



Level 8/380 St Kilda Road
Melbourne VIC 3004
Telephone: (03) 9694 2888
Facsimile: (03) 9694 2880

19 December, 2003

The Manager
Australian Stock Exchange
Company Announcement Office
Level 4
20 Bridge Street
Sydney NSW 2000

Lodged Through ASX On Line
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Dear Sir

TRANZ RAIL AGM – CHAIRMAN'S ADDRESS

Please find attached for immediate release to the market, the Chairman's Address for the Tranz Rail Annual General Meeting held today in New Zealand.

Yours faithfully
TOLL HOLDINGS LIMITED

A handwritten signature in black ink, appearing to read "B. McInerney", written in a cursive style.

Bernard McInerney
Company Secretary

Encl.

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INCORPORATING TOLL HOLDINGS LIMITED ACN 006 592 089 AND SUBSIDIARIES
A.B.N. 25 006 592 089

The Total Logistics Solution



TRANZ RAIL

19 December 2003

CHAIRMAN'S ADDRESS

Financial Performance for the Year Ended 30 June 2003

For the year ended 30 June 2003, the company produced an after tax loss of \$2.6m, compared to a loss of \$122.8m in the previous year.

Group revenue was \$610m for the year which was 9.2% lower than the previous years revenue of \$666m.

In December 2002, the company completed a capital raising of \$65m through a 5 for 7 rights issue of new shares at 75 cents per share. At the time of issuing the prospectus for this raising the company forecast an operating profit for the 2003 financial year of \$53.1m.

Whilst the company's actual 2003 operating profit of \$40m exceeded the previous year of \$25.5m, it fell short of the prospectus forecast due to a number of factors including:

- increased competition on the Cook Strait
- lower than expected cost savings in terminal operations
- increased insurance costs
- costs associated with the disposal of certain assets and businesses which did not occur
- increased financing costs
- increased taxation expense due to the recognition of an impairment of tax losses.

These negative factors were partly offset by the positive impact of foreign exchange rates on leases and fuel, lower operating costs reflecting lower freight volumes compared with forecast, releases of provisions not required, and higher than anticipated depreciation savings from asset write downs.

At the end of the 2003 financial year the company had total debt of \$280m including the \$44m Crown secured deposit, and during the year completed negotiations for new bank facilities through to June 2004. As was the case in relation to the previous year, the company did not pay any dividends for the year.

The 2003 financial year was disappointing for the company, as it again failed to live up to financial expectations.

Toll Holdings Ltd Takeover

Toll Holdings Ltd declared its takeover bid unconditional on 10 October 2003, and at present holds approximately 84.2% of the company's issued share capital. The Toll bid will close on 22 December 2003.

Since becoming a subsidiary of Toll, the company has made a number of management changes, with Mr David Jackson assuming the role of CEO and Mr Austen Perrin becoming Chief Financial Officer.

Management has commenced a wide ranging review of operations and expects the outcome of this extensive review to be completed during the first half of the 2004 calendar year. This review will cover:-

- Determination of non-core assets if any and strategies dealing with their disposal.
- Assessment of risk management systems.
- Review of internal and external financial reporting processes.
- Detailed assessment of carrying value of assets and operations.
- Development of customer relationship management strategies.
- Assessment of Safety, Health and Environmental systems.
- Review of Information Technology systems throughout the Group.
- Consideration of financial projections and financing structure.
- Impact of the Crown infrastructure transaction on the operations of the company.

Transaction with the Crown

During July 2003 the company entered into a Heads of Agreement with the New Zealand Government, which essentially passes ownership and control of the rail track infrastructure back to the Crown, with Tranz Rail retaining its exclusive right on usage.

A revised Heads of Agreement was entered into by Toll subject to the Toll takeover of Tranz Rail being successfully completed.

The agreements in relation to executing the revised Heads of Agreement are currently being negotiated and Tranz Rail and the Crown have been working together to finalise details of the network asset sale, the proposed access arrangements and the scope and functions of the TrackCo entity.

The sale of the rail network and network assets to the Crown is currently being finalised and is expected to be completed in early 2004.

An interim access and management agreement under which the Crown gives Tranz Rail network access and Tranz Rail manages TrackCo on behalf of the Crown will be signed on completion of the network assets sale.

Negotiation of the final access agreement will commence once the final TrackCo structure is agreed with the Crown. The final access agreement is expected to be signed during the next six months, at which time the Crown will take over responsibility for managing TrackCo.

Tranz Rail is confident the Crown's objectives for TrackCo are aligned with Tranz Rail's objectives to create an efficient, highly commercial and cost focussed track operator that promotes reliable rail transport. We understand the importance of Rail to New Zealand and the ongoing importance it plays in the overall transport infrastructure, and the contribution it provides to the New Zealand community.

As part of the proposed arrangement with the Crown, Tranz Rail has committed to invest at least \$100m in rolling stock and locomotives over five years. Management is in the process of planning for this investment.

Shareholders can access the full Heads of Agreement by visiting the New Zealand Government website.

Corporate Governance

In line with the recently announced New Zealand stock exchange new corporate governance regime which will come into force in the next 12 months, and recognising the current trends in corporate governance best practice; the company has conducted a review of its policies and practices.

The review has determined a number of matters as follows;

- Board Committees

The Board has in place an Audit Committee, Safety Committee and Compensation Committee. In addition, the company has established a Conflicts Committee whereby any issues arising in which Directors may be conflicted can be resolved.

Audit Committee

The Audit and Financial Risk Committee considers any matters relating to the financial affairs of the company and the Tranz Rail group's external audit.

Members of the Committee are currently Mr Loughlin and Mr Armstrong.

Safety Committee

The role of the Safety Committee is to intensify the culture of safety at Tranz Rail and raise the performance of the Group in relation to the safety of the employee, the customer and the public.

The Safety Committee oversees the Board's commitment to establish and continually improve the health and safety standards and practices in relation to employees, customers and members of the public. The Committee reviews and assesses the effectiveness of the Group's health and safety strategy.

Members of the Committee are currently Mr Jackson, Mr Perrin and Mr Armstrong.

Compensation Committee

The role of the Compensation Committee is to advise the Board on employee compensation matters across the company.

Members of the Committee are Mr Rowsthorn and Mr Loughlin.

Conflicts Committee

The role of the Conflicts Committee is to determine any matter in which Directors may be "interested" as defined under the Companies Act 1993.

Members of the Conflicts Committee currently comprise Mr Loughlin, Mr Jackson and Mr Armstrong.

The company is continuing its review of all Corporate Governance processes to ensure that it complies with contemporary best practice standards.

Outlook

Trading results since 30 June have been satisfactory. Revenue to date is in line with expectations and slightly ahead of this time last year. Rail freight revenue however is being impacted by lower forestry exports arising from the strong New Zealand currency.

I note the advice from P&O and Port of Tauranga in the last few days in relation to planned additional container movements through the Port of Tauranga. This is likely to assist with freight volumes through that Port.

Recurring costs are also generally in line with expectations.

The company has incurred various costs in relation to takeover advisory and employee termination, and together with the results of the management review of asset values will be incorporated into the 6 months to December 2003 financials.

Since 30 June 2003 the company has restructured its financing arrangements with the following steps;

- Exercising the early buyout option in respect of the Aratere vessel lease, following receipt of a loan from Toll for \$77m.
- Repaid the Crown loan of \$44m and received funding for working capital following a loan from Toll for \$50m.

These steps are the first in a range of measures designed to ensure that the company's capital structure is capable of supporting future strategies and commitments.

I can also announce that the board has yesterday approved a further loan from Toll in the amount of \$55m maturing early 2005. This will be applied for the purpose of repaying existing bank debt and providing additional working capital. The loan will be secured by a negative pledge and is conditional on a waiver from the NZX.

The loans from Toll which have been provided on a commercial arms length basis have also in the short term eased the company's tight liquidity situation.

The various Toll loans, together with the outstanding unsecured notes amounting to \$100m, all mature in late 2004 or early 2005.

The company is currently exploring a range of alternatives, most of which are likely to require shareholder support, in order to meet the debt repayments as they fall due.

Whilst management's review of operations is yet to be finalised, based on the current financial position of the company and expected future capital expenditure commitments, it is not expected that the company will be in a position to declare any dividends in the foreseeable future.

The full year earnings outlook cannot be predicted with any accuracy at this point due to the possible financial impact of any issues raised during the course of the management review, however we will be updating shareholders on the impact of the review once this becomes clearer.