the five most senior executives, shown in the Directors' Report.

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. No defined benefit funds currently exist in the Company.

(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

Refer (z) (i).

(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 statements of financial position 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.

1. Statement of Significant Accounting Policies (continued)

(s) Derivatives (continued)

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.

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;

1. Statement of Significant Accounting Policies (continued)

(v) Reclassification of Financial Information (continued)

- Current tax liabilities, previously presented within current provisions;
- 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. Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the 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.

(z) Change in Accounting Policy

(i) Earnings Per Share

The consolidated entity has applied AASB 1027 *Earnings Per Share* (issued June 2001) for the first time from 1 July 2001.

Basic and diluted earnings per share ('EPS') for the comparative period ended 30 June 2001 have been adjusted so that the basis of calculation used is consistent with that of the current period.

Basis earnings per share

Basis EPS earnings are now calculated as net profit or loss, rather than excluding extraordinary items.

Diluted earnings per share

Diluted EPS earnings are now calculated by only adjusting the basic EPS earnings for the after tax effect of financing costs and the effect of the conversion to ordinary shares associated with dilutive potential ordinary shares, rather than including the notional earnings on the funds that would have been received by the entity had the potential ordinary shares been converted.

The diluted EPS weighted average number of shares now includes the number of ordinary shares assumed to be issued for no consideration in relation to dilutive potential ordinary shares, rather than the total number of dilutive potential ordinary shares. The number of ordinary shares assumed to be issued for no consideration represents the difference between the number that would have been issued at the exercise price and the number that would have been issued at the average market price.

The identification of dilutive potential ordinary shares is now based on net profit or loss from continuing ordinary operations, not net profit or loss before extraordinary items and is applied on a cumulative basis, taking into account the incremental earnings and incremental number of shares for each series of potential ordinary share.

(ii) Segment Reporting

The consolidated entity has applied the revised AASB 1005 *Segment Reporting* (issued in August 2000) for the first time from 1 July 2001.

Individual business segments have been identified on the basis of internal management reporting. The new business segments reported are Long Distance, Logistics, Toll North and Other.

Comparative information has been restated for the changes in definitions of segment revenues and results.

2. Revenue from Ordinary Activities

	Consolidated 2002 $'000	Consolidated 2001 $'000	The Company 2002 $'000	The Company 2001 $'000
Revenue from operating activities				
Services	**2,037,996**	1,602,798	**1,568**	695
Other Revenue				
From operating activities				
Dividends				
– Related parties	–	–	**20,000**	21,220
– Other parties	**48**	–	–	–
Distribution from trust	**364**	301	**4,991**	2,920
Rental revenue	**9,033**	3,471	**30**	272
Internal recharges	–	–	**41,486**	32,117
Interest				
– Other parties	**2,748**	1,113	**1,560**	86
From outside operating activities				
Proceeds from sale of non-current assets	**35,890**	30,244	–	–
Total revenue from ordinary activities	**2,086,079**	1,637,927	**69,635**	57,310

3. Expenses from Ordinary Activities

	Consolidated 2002 $'000	Consolidated 2001 $'000	The Company 2002 $'000	The Company 2001 $'000
Direct transport costs	**1,108,262**	916,072	–	–
Wages and salaries	**564,966**	400,672	**10,032**	16,664
Property costs	**107,157**	73,052	**2,771**	2,183
Corporate administrative costs	–	–	**12,135**	9,645
Other	**149,572**	147,009	–	–
Total	**1,929,957**	1,536,805	**24,938**	28,492

4. Profit from Ordinary Activities before Income Tax Expense

	Consolidated		The Company	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Profit from ordinary activities before income tax has been arrived at after charging/(crediting) the following items:				
Charging				
Borrowing costs:				
Other parties	14,762	5,365	12,942	4,645
Finance charges on capitalised leases	474	762	–	–
Less capitalised borrowing costs	(208)	(400)	–	–
Total borrowing costs	15,028	5,727	12,942	4,645
Depreciation of:				
Buildings	4,220	4,369	410	486
Plant and equipment	39,311	21,966	2,084	1,240
Total depreciation	43,531	26,335	2,494	1,726
Amortisation of:				
Leased assets capitalised	2,722	1,637	–	–
Goodwill	6,025	1,768	–	–
Borrowing costs	327	53	327	53
Total amortisation	9,074	3,458	327	53
Amounts set aside to provision for:				
Doubtful trade debts	450	1,522	15	–
Employee entitlements	15,685	20,285	925	3,983
Operating lease rental expense – property	46,380	41,155	844	695
– plant and equipment	56,299	39,641	–	–
Crediting				
Net gains/(losses) on sales of property, plant and equipment	3,989	3,598	–	–

5. Taxation

a) Income Tax Expense				
Prima facie tax payable @ 30% (2001 – 34%)	29,345	22,445	8,680	7,614
Tax effect of permanent differences				
Non deductible expenditure	773	1,860	259	735
Non deductible depreciation and amortisation	2,820	640	35	67
Rebate on dividend income	–	–	(6,000)	(7,215)
Tax deductible expenditure and depreciation not included in operating profit	(5,811)	(6,078)	(1,411)	(343)
Non-assessable gains	(1,171)	(692)	(493)	–
Assessable gains	263	31	492	–
Share capital of associates net profit	(2,799)	–	–	–
Income tax on the profit from ordinary activities before individually significant income tax items	23,420	18,206	1,562	858

5. Taxation (continued)

	Consolidated 2002 $'000	Consolidated 2001 $'000	The Company 2002 $'000	The Company 2001 $'000
Individually significant income tax items:				
Restatement of deferred tax balances due to change in income tax rate to 30%	–	(144)	–	22
Under/(Over) provision in prior years accounts	(282)	(1,647)	752	(1,972)
Income tax expense attributable to profit from ordinary activities	23,138	16,415	2,314	(1,092)
Total income tax expense is made up of:				
Current years income tax provision	26,904	21,511	2,209	1,415
Deferred income tax provision	(4,008)	(2,500)	146	(86)
Future income tax benefit	524	(949)	(793)	(449)
Under/(Over) provision in prior year	(282)	(1,647)	752	(1,972)
	23,138	16,415	2,314	(1,092)

(b) Current Tax Liabilities

Provision for Current Income Tax

	Consolidated 2002 $'000	Consolidated 2001 $'000	The Company 2002 $'000	The Company 2001 $'000
Movements during the year were as follows:				
Balance at beginning of year	18,158	6,531	902	2,056
Income tax paid	(21,747)	(8,009)	(1,963)	(553)
Income tax provision acquired	(255)	269	–	–
Current year's income tax expense on profit from ordinary activities	26,904	21,511	2,209	1,415
Under/(Over) provision in prior year	(451)	(2,144)	–	(2,016)
	22,609	18,158	1,148	902

(c) Deferred Tax Liabilities

Provision for Deferred Income Tax

Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% (2001: 30%) on the following items:

	Consolidated 2002 $'000	Consolidated 2001 $'000	The Company 2002 $'000	The Company 2001 $'000
Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	15,252	20,095	(262)	239
Expenditure currently deductible for tax but deferred and amortised for accounting purposes	3,679	3,305	51	(119)
	18,931	23,400	(211)	120

5. Taxation (continued)

	Consolidated 2002 $'000	Consolidated 2001 $'000	The Company 2002 $'000	The Company 2001 $'000
(d) Deferred Tax Assets				
Future Income Tax Benefit				
Future income tax benefit comprises the Estimated future benefit at the applicable rate of 30% (2001: 30%) of the following items:				
Provisions and accrued employee entitlements not currently deductible	**14,458**	11,757	**4,083**	2,942
Tax losses carried forward	**–**	728	**–**	–
	14,458	12,485	**4,083**	2,942
Future Income Tax Benefit Not Taken to Account				
The future income tax benefits arising from tax losses and timing differences in a controlled entity, which is a Company, which have not been recognised as an asset because recovery is not virtually certain:				
Tax losses carried forward	**4,578**	4,060	**–**	–

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 the consolidated entity 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.

6. Dividends Paid and Declared

	The Company 2002 $'000	The Company 2001 $'000
Dividends provided for or paid by the Company are:		
Ordinary		
In respect of the prior year		
(i) A final ordinary dividend of 18 cents per share franked to 70% with Class C (30%) franking credits paid 30 September 2001, in relation to shares issued following the exercise of Executive Share Options between 1 July 2001 and 14 September 2001.	**121**	–
In respect of the current year		
(i) an interim ordinary dividend of 18 cents per share franked to 100% with Class C (30%) franking credits, paid 28 March 2002 (2001: 15 cents 60% franked Class C (34%))	**12,311**	9,191
(ii) a final ordinary dividend of 22 cents per share franked to 100% with Class C (30%) franking credits (2001: 18 cents 70% franked Class C (30%)) has been declared by the Directors	**15,146**	11,050
	27,457	20,241

6. Dividends Paid and Declared (continued)

		The Company
	2002	2001
	$'000	$'000
Dividend franking account		
Net Class C (30%) franking credits (2001: 30%) available to Shareholders of Toll Holdings Limited for subsequent financial years.	**24,520**	8,165

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.

(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 2002 and 30 June 2001 were as follows:

Paid in cash – ordinary	**17,828**	12,538
Satisfied by issue of shares	**5,512**	5,576
Satisfied by reduction in employee share plan loans	**142**	154
	23,482	18,268

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

7. Receivables

		Consolidated		The Company
	2002	2001	**2002**	2001
	$'000	$'000	**$'000**	$'000
Current				
Trade debtors	**232,556**	190,901	**2,933**	–
Less: Provision for doubtful trade debtors	**7,318**	8,611	**15**	–
	225,238	182,290	**2,918**	–
Other debtors	**41,595**	32,653	**6,325**	1,067
	266,833	214,943	**9,243**	1,067
Non-current				
Loans to controlled entities (note 28)	**–**	–	**394,500**	118,253
Loans to associates	**24,484**	–	**–**	–
Other loans	**6,620**	3,174	**6,656**	3,157
	31,104	3,174	**401,156**	121,410

8. Inventories

	Consolidated 2002 $'000	Consolidated 2001 $'000	The Company 2002 $'000	The Company 2001 $'000
Raw materials and stores – at cost	9,047	7,596	–	–
	9,047	7,596	–	–

9. Other Assets

	Consolidated 2002 $'000	Consolidated 2001 $'000	The Company 2002 $'000	The Company 2001 $'000
Current				
Prepayments	17,592	21,932	4,268	2,955
Other	–	–	8,152	–
	17,592	21,932	12,420	2,955
Non current				
Deferred borrowing costs	1,642	1,579	1,642	1,579
Less Accumulated amortisation	380	53	380	53
	1,262	1,526	1,262	1,526

10. Investments Accounted for Using the Equity Method

	Consolidated 2002 $'000	Consolidated 2001 $'000	The Company 2002 $'000	The Company 2001 $'000
Non-current				
Associates (note 30 (a))	315,395	17,813	–	–
	315,395	17,813	–	–

11. Other Financial Assets

	Consolidated 2002 $'000	Consolidated 2001 $'000	The Company 2002 $'000	The Company 2001 $'000
Non-current				
Investments in other entities				
Shares in controlled entities, unquoted				
– at cost (note 29)	–	–	145,126	124,568
Associates	–	–	1,896	–
Listed shares – at cost	1	2,184	–	–
Unlisted shares – at cost	5,442	6,961	–	–
	5,443	9,145	147,022	124,568

12. Property, Plant and Equipment

	Consolidated 2002 $'000	Consolidated 2001 $'000	The Company 2002 $'000	The Company 2001 $'000
Land and Buildings				
Freehold land – at cost	**17,454**	14,239	**2,102**	2,102
Freehold buildings – at cost	**44,575**	43,973	**10,475**	10,475
Less: Accumulated depreciation	**7,709**	6,185	**2,058**	1,796
	36,866	37,788	**8,417**	8,679
Leasehold improvements – at cost	**51,880**	50,134	**3,816**	3,816
Less: Accumulated depreciation	**18,644**	16,660	**1,879**	1,731
	33,236	33,474	**1,937**	2,085
Total Land and Buildings	**87,556**	85,501	**12,456**	12,866
Plant and Equipment				
Plant and equipment – at cost	**425,109**	397,208	**12,882**	8,000
Less: Accumulated depreciation	**199,611**	202,854	**7,276**	5,192
	225,498	194,354	**5,606**	2,808
Leased plant and equipment – at cost	**32,368**	17,429	–	–
Less: Accumulated amortisation	**5,034**	3,748	–	–
	27,334	13,681	–	–
Total Plant and Equipment	**252,832**	208,035	**5,606**	2,808
Capital works in progress – at cost	**33,170**	23,948	**23,754**	8,281
Total Property, Plant and Equipment – Net book value	**373,558**	317,484	**41,816**	23,955
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	**14,239**	13,017	**2,102**	2,102
Additions	**3,741**	1,745	–	–
Acquisitions through entity acquired	**1,479**	1,102	–	–
Disposals	**(2,005)**	(1,625)	–	–
Carrying amount at end of year	**17,454**	14,239	**2,102**	2,102
Buildings				
Carrying amount at beginning of year	**37,788**	30,739	**8,679**	8,896
Additions	**2,025**	4,920	–	46
Acquisitions through entity acquired	**1,345**	3,542	–	–
Disposals	**(2,982)**	–	–	–
Depreciation	**(1,310)**	(1,413)	**(262)**	(263)
Carrying amount at end of year	**36,866**	37,788	**8,417**	8,679

12. Property, Plant and Equipment

	Consolidated 2002 $'000	Consolidated 2001 $'000	The Company 2002 $'000	The Company 2001 $'000
Leasehold improvements				
Carrying amount at beginning of year	33,474	35,952	2,085	2,308
Additions	2,396	428	–	–
Acquisition through entity acquired	1,110	1,922	–	–
Disposals	(834)	(1,872)	–	–
Amortisation	(2,910)	(2,956)	(148)	(223)
Carrying amount at end of year	33,236	33,474	1,937	2,085
Plant and Equipment				
Carrying amount at beginning of year	194,354	80,327	2,808	2,878
Additions	64,026	35,060	4,882	1,170
Acquisition through entity acquired	22,583	124,082	–	–
Transfer from capital works in progress	9,863	–	–	–
Disposals	(26,017)	(23,149)	–	–
Depreciation	(39,311)	(21,966)	(2,084)	(1,240)
Carrying amount at end of year	225,498	194,354	5,606	2,808
Leased plant and equipment				
Carrying amount at beginning of year	13,681	7,517	–	–
Additions	16,438	5,424	–	–
Acquisition through entity acquired	–	2,377	–	–
Disposals	(63)	–	–	–
Amortisation	(2,722)	(1,637)	–	–
Carrying amount at end of year	27,334	13,681	–	–
Capital works in progress				
Carrying amount at beginning of year	23,948	4,684	8,281	4,497
Additions	19,085	19,264	15,473	3,784
Transfer to plant and equipment	(9,863)	–	–	–
Carrying amount at end of year	33,170	23,948	23,754	8,281

Borrowing costs were capitalised to land at a weighted average rate of 6.0% (2001: 6.6%)

Included in plant and equipment additions are fair value adjustments in relation to previously acquired leased assets of $14.9 million.

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

	Consolidated 2002 $'000	2001 $'000	The Company 2002 $'000	2001 $'000
Goodwill – at cost	**75,044**	47,516	–	–
Less Accumulated Amortisation	**7,529**	1,768	–	–
	67,515	45,748	–	–

14. Payables

Current				
Trade creditors	**63,280**	53,546	–	–
Other creditors and accruals	**127,701**	110,173	**5,023**	9,306
	190,981	163,719	**5,023**	9,306

15. Interest Bearing Liabilities

Current					
Commercial bills	– secured	–	1,652	–	–
Commercial bills	– unsecured	**1,358**	1,500	–	–
Bank loans	– unsecured	**524**	–	–	–
Lease liabilities	– secured (note 27(d))	**11,790**	2,466	–	–
Hire purchase liabilities (note 27(e))		**1,074**	1,785	–	–
		14,746	7,403	–	–
Non current					
Commercial bills	– secured	–	10,808	–	–
	– unsecured	**222,501**	25,500	**200,000**	20,000
Convertible Notes	– unsecured, subordinated	**114,811**	114,811	**114,811**	114,811
Bank loans	– unsecured	**2,317**	10,000	–	–
Other loans	– unsecured	**3,226**	3,311	–	–
Lease liabilities – secured (note 27(d))		**16,986**	11,974	–	–
Hire purchase liabilities (note 27(e))		**1,736**	3,786	–	–
		361,577	180,190	**314,811**	134,811

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

16. Financing Arrangements

	Consolidated 2002 $'000	Consolidated 2001 $'000	The Company 2002 $'000	The Company 2001 $'000
The consolidated entity has unrestricted access at balance date to the following lines of credit:				
Bank overdraft – unsecured	**500**	500	–	–
Commercial bills	**354,829**	98,461	**345,000**	79,000
Other facilities	**104,311**	42,175	**38,437**	–
	459,640	141,136	**383,437**	79,000
Facilities utilised at balance date:				
Bank overdraft	–	–	–	–
Commercial bills	**226,648**	39,460	**200,000**	20,000
Other facilities	**50,107**	4,815	**38,437**	–
	276,755	44,275	**238,437**	20,000
Facilities not utilised at balance date:				
Bank overdraft	**500**	500	–	–
Commercial bills	**128,181**	59,001	**145,000**	59,000
Other facilities	**54,204**	37,360	–	–
	182,885	96,861	**145,000**	59,000

Security

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

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
Fixed Rate Funded and/or Capped Rate Funded	5,300	30 August 2003
Floating Rate Funded	35,000	30 November 2002
Floating Rate Funded	40,000	30 November 2004
Floating Rate Funded	20,000	31 December 2002
Floating Rate Funded	100,000	31 December 2002
Fixed Rate Funded	1,741	31 December 2003
Floating Rate Funded	50,000	8 January 2003
Floating Rate Funded	75,000	18 February 2003
Floating Rate Funded	25,000	27 June 2003
Fixed Rate Funded	2,788	4 April 2005
	354,829	

The weighted average effective interest rate is 5.67%.

16. Financing Arrangements (continued)

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.

17. Provisions

		Consolidated		The Company	
		2002	2001	**2002**	2001
	Notes	**$'000**	$'000	**$'000**	$'000
Current					
Restructure	33(d)	**4,563**	10,363	–	–
Dividends	6	**15,146**	11,050	**15,146**	11,050
Other		**29,944**	25,444	**2,144**	835
Employee entitlements		**61,495**	47,482	**9,490**	7,893
		111,148	94,339	**26,780**	19,778
Non-Current					
Other		**19,893**	5,775	–	–
Employee entitlements		**7,118**	8,065	**1,332**	1,462
		27,011	13,840	**1,332**	1,462
Employee Entitlements					
Aggregate employee entitlements, including on costs					
Current		**61,495**	47,482	**9,490**	7,893
Non-current		**7,118**	8,065	**1,332**	1,462
		68,613	55,547	**10,822**	9,355
Number of employees at year end		**9,764**	8,984		

18. Contributed Equity

	Notes	Consolidated 2002 $'000	Consolidated 2001 $'000	The Company 2002 $'000	The Company 2001 $'000
(a) Issued and Paid Up Capital					
68,845,331 ordinary shares fully paid (2001 – 61,387,592)		**265,490**	108,625	**265,490**	108,625

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% (2001: 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.

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

Date	Details	Number of Shares	Issue Price $	Share Capital $'000
Ordinary Shares				
1 Jul 2001	Opening balance	61,387,592	–	108,625
Various	Exercise of executive share options	957,000	2.15	2,054
31 Sep 2001	Dividend Reinvestment Plan Issue	78,922	23.29	1,838
24 Oct 2001	Placement Ordinary Shares	5,500,000	23.50	129,250
	Placement Underwriting Fee	–	–	(1,669)
12 Dec 2001	Share Purchase Plan	568,800	23.50	13,367
28 Mar 2002	Dividend Reinvestment Plan Issue	353,017	34.64	12,228
	Rounding – Issue of DRP Shares	–	–	(203)
	Closing Balance	68,845,331		265,490

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings.

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

As at 30 June 2002 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	8,000	1	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
29 May 2000	1,115,000	1,110,000	40	7.9700	28 May 2005
26 Jul 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	400,000	400,000	2	11.8242	1 Nov 2005
2 Nov 2000	100,000	100,000	1	7.9700	28 May 2005
27 Jun 2001	40,000	40,000	2	19.9100	26 Jun 2006
28 Nov 2001	20,000	20,000	1	23.7400	27 Nov 2006
25 Jan 2002	1,263,000	1,263,000	173	27.0100	24 Jan 2007

18. Contributed Equity (continued)

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.

957,000 ordinary shares were issued during the financial year on the exercise of options granted under the executive share option scheme (2001: Nil shares).

The market value of shares under these options at 30 June 2002 was $31.70.

The market value of options exercised during the year, at the time of exercise was $23,336,935 (2001: Nil).

The amount recognised in the financial statements of the Company and consolidated entity in relation to employee share options exercised during the financial year was $2,053,722 (2001: Nil).

19. Reserves

	Consolidated		The Company	
	2002 $'000	2001 $'000	**2002 $'000**	2001 $'000
Foreign Currency Translation				
Balance at beginning of year	**(48)**	–	–	–
Net translation adjustment	**656**	(48)	–	–
Balance at end of year	**608**	(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

	Consolidated		The Company	
	2002 $'000	2001 $'000	**2002 $'000**	2001 $'000
Retained profits at beginning of year	**88,566**	59,569	**3,598**	353
Net profit attributable to members of the parent entity	**74,156**	49,238	**26,620**	23,486
Dividends (Note 6)	**(27,578)**	(20,241)	**(27,578)**	(20,241)
Retained profits at the end of the year	**135,144**	88,566	**2,640**	3,598

21. Outside Equity Interests

	Consolidated 2002 $'000	2001 $'000
Outside equity interests in controlled entities comprise:		
Interest in retained profits at the beginning of the financial year after adjusting for outside equity interests in entities acquired during the financial year	273	687
Interest in operating profit after income tax	525	363
Interest in dividends provided for or paid	–	(550)
Interest in retained profits at the end of the financial year	798	500
Interest in share capital	714	50
Interest in reserves	–	–
Total outside equity interests	1,512	550

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 2002, the weighted average fixed rate was 5.47% (2001: 5.85%) and the floating rates were at bank bill rates. The weighted average effective floating interest rate at 30 June 2002 was 5.63% (2001: 5.88%).

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 7.50%.

22. Additional Financial Instruments Disclosure (continued)

Interest rate risk exposures

2002	Weighted Average Interest Rate	Floating Interest Rate $'000	Fixed interest maturing in: 1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets							
Cash	4.75%	47,550	–	–	–	–	47,550
Receivables		–	–	–	–	297,937	297,937
Investments		–	–	–	–	320,838	320,838
		47,550	–	–	–	618,775	666,325
Financial Liabilities							
Bank overdraft and loans	5.67%	216,871	1,829	8,000	–	3,226	229,926
Payables		–	–	–	–	190,981	190,981
Lease and HP liabilities	6.73%	–	12,864	18,722	–	–	31,586
Convertible notes	6.53%	–	–	114,811	–	–	114,811
Dividend payable		–	–	–	–	15,146	15,146
		216,871	14,693	141,533	–	209,353	582,450
Interest rate swaps*		(80,000)	30,000	50,000			

* Notional principal amount

Interest rate risk exposures

2001	Weighted Average Interest Rate	Floating Interest Rate $'000	Fixed interest maturing in: 1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets							
Cash	4.75%	46,896	–	–	–	–	46,896
Receivables		–	–	–	–	218,117	218,117
Investments		–	–	–	–	26,958	26,958
		46,896	–	–	–	245,075	291,971
Financial Liabilities							
Bank overdraft and loans	5.89%	37,650	1,892	9,918	–	3,311	52,771
Payables		–	–	–	–	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)

Credit Risk Exposures

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

Recognised Financial Instruments

The credit risk on financial assets, excluding investments, of the consolidated entity which have been recognised in the statements of financial position 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.

Unrecognised Financial Instruments

The credit risk exposures arising from derivative financial instruments not recognised in the statement of financial position 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:

Recognised 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.

Unrecognised Financial Instruments

The valuation of financial instruments not recognised on the statements of financial position 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.

22. Additional Financial Instruments Disclosure (continued)

Recognised Financial Instruments

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

	2002 Carrying amount $'000	Consolidated 2002 Net fair value $'000	2001 Carrying amount $'000	Consolidated 2001 Net fair value $'000
Financed Assets				
Cash assets	47,550	47,550	46,896	46,896
Receivables	297,937	297,937	218,117	218,117
Investments	320,838	320,838	26,958	26,958
	666,325	666,325	291,971	291,971
Financed Liabilities				
Bank overdrafts and loans	229,926	229,926	52,771	52,771
Payables	190,981	190,981	163,719	163,719
Lease and hire purchase liabilities	31,586	31,586	20,011	21,526
Convertible notes	114,811	113,679	114,811	112,366
Dividend payable	15,146	15,146	11,050	11,050
	582,450	581,318	362,362	361,432

Unrecognised Financial Instruments

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

	2002 $'000	2001 $'000
Interest rate derivatives	(13)	(385)

23. Directors' Remuneration

	Consolidated 2002 $	Consolidated 2001 $	The Company 2002 $	The Company 2001 $
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	**3,632,387**	2,951,690	**3,278,356**	2,541,652

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

$'000 – $'000	2002	2001
$ 50 – $ 60	–	3
$ 70 – $ 80	3	–
$100 – $110	1	–
$140 – $150	–	1
$160 – $170	1	–
$440 – $450	–	1
$530 – $540	1	–
$840 – $850	–	1
$930 – $940	–	1
$1,050 – $1,060	1	–
$1,200 – $1,210	1	–
	8	7

24. Executives' Remuneration

	Consolidated 2002 $	Consolidated 2001 $	The Company 2002 $	The Company 2001 $
Total income received, or due and receivable, from entities in the consolidated entity or related entities by Australian based executive officers (including Directors) whose income was at least $100,000.	**15,718,894**	12,563,162	**10,269,719**	11,817,871

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

$'000 – $'000	2002	2001	2002	2001
$100 – $110	**1**	1	**1**	1
$110 – $120	**–**	3	**–**	2
$120 – $130	**1**	2	**–**	2
$130 – $140	**2**	1	**2**	1
$140 – $150	**2**	6	**2**	6
$150 – $160	**2**	1	**2**	1
$160 – $170	**7**	3	**6**	2
$170 – $180	**2**	3	**1**	3
$180 – $190	**4**	2	**1**	2
$190 – $200	**2**	5	**1**	4
$200 – $210	**–**	4	**–**	4
$210 – $220	**5**	2	**3**	2
$220 – $230	**3**	2	**3**	2
$230 – $240	**3**	1	**–**	1
$240 – $250	**1**	4	**–**	4
$250 – $260	**3**	1	**2**	1
$260 – $270	**3**	3	**2**	2
$270 – $280	**2**	–	**1**	–
$280 – $290	**2**	–	**2**	–
$290 – $300	**1**	–	**–**	–
$300 – $310	**1**	–	**–**	–
$400 – $410	**1**	2	**–**	2
$410 – $420	**1**	–	**1**	–
$420 – $430	**1**	–	**1**	–
$430 – $440	**1**	–	**1**	–
$440 – $450	**–**	1	**–**	1
$450 – $460	**–**	1	**–**	1
$460 – $470	**–**	2	**–**	2
$470 – $480	**1**	–	**1**	–
$530 – $540	**3**	–	**1**	–
$840 – $850	**–**	1	**–**	1
$930 – $940	**–**	1	**–**	1
$1,050 – $1,060	**1**	–	**1**	–
$1,200 – $1,210	**1**	–	**1**	–
	57	52	**36**	48

25. Auditors' Remuneration

	Consolidated 2002 $	Consolidated 2001 $	The Company 2002 $	The Company 2001 $
Audit services:				
Auditors of the consolidated entity	**699,475**	565,343	**60,000**	60,000
Other services:				
– Taxation services	**558,658**	112,925	**75,000**	70,000
– Other services	**113,954**	386,214	–	–
	672,612	499,139	**75,000**	70,000
Total auditors' remuneration	**1,372,087**	1,064,482	**135,000**	130,000

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 issued bank guarantees and guaranteed the bank facilities of controlled entities in respect of bank overdraft, payroll and cheque clearing accounts	**50,107**	41,733	–	–

(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, Kentucky Woods Pty Ltd, Toll Properties Pty Ltd, Freshmark Pty Ltd, Refrigerated Roadways Pty Ltd, Toll Logistics Australia Pty Ltd, Toll Energy Logistics Pty Ltd, Toll North Pty Ltd, W & M Meats Transport Pty Ltd, Malleys Transport Pty Ltd, Toll IPEC Pty Ltd, Toll Technologies Pty Ltd, CJ Dean Transport Pty Ltd, Canberra Pacific Nominees Pty Ltd, Toll (FHL) Limited, Finemores Pty Ltd, Toll (Albury) Pty Ltd, Toll (Cowra) Pty Ltd, Toll Equipment (FFM) Pty Ltd, Toll (FGCT) Pty Ltd, Toll Pty Ltd, Toll (Fuel) Pty Ltd, Gainall Pty Ltd, Performance Leasing Pty Ltd, Takedda Pty Ltd, Toll Relocations Pty Ltd, Toll Technologies Investments Pty Ltd, Strang Stevedoring Australia WDW Pty Ltd, Autotrans Express (Aust) Pty Ltd, International Corporate Relocations Pty Ltd, Movinghome.com.au Pty Ltd, Toll Finance Pty Ltd, Toll Projects Pty Ltd, Toll Rail Holdings Pty Ltd, Toll Stevedoring 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.

(iv) 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 subject to specific provisions raised are of the opinion that no material liability exists.

(v) The company has guaranteed various bank guarantees issued on behalf of an associate.

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.

	Consolidated		The Company	
	2002	2001	**2002**	2001
	$'000	$'000	**$'000**	$'000
(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	**36,555**	24,842	**–**	–
(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	**78,934**	74,150	**961**	453
Later than one year but not later than five years	**189,591**	163,908	**562**	349
Later than five years	**80,093**	66,173	**–**	–
	348,618	304,231	**1,523**	802
Property	**249,134**	198,286	**394**	540
Plant and Equipment	**99,484**	105,945	**1,129**	262
	348,618	304,231	**1,523**	802
(d) Finance Lease Commitments				
Finance lease rentals are payable as follows:				
Not later than one year	**16,805**	3,569	**–**	–
Later than one year but not later than five years	**9,595**	12,734	**–**	–
Later than five years	**4,658**	–	**–**	–
Future lease rentals	**31,058**	16,303	**–**	–
Less: future finance charges	**2,282**	1,863	**–**	–
Total finance lease commitments in financial statements	**28,776**	14,440	**–**	–
Finance lease commitment				
Current (note 15)	**11,790**	2,466	**–**	–
Non-current (note 15)	**16,986**	11,974	**–**	–
Total lease liability	**28,776**	14,440	**–**	–

27. Commitments for Expenditure (continued)

	Consolidated		The Company	
	2002 $	2001 $	2002 $	2001 $
(e) Hire Purchase Commitments				
Hire purchase payments are payable as follows:				
Not later than one year	1,291	1,997	–	–
Later than one year but not later than five years	912	4,289	–	–
Later than five years	1,001	–	–	–
Minimum repayments	3,204	6,286	–	–
Less Future finance charges:	394	715	–	–
Total hire purchase commitments in the financial statements	2,810	5,571	–	–
Hire purchase liability				
Current (note 15)	1,074	1,785	–	–
Non-current (note 15)	1,736	3,786	–	–
Total hire purchase liability	2,810	5,571	–	–

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
Mr N Chatfield
Mr W Farrands
Mr R Paul (resigned 1 July 2002) and,
Mr R Dunning (appointed 25 July 2001)

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.

Transactions of Directors and Director Related Entities concerning Shares

An aggregate of 646 ordinary shares of Toll Holdings Limited were issued to directors in accordance with the Dividend Reinvestment Plan during the year (2001: 186,415).

An aggregate of 61,000 ordinary shares of Toll Holdings Limited were acquired by directors or their director related entities during the year (2001: Nil).

An aggregate of nil convertible notes of Toll Holdings Limited were acquired by directors or their director related entities during the year (2001: 1,518,953).

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 (2001: Nil).

2,537,625 ordinary shares of Toll Holdings Limited were disposed of by the directors or their director related entities during the year (2001: 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 19,077,802 (2001: 21,553,781).

28. Related Parties (continued)

At 30 June 2002, directors or their director related entities hold directly, indirectly or beneficially 900,000 options over ordinary shares (2001: 1,000,000).

During the year the Company granted options over 1,283,000 unissued shares under the Senior Executive Option Plan and Executive Share Option Scheme (2001: 570,000). Of these, nil options were granted to directors and their director-related entities on the same terms and conditions as those granted to other employees (2001: 500,000).

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 company within the group contributed $125,000 during the year to Paul Little Racing Pty Ltd for promotional and advertising arrangements. Paul Little Racing Pty Ltd, 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.

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 2002 and 30 June 2001 consisted of:

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

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

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

		The Company
	2002	2001
	$'000	$'000
Interest revenue	–	–
Rental revenue	**30**	272
Dividend revenue	**20,000**	21,220
Internal recharge	**41,486**	32,117
Distribution from Trust	**4,991**	2,920
Aggregate amounts receivable from related parties in the wholly owned group at balance date were as follows:		
Non-current receivables	**394,500**	118,253

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).

29. Particulars in Relation to Controlled Entities

Name of Entity	Notes	Class of Share	Equity Holding 2002 %	Equity Holding 2001 %
The Company				
Toll Holdings Limited				
Controlled Entities of Toll Holdings Limited				
Toll Transport Pty Limited	a,b	Ord	100	100
Toll Ports Pty Ltd	a,b	Ord	100	100
Hollandia Holdings Pty Ltd	b,i	Ord	–	100
Freshmark Pty Ltd	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) Pty Limited	a,b	Ord	100	100
Toll Projects Pty Ltd	a,b	Ord	100	–
Toll Rail Holdings Pty Ltd	a,b	Ord	100	–
Toll Finance Pty Ltd	a,b	Ord	100	–
Toll Stevedoring Pty Ltd	a,b	Ord	100	–
Toll Group (NZ) Limited	d	Ord	100	–
Controlled Entities of Toll Transport Pty Limited				
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 Limited	b,h	Ord	100	100
GeelongPort Pty Limited	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	b,i	Ord	–	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	a,b	Ord	100	100
Toll Technologies Investments Pty Limited	a,b	Ord	100	100
Toll Relocations Pty Ltd	a,b	Ord	100	100
Controlled Entities of Toll Relocations Pty Ltd				
International Corporate Relocations Pty Ltd	a,b	Ord	100	75
Controlled Entities of Toll Ports Pty Ltd				
Strang Stevedoring Australia WDW Pty Limited	a,b	Ord	100	100
Forest Products Terminal Pty Limited	a,b	Ord	100	100

29. Particulars in Relation to Controlled Entities (continued)

Name of Entity	Notes	Class of Share	Equity Holding 2002 %	Equity Holding 2001 %
Controlled Entities of Toll (FHL) Pty Limited				
Toll Pty Limited	a,b	Ord	100	100
C J Dean Transport Pty Ltd	a,b	Ord	100	100
Toll (Albury) Pty Limited	a,b	Ord	100	100
Toll (FLAG) Pty Ltd	b,k	Ord	–	100
Finemores (No 46) Pty Limited	b,i	Ord	–	100
L J Pty Limited	b,i	Ord	–	100
Takedda Pty Limited	a,b	Ord	100	100
A.E.I. Group Transport Services Pty Limited	b,i	Ord	–	100
Toll Equipment (FFM) Pty Ltd (Formerly Toll Fleet Management Pty Ltd)	a,b	Ord	100	100
Toll (FM) Pty Ltd	b,i	Ord	–	100
Finemore Properties Pty Ltd	b,i	Ord	–	100
Toll (FGCT) Pty Limited	a,b	Ord	100	100
Toll Holdings (Thailand) Limited	c,h	Ord	100	100
Resarta Pty Limited	b,h	Ord	100	100
Toll (Cowra) Pty Limited	a,b	Ord	100	100
Performance Leasing Pty Limited	a,b	Ord	100	100
Autotrans Express (Aust) Pty Ltd	a,b	Ord	100	50
Controlled Entities of Toll (FM) Pty Ltd				
Blanbury Pty Limited	b,i	Ord	–	100
Canberra Pacific Nominees Pty Limited	a,b	Ord	100	100
Controlled Entities of Takedda Pty Limited				
Gainall Pty Limited	a,b	Ord	100	100
Controlled Entities of Gainall Pty Limited				
Burnie Searoads Pty Limited	b,i	Ord	–	100
Finemores Pty Limited	a,b	Ord	100	100
Finemores (No 2) Pty Limited	b,i	Ord	–	100
Finemores (No 3) Pty Limited	b,i	Ord	–	100
Toll (Fuel) Pty Limited	a,b	Ord	100	100
Toll (FS) Pty Limited	b,i	Ord	–	100
Real Property Leases Pty Limited	b,i	Ord	–	100
Controlled Entities of Toll Holdings (Thailand) Co., Limited				
Toll Services (Thailand) Limited (formerly Finemores Logistics (Thailand) Co., Limited)	c,h,l	Ord	51	51
Toll (Thailand) Co., Limited	c,j,h	Ord	51	51
Controlled Entities of Toll Group (NZ) Limited				
Toll Finance (NZ) Limited	d	Ord	100	–
Toll (NZ) Limited	d	Ord	100	–
Controlled Entities of Toll (NZ) Limited				
Toll Logistics (NZ) Limited	d	Ord	100	–
Toll Logistics (CL) Limited	d	Ord	75	–

29. Particulars in Relation to Controlled Entities (continued)

(a) Entities have entered into a Deed of Cross Guarantee with Toll Holdings Ltd in respect of relief granted from specific accounting and financial reporting requirements in accordance with a class order executed by the ASIC on 13 August 1998.
(b) Incorporated in 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) Entity deregistered during the year.
(j) Remaining 49% owned by Toll Holdings Limited.
(k) During the year 100% of the issued shares of Toll (FLAG) Pty Ltd were sold.
(l) Remaining 49% owned by Toll (FHL) Pty Ltd.

30. Investments Accounted for Using the Equity Method

	Consolidated		The Company	
	2002 $'000	2001 $'000	**2002 $'000**	2001 $'000
Share of net profits accounted for using the equity method included in the statement of financial performance – associates	**9,330**	414	–	–

Investments in Associates

Details of investments in associates are as follows:

Name	Ordinary Share ownership interest Consolidated & The Company 2002 %	2001 %	Investment Carrying Value Consolidated 2002 $'000	2001 $'000	The Company 2002 $'000	2001 $'000
BBF Logistics Pty Limited (Warehouse & Logistics)	50 Ord Class	50	–	–	–	–
PrixCar Services Pty Ltd (Pre-dealer motor vehicle preparation)	33 Ord Class	33	**5,702**	5,416	–	–
Actraint No 126 Pty Limited (Management)	50 Ord Class	50	–	–	–	–
Minto Properties Pty Limited (Property Owner)	100 Ord 'B' Class	100	**8,993**	8,876	–	–
SeaHighway Pty Limited (Property Owner)	100 Ord 'B' Class	100	**3,080**	3,521	–	–
Pacific National Pty Ltd (Rail Operator)	50	–	**295,724**	–	–	–
Albany Bulk Handling Pty Limited (Bulk Handling)	50	–	**1,896**	–	**1,896**	–
			315,395	17,813	**1,896**	–

(i) Balance date for all associated companies is 30 June 2002.

(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 2002 by the consolidated entity amounted to $1,396,667.

30. Investments Accounted for Using the Equity Method (continued)

		Consolidated
	2002 $'000	2001 $'000
Results of associates		
Shares of associates' profit from ordinary activities before income tax	13,329	481
Share of associates income tax attributable to profit from ordinary activities	(3,999)	(64)
Share of associates net profit	9,330	417
Adjustments:		
– amortisation of goodwill arising from investment	–	(3)
Share of associates net profit accounted for using the equity method	9,330	414
Share of post-acquisition retained profits and reserves attributable to associates		
Retained profits		
Shares of associates retained profits at beginning of year	164	–
Shares of associates net profits accounted for using the equity method	9,330	414
Dividends from associates	(1,397)	(250)
Share of associates retained profits at end of year	8,097	164
Movements in carrying amount of investments		
Carrying amount of investments in associates at the beginning of the financial year	17,813	–
Investments in associates acquired during the year	289,649	17,649
Share of associates net profit	9,330	414
Dividends received from associates	(1,397)	(250)
Carrying amount of investments in associates at end of year	315,395	17,813
Commitments		
Share of associates operating lease commitments payable:		
Within one year	40,811	4,197
One year or later and no later than five years	98,688	15,677
Later than five years	116,278	11,411
	255,777	31,285

30. Investments Accounted for Using the Equity Method (continued)

	Consolidated 2002 $'000	2001 $'000
Contingent Liabilities		
Share of associates contingent liabilities		
(i) Guaranteed bank facilities	7,403	–

(ii) An associate, Pacific National, has defined benefit superannuation schemes which are underfunded. The net shortfall of approximately $11.486 million is not reflected in the statement of financial performance or the statement of financial position of this company. Pacific National has no current legal obligation to immediately bring the fund back to a fully funded position. Pacific National shall contribute to the fund in line with actuarial recommendations to ensure the fund remains solvent and is able to meet all its obligations as they pertain to the company's employees.

Summary financial position of associates

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

	Consolidated 2002 $'000	2001 $'000
Current assets	106,838	5,247
Non-current assets	668,690	26,513
Total assets	775,528	31,760
Current liabilities	124,821	4,682
Non-current liabilities	331,380	17,071
Total liabilities	456,201	21,753
Net assets – as reported by associates	319,328	10,007
Adjustments arising from equity accounting:	(3,933)	7,806
Net assets – equity adjusted	315,395	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 and Directors' 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 Limited	11 June 1993
Toll Ports Pty Ltd	11 June 1993
Freshmark Pty Ltd	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
Toll IPEC Pty Ltd	26 October 1999
Malleys Transport Pty Ltd	16 February 2000
Toll Technologies Pty Ltd	5 June 2000
C J Dean Transport Pty Ltd	5 June 2001
Canberra Pacific Nominees Pty Limited	5 June 2001
Toll (FHL) Pty Limited (formerly Finemore Holdings Limited)	5 June 2001
Finemores Pty Limited	5 June 2001
Toll (Albury) Pty Limited (formerly Finemores (No 4) Pty Limited	5 June 2001
Toll (Fuel) Pty Limited (formerly Finemores (No 6) Pty Limited)	5 June 2001
Toll (Cowra) Pty Limited (formerly Finemores Cowra Pty Limited)	5 June 2001
Toll Equipment (FFM) Pty Ltd (formerly Finemores Fleet Management Pty Ltd)	5 June 2001
Toll (FGCT) Pty Limited (formerly Finemores GCT Pty Limited)	5 June 2001
Toll Pty Ltd (formerly Finemores Pty Limited)	5 June 2001
Gainall Pty Limited	5 June 2001
Performance Leasing Pty Limited	5 June 2001
Takedda Pty Limited	5 June 2001
Forest Products Terminal Pty Limited	12 June 2001
Strang Stevedoring Australia WDW Pty Limited	12 June 2001
Toll Relocations Pty Ltd	12 June 2001
Toll Technologies Investments Pty Limited	12 June 2001
Autotrans Express (Aust) Pty Ltd	29 October 2001
Movinghome.com.au Pty Ltd	27 November 2001
Toll Rail Holdings Pty Ltd	25 February 2002
International Corporate Relocations Pty Ltd	4 June 2002
Toll Finance Pty Ltd	4 June 2002
Toll Projects Pty Ltd	4 June 2002
Toll Stevedoring Pty Ltd	4 June 2002

31. Deed of Cross Guarantee (continued)

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 2002 is set out below:

		Consolidated
	2002 $'000	2001 $'000
Statement of financial performance		
Profit from ordinary activities before income tax	93,422	64,415
Income tax expense relating to ordinary activities	22,197	16,208
Profit from ordinary activities after income tax	71,225	48,207
Net profit	71,225	48,207
Retained profits at the beginning of the financial year	97,037	60,072
Dividends provided for or paid	27,578	20,491
Retained profits at the end of the financial year	140,684	87,788
Statement of financial position		
Cash assets	28,047	43,622
Receivables	248,333	205,687
Inventories	8,030	7,228
Other	25,032	19,893
Total Current Assets	309,442	276,430
Receivables	31,103	3,090
Investments accounted for using the equity method	291,626	17,737
Other financial assets	5,443	9,145
Property, plant and equipment	359,668	306,194
Intangible assets	65,535	45,420
Deferred tax assets	14,458	12,113
Other	1,262	1,526
Total Non-Current Assets	769,095	395,224
TOTAL ASSETS	1,078,537	671,654
Payables	177,793	157,816
Interest bearing liabilities	11,492	7,404
Current tax liabilities	22,609	17,913
Provisions	108,512	92,229
Total Current Liabilities	320,406	275,362
Interest bearing liabilities	349,867	165,245
Deferred tax liabilities	18,931	23,176
Provisions	26,882	13,780
Total Non-Current Liabilities	395,680	202,201
TOTAL LIABILITIES	716,086	487,563
NET ASSETS	362,451	194,091
Contributed equity	220,958	106,312
Reserves	(698)	(9)
Retained profits	140,684	87,788
TOTAL EQUITY	362,451	194,091

32. Segment Information

The consolidated entity comprises the following main business segments, based on the consolidated entity's management reporting system.

Business Segments	Long Distance		Toll North		Logistics		Other		Eliminations		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue												
Operating segment revenue	866,616	719,638	375,192	336,849	775,355	540,824	20,833	5,487	–	–	**2,037,996**	1,602,798
Other segment revenue	10,484	2,830	5,052	4,169	13,378	6,254	19,169	21,875	–	–	**48,083**	35,129
Inter segment revenue	105,575	52,257	8,748	8,262	8,113	7,287	533	123	(122,969)	(67,929)	–	–
Total Segment Revenue	982,675	774,725	388,992	349,280	796,846	554,365	40,535	27,485	(122,969)	(67,929)	**2,086,079**	1,637,927
Total Revenue											**2,086,079**	1,637,927
Result												
Segment Result	42,721	27,370	17,491	12,211	32,984	18,780	3,332	2,784	–	–	**96,528**	61,145
Share of net profit of equity accounted investments	–	–	–	–	–	–	9,330	414	–	–	**9,330**	414
Unallocated corporate expenses											**8,039**	(4,457)
Profit from ordinary activities before income tax expense											**97,819**	66,016
Income tax expense											**23,138**	16,415
Profit from ordinary activities after income tax expense											**74,681**	49,601
Net Profit											**74,681**	49,237
Depreciation and amortisation	23,526	9,495	9,548	9,060	15,802	7,717	3,729	3,521			**52,605**	29,793
Non-cash expense other than deprecation and amortisation	6,692	7,928	3,954	4,354	4,747	4,954	742	4,571			**16,135**	21,807
Assets												
Segment assets*	299,301	–	115,429	–	240,289	–	179,343	–	–	–	**834,362**	–
Equity accounted investments	–	–	–	–	–	–	315,395	–	–	–	**315,395**	–
Consolidated Total Assets											**1,149,757**	–
Liabilities												
Segment liabilities*	130,713	–	44,102	–	136,571	–	435,617	–	–	–	**747,003**	–
Equity accounted investments	–	–	–	–	–	–	–	–	–	–	–	–
Consolidated Total Liabilities											**747,003**	–
Acquisition of non-current assets	39,047	–	9,475	–	24,906	–	60,794	–			**134,228**	–

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.

Inter-segment pricing is determined on an arms length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

* Prior year comparatives of segment assets and liabilities have not been disclosed as it was impracticable.

33. Notes to the Statement of Cash Flows

	Consolidated 2002 $'000	Consolidated 2001 $'000	The Company 2002 $'000	The Company 2001 $'000
(a) Reconciliation of cash				
For the purposes of the Statements of Cash Flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Statements of Cash Flows:				
Cash at bank and on hand	**47,550**	46,896	**11**	179
(b) Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities				
Profit from ordinary activities after income tax	**74,681**	49,601	**26,620**	23,486
Add/(Less) non-cash items				
Depreciation and amortisation	**46,580**	28,025	**2,821**	1,779
Amortisation of goodwill	**6,025**	1,768	**–**	–
Provision for doubtful trade debtors	**450**	1,522	**15**	–
Write down of investments	**435**	–	**–**	–
(Profit)/loss on sale – other	**(3,989)**	(3,598)	**–**	–
Share of associates net profit	**(9,330)**	(414)	**–**	–
Net cash inflow from operating activities before changes in assets and liabilities	**114,852**	76,904	**29,456**	25,265
Changes in assets and liabilities adjusted for effects of purchase and disposal of controlled entities during the financial year:				
(Increase)/decrease in trade debtors	**(27,230)**	(130)	**(2,933)**	–
(Increase)/decrease in other debtors	**(6,727)**	5,168	**(10,474)**	428
(Increase)/decrease in inventory	**(1,056)**	(856)	**–**	–
(Increase)/decrease in prepayments	**1,910**	(5,975)	**(1,313)**	(669)
Increase/(decrease) in trade creditors	**8,231**	(21,528)	**(6)**	–
Increase/(decrease) in other creditors	**10,943**	32,628	**(2,997)**	7,186
Increase/(decrease) in provision for employee entitlements	**3,258**	2,162	**1,466**	1,483
(Increase)/decrease in loan to controlled entities	**–**	–	**(35,995)**	(14,264)
Increase/(decrease) in income taxes payable	**4,505**	11,437	**246**	(1,154)
(Increase)/decrease in future income tax benefit	**526**	(179)	**(1,141)**	(524)
Increase/(decrease) in provision for deferred income tax	**(4,569)**	(2,367)	**(331)**	(184)
Net cash inflow/(outflow) from operating activities	**104,643**	97,264	**47,968**	17,567

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

2002	$'000
(i) During the financial year the consolidated entity purchased part of the transport business operations of Wesfarmers Ltd. Details of the acquisition are as follows:	
Consideration	16,241
Cash acquired	–
Outflow of cash	16,241
Fair value of net assets of entity acquired:	
Property, plant & equipment	17,541
Inventories	105
Prepayments	373
Other assets	8
Other creditors	(63)
Provision for employee entitlements	(973)
Provision for restructuring	(750)
Consideration (cash)	16,241

The business operations of Wesfarmers Transport were acquired on 12 November 2001 and the operating results of the business have been included from that date.

A restructuring provision of $750,000 was established restructuring the operations of the business, involving fleet relivery and rationalisation of employee numbers. A balance of $399,973 remains in the provision at 30 June 2002.

33. Notes to the Statement of Cash Flows (continued)

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

2002	$'000
(ii) During the financial year the consolidated entity purchased part of the DX business operations of Ausdoc Ltd. Details of the acquisition are as follows:	
Consideration	13,288
Cash acquired	–
Outflow of cash	13,288
Fair value of net assets of entity acquired:	
Property, plant & equipment	6,196
Future income tax benefit	517
Prepayments	335
Trade debtors	12,543
Other assets	259
Trade creditors	(553)
Other creditors	(2,086)
Lease liability	(396)
HP liability	(169)
Provision for employee entitlements	(1,725)
Provision for deferred income tax	(100)
Provision for restructuring	(1,500)
Other provisions	(9,233)
	4,088
Goodwill on acquisition	9,200
Consideration (cash)	13,288

The business operations of the DX business were acquired on 30 June 2002.

A restructuring provision of $1,500,000 was established for restructuring the operations of the business, involving the rationalisation of employee numbers. A balance of $1,500,000 remains in the provision at 30 June 2002.

33. Notes to the Statement of Cash Flows (continued)

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

2001	$'000
(i) During the financial year the consolidated entity purchased 100% of the voting shares of Toll (FHL) Pty Limited. Details of the acquisitions are as follows:	
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

Toll (FHL) Pty 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 $2,314,510 remains in the provision at 30 June 2002.

Adjustments to the restructure provision of $4,611,227 occurred during the period due to finalisation of various outstanding matters.

33. Notes to the Statement of Cash Flows (continued)

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

2001	$'000
(ii) During the financial year the consolidated entity purchased 100% of the voting shares of Strang Stevedoring Australia WDW Pty Ltd. Details of the acquisitions are as follows:	
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 $NIL remains in the provision at 30 June 2002.

33. Notes to the Statement of Cash Flows (continued)

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

2001	$'000
(iii) During the financial year the consolidated entity purchased the business operations of AR Neal. Details of the acquisitions are as follows:	
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 $NIL remains in the provision at 30 June 2002.

33. Notes to the Statement of Cash Flows (continued)

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

2001	$'000
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:	
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.

(e) Non-cash financing and investment activities

(i) During the year the consolidated entity increased plant and equipment with an aggregate fair value of $18.8 million (2001: NIL) by means of finance leases and hire purchase agreements.

(ii) 431,939 shares with an aggregate value of $13.9 million (2001: $5.5 million) were issued in accordance with the Dividend Reinvestment Plan in lieu of remitting cash dividends.

(iii) A final prior year dividend of 18 cents per share and an interim current year dividend of 18 cents per share was utilised to reduce employee loans in accordance with the Employee Share Plan. Employee loans were reduced as a result by $142,000 (2001: $154,000).

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

34. Earnings Per Share

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.

	Consolidated 2002 $'000	2001 $'000
Earnings reconciliation		
Net profit	74,681	49,601
Net profit attributable to outside equity interests	525	363
Basic earnings	74,156	49,238
After tax effect of interest on convertible notes	5,234	773
Diluted earnings	79,390	50,011
	'000	'000
Weighted average number of shares used as the denominator		
Number for basic earnings per share		
Ordinary shares	66,486	61,172
Effect of executive share options on issue	1,813	1,631
Effect of redeemable convertible notes	6,754	1,055
Number for diluted earnings per share	75,053	63,858

During the course of the year 957,000 options were converted to ordinary shares. The diluted EPS calculation includes that portion of these options assumed to be issued for nil consideration, weighted with reference to the date of conversion. The weighted average number is 201,289.

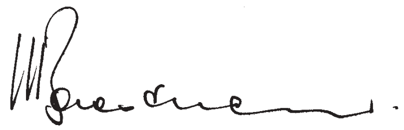
35. Events Subsequent to Balance Date

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 these 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 14 to 61 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 2002 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 2001; and
    (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.
2. There are reasonable grounds to believe that the Company and the subsidiaries identified in Note 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 2002.

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 2002, consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes, and the directors' declaration set out on pages 14 to 62. 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 and 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 2002 and of their performance for the year ended on that date; and
- ii) complying with Accounting Standards and the Corporations Regulations; and

(b) other mandatory professional reporting requirements.

KPMG

J J O'Connell
Partner

5 September 2002

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 27 August 2002.

A. Distribution of shareholders

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

	Number	Units	%
1 – 1,000	6,641	2,542,763	3.70
1,001 – 5,000	2,777	5,964,599	8.66
5,001 – 10,000	337	2,238,774	3.25
10,001 – 100,000	234	6,245,987	9.07
100,001 – and over	46	51,853,208	75.32
	10,035	68,845,331	100.00

There were two hundred and seventy six holders with less than a marketable parcel of ordinary shares.

Each ordinary share is entitled to one vote per share.

B. Twenty largest shareholders

The names of the twenty largest shareholders are listed below:

	Name	Number of Ordinary Shares Held	Percentage of Issue Shares %
1	Mr Paul Alexander Little	8,275,704	12.02
2	Mostia Dion Nominees Pty Ltd	7,883,190	11.45
3	JP Morgan Nominees Australia	5,047,193	7.33
4	PGA (Investments) Pty Ltd	3,611,251	5.25
5	National Nominees Limited	3,250,236	4.72
6	Westpac Custodian Nominees Limited	2,328,213	3.38
7	Wadham Nominees Pty Ltd	2,112,160	3.07
8	Australian Foundation Investment Company Limited (Investment Portfolio A/C)	2,000,000	2.91
9	Commonwealth Custodial Services Limited	1,559,121	2.26
10	The National Mutual Life Association of Aust Limited	1,225,455	1.78
11	Queensland Investment Corporation	1,086,705	1.58
12	AMP Life Limited	1,057,636	1.54
13	Cable Nominees Pty Ltd (33390 A/C)	1,000,000	1.45
14	NRMA Nominees Pty Limited	858,776	1.25
15	RBC Global Services Australia Nominees Pty Ltd (JBEMEP A/C)	839,480	1.22
16	Zurich Australia Limited	758,925	1.10
17	Citicorp Nominees Pty Limited (CFS WSLE Imputation Fund A/C)	680,054	0.99
18	ANZ Nominees Limited	629,472	0.91
19	RBC Global Services Australia Nominees Pty Ltd (RA A/C)	625,172	0.91
20	Camrock (Australia) Pty Ltd	571,880	0.84
	Total	45,400,623	65.96

C. Substantial shareholders

The following are substantial shareholders of the Company.

		Number and Percentage of Shares in which interest held in Ordinary Shares	
	Name	Number	Interest %
(a)	Mr Paul Alexander Little and related bodies corporate	8,484,147	12.32
(b)	Mr Mark Rowsthorn and related bodies corporate	8,236,100	11.96
(c)	JP Morgan Nominees Australia Limited	5,047,193	7.37
(d)	PGA (Investments) Pty Ltd	3,611,251	5.28

Company directory

Directors

Chairman
Peter Rowsthorn
(retired 5 September 2002)
John Moule AM
(appointed 5 September 2002)

Managing Director
Paul Little

Executive Directors
Mark Rowsthorn
Neil Chatfield

Non-Executive Directors
William Farrands
Ross Dunning AC
Ronald Paul AM
(retired 1 July 2002)

Divisional Directors

John Ludeke	Long Distance
Don Telford	Logistics
Terry Mallon	Toll North
Stephen Stanley	Strategy
Hugh Cushing	Group 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

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

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

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