



GOING PLACES

TOLL HOLDINGS LIMITED ANNUAL REPORT 2004



RECORD FINANCIAL PERFORMANCE

	2004	2003	% CHANGE
REVENUE (\$M)*	3,272.0 ✓	2,569.8	27%
PROFIT BEFORE INCOME TAXES (\$M)*	212.1 ✓	137.4	41%
INCOME TAX (\$M)*	38.7 ✓	30.3	28%
PROFIT AFTER INCOME TAX FOR MEMBERS (\$M)	168.6 ✓	106.1	59%
EARNINGS PER SHARE FULLY DILUTED (¢)	50.1 ✓	34.6	45%
DIVIDENDS PER SHARE (¢)	20.5 ✓	14.5	41%

✓ Best ever Toll Holdings result since listing

* Excludes equity share of Pacific National

OUR SUSTAINED PERFORMANCE SINCE LISTING

	2004	1994	% CHANGE
REVENUE (\$M)	3,272.0	118.5	2661%
PROFIT BEFORE INCOME TAXES (\$M)	212.1	8.8	2098%
INCOME TAX (\$M)	38.7	2.5	1448%
PROFIT AFTER INCOME TAX FOR MEMBERS (\$M)	168.6	6.1	2664%
EARNINGS PER SHARE FULLY DILUTED (¢)	50.1	6.3*	695%
DIVIDENDS PER SHARE (¢)	20.5	3.0*	583%

* Adjusted for share split 4:1

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DEAR FELLOW INVESTOR,

By virtually any measure, 2004 was another great year. Once again, we achieved record revenue and profit – our 11th consecutive year. A double-digit increase in both measures is an outstanding performance, and we strongly believe one of the keys to consistent profit growth, is consistent revenue growth. In the last 12 months we've importantly earned more of our existing customers' business, and what's especially exciting is how well our recent acquisitions are impacting our performance. As the pages unfold, you will understand clearly why Toll is going places.

Among our achievements in 2004:

- revenue (excluding Pacific National) was a record \$3.27 billion, up 27.3 percent. Underpinning this strong result: the impact of a full year's trading of prior acquisitions, the inclusion of Toll New Zealand (formerly Tranz Rail) operations, and strong organic growth from new contracts which contributed revenues of \$197 million, a 7.7 percent increase on 2003 total revenue;
- earnings before interest and income tax (EBIT) (excluding the equity share of Pacific National) – a record \$193 million, up 51 percent. Driving this strong performance: were excellent results from Toll IPEC, Toll Priority and Toll New Zealand;
- our net profit of \$168.6 million, is some 5.5 times larger than what it was five years ago, and more than twice that of just two years ago;
- EBIT margins (excluding Toll New Zealand), one of our key measures of operational efficiency, grew strongly to 5.32 percent, a 6.3 percent increase on last year. When you consider this includes the low EBIT contributions from Mayne Express and Ausdoc DX, this really is a very solid performance;
- Pacific National contributed an after tax equity accounted result of \$41.8 million, a 47.8 percent increase on last year which really was a highlight; and
- our most recent acquisition in October 2003, Toll New Zealand, contributed a net profit of \$23.4 million on revenues of \$415 million.

Strong operating cashflows grew 44 percent to \$210 million, giving us greater flexibility to improve our services. And what's impressive, this result includes a \$164 million investment in infrastructure, new technology, new fleets and investments associated with new major contracts.

Net debt at fiscal year end was \$317 million, and net debt to equity fell from 42 percent in 2003, to 30 percent in 2004. Thanks to the continued strength and consistency of our financial performance we set another record for the company: a total dividend per ordinary share of 20.5 cents, a 41 percent increase on the previous year.

Put it all together, and Toll is in a very healthy position. Our outstanding financial position is not just a short-term phenomenon, but year-on-year, a confirmation of the power and focus on the execution of our strategic plan. Consider this, when we floated in 1993 our market capitalisation was less than \$118 million. Today, as we write this year's report it's in excess of \$3.6 billion and as at 30 June 2004 we ranked 51st on the ASX Top 150 Australian Companies.

So, how is it that Toll continues to achieve record profits and record revenue growth? We believe, there are five reasons:

First

OUR VISION IS UNCHANGED

We have not wavered from our vision, our values and time-tested business model. What drives Toll, is the realisation of supply chain excellence. Our product is integrated logistics solutions. Our competitive advantages: scale and diversity of services, infrastructure and technology, integrating our customers with their suppliers. The payoff: delivery of integrated solutions along the total supply chain, building strong long-term collaborative partnerships, backed up by something nobody else can copy: our people... all 17,375 of them, across 450 locations throughout Asia-Pacific, who continue to achieve industry-leading results.

Each of these capacities takes a long time to build and the barriers to entry are daunting. They are not things you easily acquire. But Toll has all of that. That's what differentiates us, helping multiply our sales and business opportunities, enabling us to deliver more than our competitors, securing more of our existing customers' business, attracting new customers and driving new acquisition opportunities. Consider in 2004:

- we've achieved record organic growth rates of 7.7 percent. And this is on the back of a consistent 7 percent organic growth rate average for the past three years, highlighting the underlying strength of Toll's unique business model. We are very confident we will see similar results into the future;
- a significant number of new contracts were signed during the period from customers such as BlueScope, BOC, Cadbury Schweppes, Coca-Cola Amatil, Coles Myer and Zinifex;
- we successfully completed the acquisition of 84 percent of Tranz Rail, now called Toll New Zealand, and have begun a restructuring program to improve customer focus, financial performance and the overall positioning. We are very excited by the opportunities in New Zealand, restructuring is well under way but there is still much to do; and
- our 50 percent share in Pacific National has been greatly enhanced through two acquisitions and our Queensland expansion plans: Tasmania's Australian Transport Network (ATN) was completed in March and Freight Australia in September, after protracted negotiations with the vendor, Rail America, the Australian Competition and Consumer Commission (ACCC) and the Victorian Government. Our planned Queensland expansion for the 2005 calendar year, will deliver additional growth opportunities.

What makes us so optimistic is existing customers who have decided to seek greater competitive advantage by fundamentally improving their supply chain management, are increasingly underpinning our results. In other words, we are winning more of our existing customers' business and volumes are increasing as a percentage of contribution to the overall Group result. And experience tells us this: acquisitions as they mature only help drive organic growth, and considering we've successfully integrated 40 companies over 18 years, this is something we're pretty good at. We're building our reputation on it and as far as we're concerned, you couldn't ask for better business.

Second

LOGISTICS IS AN EXCITING GROWTH MARKET

If we had to pick one industry in which to compete and grow, we'd pick integrated logistics. It's an engine of growth for any highly developed economy – and one of the world's most exciting, dynamic and fragmented industries. Although we're focused on Asia-Pacific, we're competing in a global market worth trillions of dollars and growing. The three major logistics markets of North America, Europe and Asia are ripe for consolidation and market share gains, outsourcing opportunities continue unabated and there is growing recognition that the drive for supply chain excellence is transforming the world of business. Frankly, market factors that play directly to our strengths.

This is good news for Toll.

Consider just three short years ago, almost 100 percent of our revenue was generated within Australia. In 2004, it was 84 percent. That means 16 percent of our revenue comes from international operations in New Zealand and South East Asia (including Thailand, Malaysia and Singapore). What is not so well known, is that we also serve customers in other countries with our international freight forwarding activities.

Today, we're much more than an Australian company, or even an Australian and New Zealand organisation. Through careful and strategic planning we're evolving into a leading Asia-Pacific solutions provider, and as we have had stated on numerous occasions, we favour partnering with Australian-based multi-nationals or joint venturing with established companies in targeted segments and locations. The idea of Toll Asia-Pacific is really beginning to take hold – and when you consider the market size – the potential for Toll is a tremendous long-term opportunity.

A quick overview of the logistics markets illustrates the point. Australia and New Zealand have a combined value of \$66 billion – estimated to more than double within the next 10 years – and yet we have only about 6 percent, even though we're the number 1 road and rail operator in Australia, the number 1 coastal shipping operator in Australia, the number 1 rail and number 2 road operator in New Zealand. When you then include the market called South East Asia, whose market size is much harder to accurately quantify, it is safe to say the potential for Toll to grow market share in this larger, but more highly fragmented arena, is enormous.

Third

DIVERSITY, SCALE AND INFRASTRUCTURE

Customers are increasingly realising if they're going to respond rapidly and effectively to today's dynamic marketplace, they need to integrate all activities horizontally across, not just their whole company, but their entire supply chain, from customers to suppliers. Where it was once all about getting from A-to-B, today that is fast becoming everything from A-to-Z.

Customers want to partner with a provider that believes long-term success is dependent on owning and investing in operational diversity and critical infrastructure that enables true integration. Few people think about it, but much (or everything) depends on infrastructure. When it doesn't work, the process collapses. For us, there aren't a lot of companies in the logistics business that are prepared to put up millions to invest in infrastructure. We can. And we do. That's why Toll has been building the region's most comprehensive road, rail, sea, ports and warehousing infrastructure for more than a decade now. Pure and simple, our diversity, scale and infrastructure hold tremendous opportunities for growth.

A review of our sector performance helps illustrate this point:

- in the food, beverage and retail sectors, which contributed about 43 percent of Group revenues in 2004, strong performance was driven by new contract wins, Coca-Cola Amatil, Coles Myer, Masterfoods, Moores, National Foods, Schweppes, Woolworths and a growing demand for end-to-end supply chain solutions. Our retail customers, for example, are now increasingly focused on extending the supply chain all the way to the retail shelves and we rolled out a number of projects in 2004 that helped our customers achieve long-term cost benefits and greater supply chain efficiencies;
- in the automotive sector record volumes, particularly from Ford and Holden, were met with increased investment in new fleet and new technology solutions to satisfy demand;
- in the highly competitive industrial sector, where manufacturing essentially sits, volumes remained stable, although our profitability was at the lower end of Toll's performance criteria this year. However, we see great opportunities to improve supply chain efficiency in this sector;
- in ports and resources, mining activity was the star performer, with increased export demand, especially for coal. And we strengthened our port facilities in New Zealand when we acquired the Auckland business of Leonard and Dingley in January, 2004; and
- in relocations, new contract wins towards the end of the operating year mean a bright future.

What's interesting is the mix of asset utilisation – rail is quickly catching road in terms of revenue generation split. Five years ago 77 percent of goods and services was shifted by road and 17 percent by rail. Today that has altered dramatically to 42 percent road, 28 percent rail. Simply, rail offers us a more effective strategy to deliver superior solutions for long distance haulage, less time-sensitive bulk goods and services, like wheat and coal. The diversity and scale of our intermodal solutions means a more powerful integrated solution for our customers. And we are pleased to say our customers agree. In 2004, we won new long distance business in retail, automotive and manufacturing sectors.

There is no question; rail is where the action is at the moment, where the market opportunities are dynamic and where a lot of issues are being resolved. Beginning on page 10 you'll find the story of Toll Rail. And why it is a powerful growth engine.

Fourth

TECHNOLOGY IS MORE THAN A TOOL

Tucked inside Toll are over 120 technology specialists. What they help us achieve is this: the ability to commit to real transformation of customers' supply chains through ideas and the technologies to make it happen. Our technologists are pioneering unique supply chain solutions. Ideas flow in. Solutions flow out. The process creates powerful competitive advantages for Toll. We're building a solid reputation in business innovation and to make sure we don't lose that lead, we committed more than \$30 million to technology research, development and telecommunications in 2004.

But we have consistently made this important point: technology itself is not the end. It's a means to an end, and a cornerstone of Toll's service quality. Ask our customers about return on investment and they will likely show you better utilisation of inventory, better order books, better customer relationships, greater visibility across their supply chain, reduced costs, frankly a more competitive business. So we're learning to really measure progress not just through our own eyes but also from our customers' view point. And that's why technology is more than a tool, it is powerful differentiator. And competitive advantage.

Fifth

WHY GROWTH IS GOOD FOR TOLL. AND FOR SHAREHOLDERS

Growth has an embracing effect on morale. It leads to expanding opportunities and provides Toll with the ability to attract, retain and motivate outstanding people in each of the areas in which we participate. Through their efforts we are the largest, and most dynamic provider of total integrated logistics in our region.

We have a rock solid strategy and brand. A commitment to infrastructure like no other. Unique technology. Long-term partnerships. And over 17,000 dynamic Toll people. Worldwide integrated logistics is growing and in our region set to more than double by 2017.

The key messages we have delivered year-after-year have not altered. Our focus is unchanged, our drive undiminished, and our enthusiasm undaunted. We believe with our unique integrated model we are capable of producing double-digit revenue growth if we continue to execute our business model successfully, to earn more of our customers' business, expand carefully and strategically internationally and acquire the right kind of companies.

In many ways though, financial measures can't begin to describe what drives our business and builds our brand. Our balance sheet doesn't include line items for drive, enthusiasm, smart innovative thinking, even though they are among the cornerstones of our foundation. Nor does it place a dollar value on long-term partnerships and the way we think about service, or describe our attitude.

Toll has never stood still. Even with our success, we have never been satisfied to merely 'hold the course'. It is part of our culture to actively pursue new opportunities and approaches to business, in order to advance our company's position. We're committed to keeping our customers, our people and our shareholders satisfied. And we love what we do.

A special thank you this year to William (Bill) Farrands, who will retire from our Board this October. Bill joined our Board in 1997. His service on the Remuneration and Succession Planning and Audit and Financial Risk Committees along with his valued opinion will be sorely missed. We wish Bill and his family all the best in his retirement.

We want to thank you all for your support and we look forward to delivering another great result next year. We know that we'll be reporting more records for your company because, simply, Toll is going places.



JOHN MOULE Chairman



PAUL LITTLE Managing Director

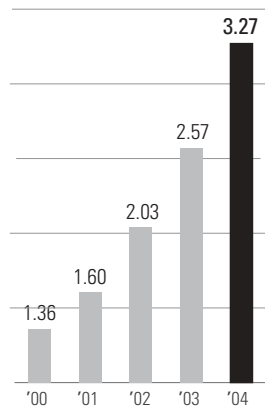
AN EXCELLENT FINANCIAL PERFORMANCE

Another great year: double-digit growth in revenue, profit and earnings per share

FIVE YEAR TRENDS

REVENUE

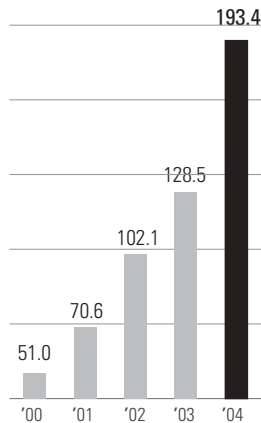
(\$B) Dollars in billions



Revenue was up **27%** with benefits of past and new acquisitions as well as new contracts delivering growth.

EBIT

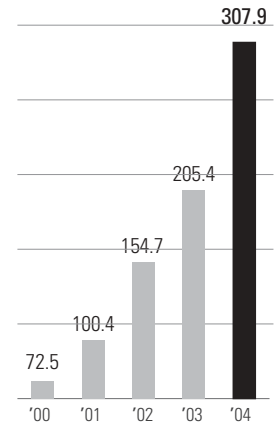
(\$M) Dollars in millions



Improvement is underpinned with EBIT margin growing to **5.91%** benefitting from lower costs and new acquisitions.

EBITDA

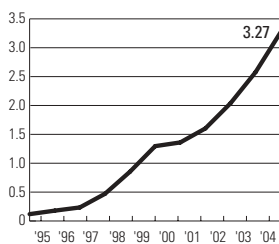
(\$M) Dollars in millions



EBITDA was up **50%** with all divisions contributing improved results.

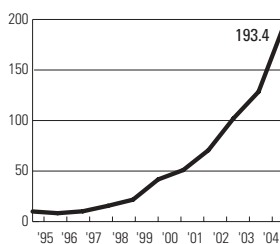
TEN YEAR TRENDS

\$Billion



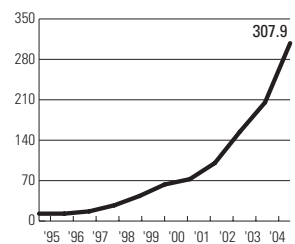
Growth in revenue reflects the acceptable confidence of our business model with 7.7%, or \$197m, of new business generated in the year.

\$Million



Another record year-on-year as results reflect the benefits of integrating acquisitions, capital expenditure and technology.

\$Million



Underlying growth in EBITDA and the resultant cash flow has enabled the business to continue its strategic growth.

A GROWING MARKET LEADERSHIP POSITION

REGISTERED VEHICLES AND EQUIPMENT

29,000+

UP 5.5% FROM 2003
AND UP 9.4% FROM 2002

SITES

450+

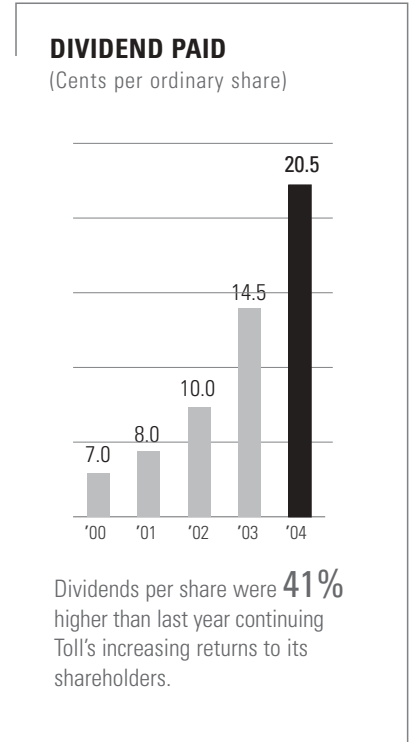
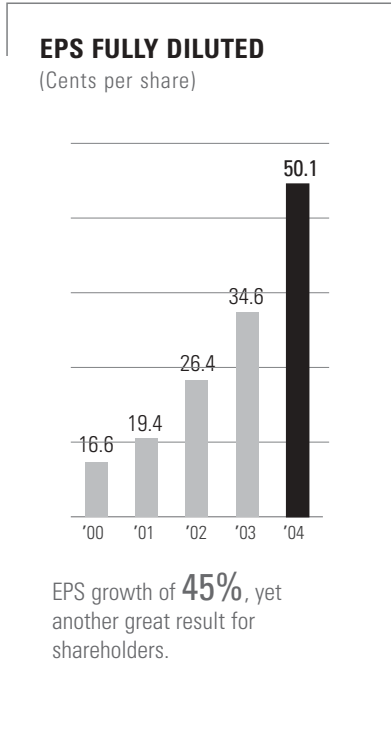
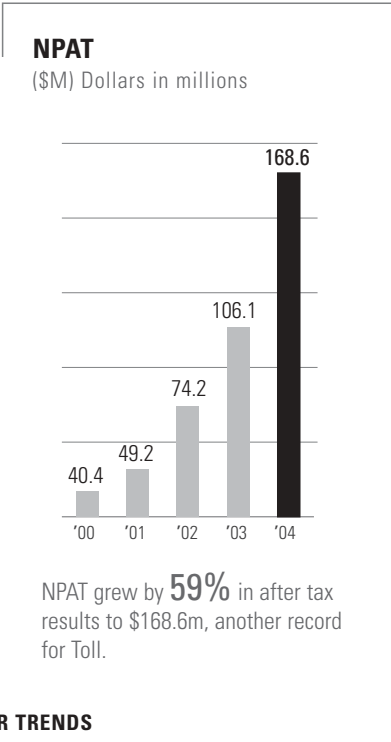
UP 12.5% FROM 2003
AND UP 28.5% FROM 2002

WAREHOUSE CAPACITY

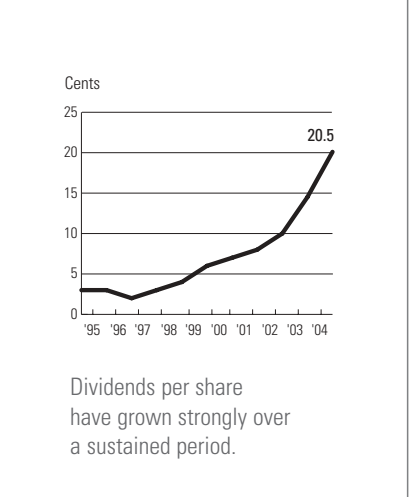
1,750,000m²

UP 6% FROM 2003
AND UP 16.6% FROM 2002

FIVE YEAR TRENDS



TEN YEAR TRENDS



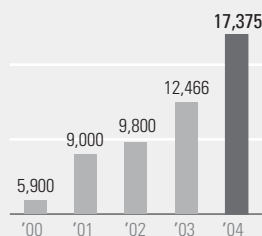
TONNES PER ANNUM*

23,500,000+

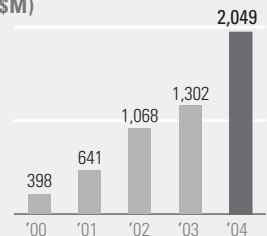
UP 35% FROM 2003
AND UP 38% FROM 2002

*Excludes Pacific National

EMPLOYEES



TOTAL TANGIBLE ASSETS (\$M)



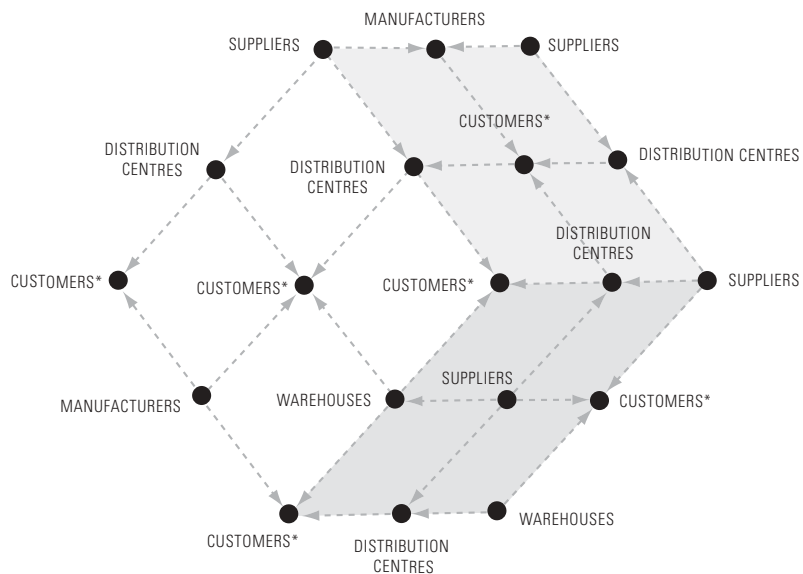
GOING PLACES ALONG THE TOTAL SUPPLY CHAIN

To respond rapidly and effectively to today's dynamic marketplace, Toll's customers are wanting to do more to integrate their logistics horizontally across not just their whole company, but their entire supply chain – linking with their manufacturers and suppliers, their distributors and their customers.



Supply chain excellence requires real integration – of processes, people, ideas and work – to create connected networks of trading partners.

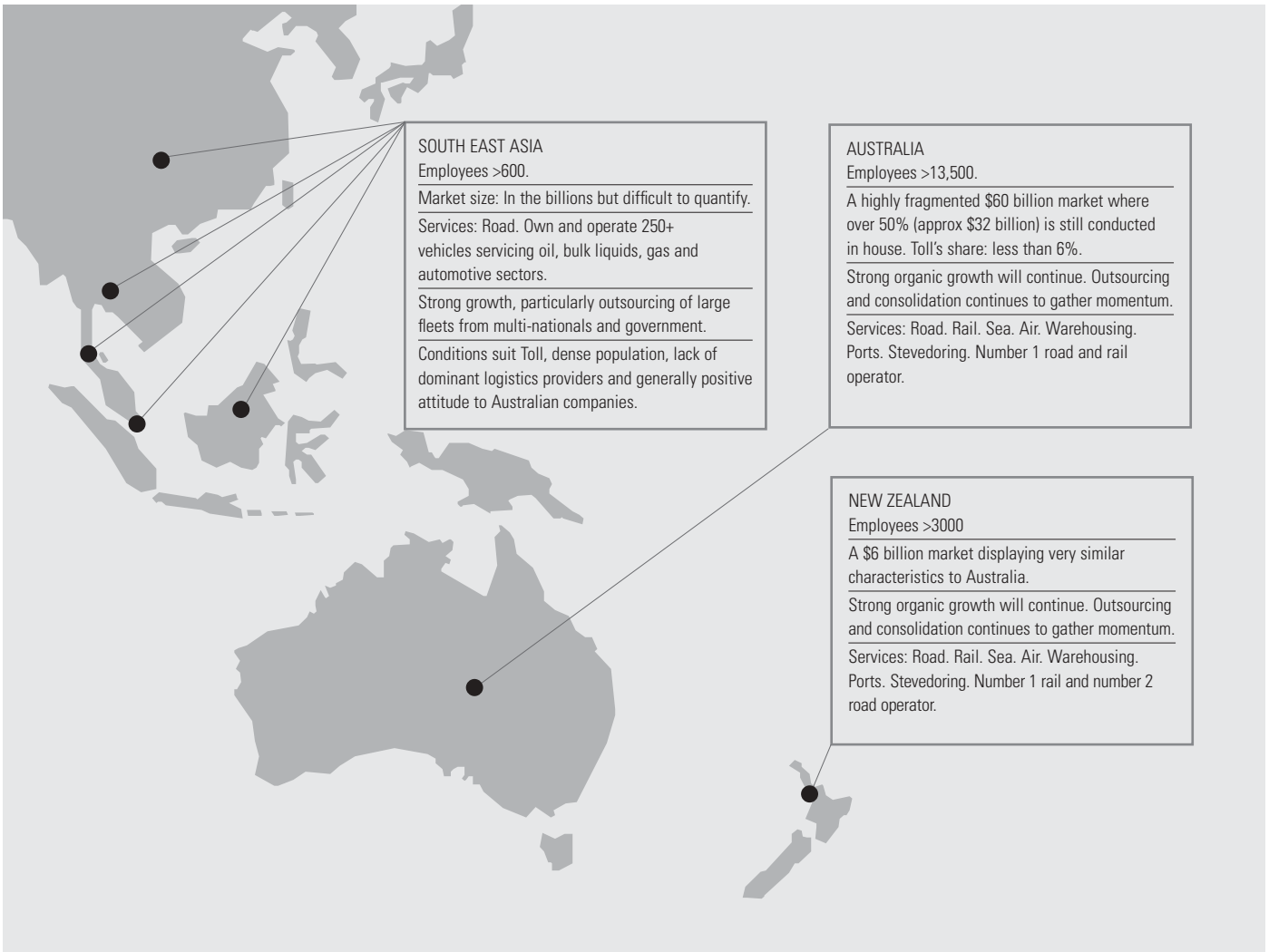
Put simply, Toll connects the dots.



*Customers include consumers and retailers

And integration requires expertise, scale, diversity of services, infrastructure and technology solutions. As Australia's only truly integrated total logistics solutions provider, the opportunities for Toll to go places across the whole supply chain, are enormous.

GOING PLACES REGIONALLY



GOING PLACES WITH TECHNOLOGY

Technology is shaping the future of integrated logistics. And while most companies focus on matching and beating their rivals, here at Toll, we have a different attitude. Our approach is not about technology for technology's sake, but rather what we can do with it – to improve service, solve a problem, integrate a customer's supply chain – in short, manage information to make our customers more competitive. And that's the focus of over 120 Toll technology specialists. With a dedicated annual budget for research, development and telecommunications – in 2004 it was \$30 million – our technologists are constantly evaluating industry-specific

problems. And delivering industry-specific solutions. This kind of experience built up over years is not easily replicated. When married with our impressive unique model, the effect for Toll is powerful differentiation. There is the language of technology: software, hardware, the Internet, servers, browsers, object-oriented programming and Java. And there is the language of business: return on investment, lower inventory levels, faster-to-market, cheaper costs and better customer service. At Toll we speak both, very well.

GOING PLACES WITH RAIL

A significant shift is underway in our industry. What we're talking about, of course, is the restructuring of the rail freight sector in Australia.

For the last few decades, rail has been an industry in decline, characterised by poor reliability, extended transit times, freight damage and inflexible capacity. And no other form of transport in Australia is as cost sensitive to volume as rail, in the most part driven by high fixed costs and extensive regulation. You only need consider rail's lowly 20 percent market share of long distance freight in Australia to realise why serious rail reform is long overdue.

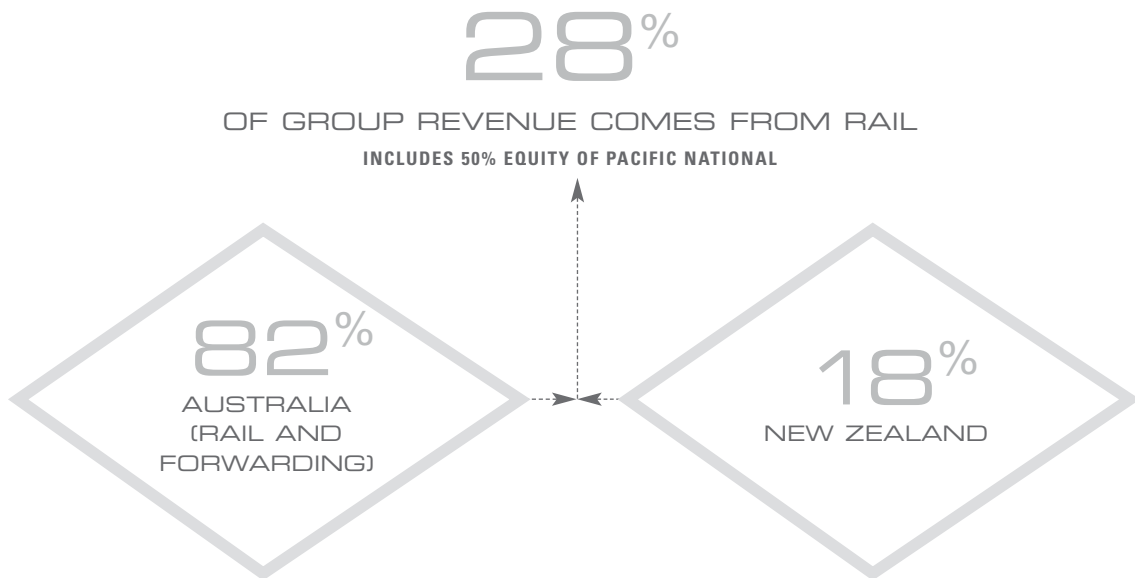
The good news, a lot more people are beginning to understand the efficiency of any modern economy is directly linked to the modernisation and sophistication of its transportation system. And the only way to achieve truly integrated supply chain management requires unlocking the capabilities of all modes of transport – road, rail, sea and air – and, in fact, making them feed each other, to work together, efficiently and cost effectively.

Thus, the big decision we made early on – to invest in rail – was a fairly easy one. Simply, it is hard to refute the benefits of rail's powerful long-term and sustainable advantages for long distance freight, especially when you consider these facts reported by the Deputy Prime Minister and Minister for Transport and Regional services, The Hon John Anderson MP, at the 'Launch of the Australian Rail Industry Report':

- trucks and cars are responsible for around 15 percent of total greenhouse gas emissions and nearly 90 percent of the nation's transport greenhouse gas emissions;
- rail has much stronger environmental credentials: moving freight by rail is nine times more energy efficient than moving by road;
- freight hauled by rail is over 30 times safer per tonne than the equivalent hauled by road;
- rail freight has the potential to remove at least half the articulated vehicle movements from Australia's highways – just five extra trains per day, each way between Sydney and Melbourne would achieve this figure, improving road safety and saving half a million tonnes of greenhouse gases each year;
- all the external costs which society has to bear are not normally factored into a direct cost comparison between the two modes. Compare the construction costs per kilometre for rail and road – approximately \$1 million and \$2 million respectively; and
- as logistics continues to grow – set to double by 2017 – rail has significant surplus capacity.

However, unlocking the capabilities and promise of rail is no quick fix. Rail is very capital intensive and requires long-term heavy investment, in new infrastructure, network improvements and rolling stock enhancements. The disparate number of operators – four majors and numerous smaller niche players – needs further rationalisation to assist the larger private operators achieve adequate returns within satisfactory risk profiles.

The recent initiatives of State-based Governments is proof positive of strong support. The Federal Government allocation of \$1.8 billion through Auslink for the next five years is helping fund important upgrades to rail infrastructure, especially the North-South transport corridor linking Melbourne, Sydney and Brisbane and the key national ports of Port Botany in Sydney, Dynon in Melbourne and Port River Expressway in Port Adelaide.



The other big shift driving the modernisation of rail in Australia is infrastructure sharing, working with your competitors to reduce operating costs wherever possible, and banking the savings. In 2002, Toll joined forces with Patrick Corporation to acquire Australia's major rail haul operations, FreightCorp and National Rail. Today that company is a powerful and dynamic rail organisation called Pacific National with a turnover of \$1.1 billion and an EBIT of \$144.8 million. The contribution to Toll's 2004 result, after tax equity earnings of \$41.8 million, up 48 percent on last year.

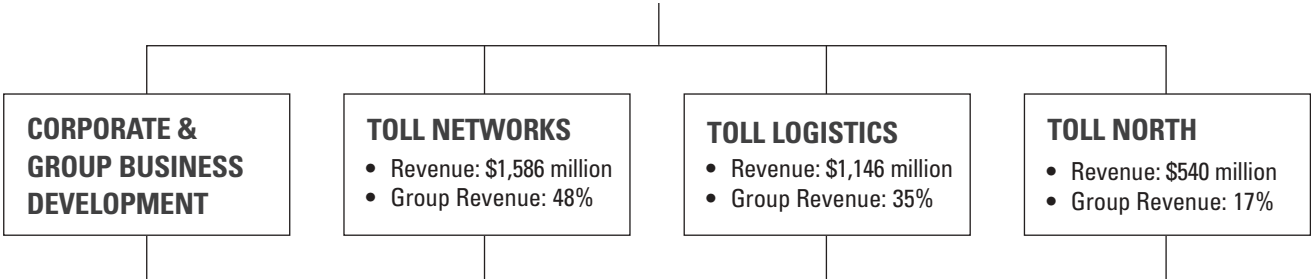
Even though only two years old, Pacific National is growing through consolidation: in March 2004, Pacific National acquired 100 percent of the Australian Transport Network, the Tasmanian-based rail network vital to Tasmania's expanding international trade. And in September 2004, Pacific National finalised the acquisition of Victorian-based, Freight Australia which generates revenues of \$200 million, mainly from grain haulage, timber, mining and intermodal container freight.

Major retailers, automotive manufacturers, bulk goods suppliers and grain suppliers are increasingly pushing for rail as a larger part of their supply chain solution. And with the completion of the acquisition of Tranz Rail Holdings in New Zealand in October 2003, Toll continues to expand heavily in rail to meet demand. We are now the #1 rail operator in Australia and New Zealand, and when you consider only 20 percent of Australia and New Zealand's long distance freight is transported using rail, the opportunities for Toll are immense.

There is no question rail freight is growing and increasing its modal share. New locomotives, wagons and handling equipment are all part of the long-term commitment that Toll and our partners, and indeed our customers, are making to rail freight. For example, the number of containers moved by rail to and from major ports continues to grow, and there have been significant increases in long distance rail freight from other industrial markets, such as petrochemicals and automotive.

The rail industry in Australia and New Zealand is in a state of rapid transformation aimed at meeting the increasing expectations and demands of today's market but when all's said and done, we are still really at the beginning of the journey – a journey we believe will take five years or more to achieve the improvements outlined. Toll is at the heart of these developments, and Toll people are fired up by what we can achieve. The benefits of rail are full of promise, for Toll and our shareholders.

GOING PLACES WITH A UNIQUE RANGE OF SERVICES



CORPORATE & GROUP BUSINESS DEVELOPMENT

TOLL NETWORKS

- Revenue: \$1,586 million
- Group Revenue: 48%

TOLL LOGISTICS

- Revenue: \$1,146 million
- Group Revenue: 35%

TOLL NORTH

- Revenue: \$540 million
- Group Revenue: 17%

GROUP SOLUTIONS

Group Business Development promotes Toll's broader operational capability and new supply chain technology capabilities through key areas such as Tender Response Management, Major Account Management, New Group Business Development and Toll Solutions (MTS)

ROAD

- Courier Services – Same Day Metropolitan;
- Courier, Passport and Visa Advisory Services to the Travel Industry • Parcel Express
 - Palletised Less than Truck Load (LTL) Economy and Express Services
- Full Truck Load (FTL) Services • Intermodal Services • Container Services – Dry, Reefer (FTL)
 - Specialised Transport and Other Services:
 - Automotive Vehicle and Component
- Bulk Handling Transport and Specialist Services to the Mining Industry throughout Qld and NSW
 - Fashion • Liquid • Mail (mail exchange and mail room management) • Refrigeration

RAIL

Interstate and Intrastate rail services – Australia and New Zealand

WAREHOUSE & DISTRIBUTION

Lead Logistics Provider (LLP) services, warehousing, distribution and industry-specific solutions for the Automotive, Beverage, Food & Retail, Industrial, Ports, Relocation and Resources sectors, also dangerous goods warehousing and multi-function warehousing

SEA

- Bass Strait / Cook Strait Shipping Services
- Trans Tasman / PNG / International Freight Forwarding / Overseas Bulk Movements / Customs and Door-to-Door Import / Export Services • Tasmanian Door-to-Door Services

AIR

- Domestic (Australia and New Zealand) • Interstate and Intrastate Door-to-Door Satchel and Parcel Services
 - Same Day and Overnight • International
- Freight forwarding / Customs and Door-to-Door Import / Export Services

PORT MANAGEMENT & STEVEDORING

- Port Management / Bulk and Containerised Commodity and Wharf Related Services within Australia and New Zealand

PROJECT MANAGEMENT

- Project Management and Relocation of Employees, Home and Workplace
- Project Logistics – providing international logistics services – air, sea, specialised handling and charters – to resource companies within Australia and overseas for both construction and ongoing supply line logistics

FLEET MANAGEMENT

Fleet Maintenance Services

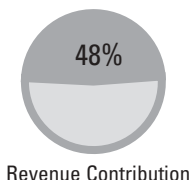
ASIA

The total logistics solution:
Thailand, Malaysia and China

REVIEW OF BUSINESS OPERATIONS

Toll Networks – Financial Performance

	2004	2003	% change
Revenue (\$ million)	1,586	1,121	41.5
Employee numbers	10,858	7,244	49.9



Toll Networks – Highlights

- Record growth with revenue increasing 41.5 percent to \$1,586 million.
- EBIT improved 54.1% to \$79.5 million.
- All businesses performed very strongly and in line with plan.
- Full year's trading result of Toll Priority and Toll IPEC made an impact.
- Toll New Zealand's land based operations contributed revenue of \$339.3 million and EBIT of \$16.1 million since acquisition.

What we are doing

Australia

- Toll IPEC significantly improved its performance reflecting the impact of new depot facilities, improved fleet and technology upgrades, plus significant contract successes.
- Toll Priority and Toll Fast continued to improve throughout the year as integration benefits flowed to results. These businesses generate in excess of \$380m of revenue, although margins still lag significantly behind the Group average. Progress with the integration of these businesses and the upgrade of infrastructure and technology remain on plan, with results achieved ahead of overall expectations to date.

New Zealand

- Improving customer focus and better organising land based road and rail operations, to position the business for growth.
- Underlying trading was generally in line with plan, although impacted by severe flooding during February 2004.
- Establishing Toll Rail as a bulk and linehaul rail operator, and Toll Tranz Link as a national multi-modal freight forwarder.
- Completed negotiations and executed contractual arrangements in relation to the sale of rail track infrastructure back to the New Zealand Government.

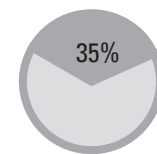
Outlook 2005

- Continued application of technology.
- Integration benefits of Toll Priority and Toll Fast.
- Toll New Zealand: focus on more effective customer solutions and revenue growth, with continued cost reduction measures.

REVIEW OF BUSINESS OPERATIONS

Toll Logistics – Financial Performance

	2004	2003	% change
Revenue (\$ million)	1,146	963	19.0
Employee number	4,834	3,472	39.2



Revenue Contribution

Toll Logistics – Highlights

- Strong record growth with revenue increasing 19 percent to \$1,146 million.
- EBIT improved 68 percent to \$86.3 million.
- Toll New Zealand Interisland Line contributed external revenue of \$75.9 million and EBIT of \$25.5 million, for the period since acquisition in October 2003.
- Food, beverage and retail sectors, together with automotive, ports and the Toll Shipping Bass Strait operations all performed solidly.

What we are doing

Australia

- Both the Bass Strait vessels have now returned to service, following scheduled major overhaul and lengthening, adding substantial capacity.
- Following execution of final contracts with the Department of Defence in relation to the defence warehousing and distribution outsource contract (known as DIDS) in December 2003, the TenixToll joint venture is presently transforming the defence sites, with progress to date in line with expectations.
- The trend towards outsourcing and securing major long-term customer contracts continues.

New Zealand

- To facilitate supply chain efficiencies, customers are increasingly seeking cross-border relationships with the Group.
- The recent contract to provide warehousing services to Nike in New Zealand is another example of these developing areas for growth.
- Toll is making a number of changes to the Interisland Line shipping operations to improve service levels and has committed to the refurbishment of the vessel Arahura as part of this process.

Asia

- Operations in Thailand continue to perform well and are showing strong growth.
- The focus on the oil and gas and automotive sectors is providing a range of opportunities for the Group to work with large multi-national customers and continue to develop our Asian-based infrastructure and capabilities.

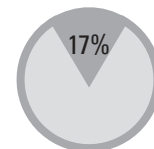
Outlook 2005

- Transitioning of DIDS.
- Benefits of greater Bass Strait shipping capacity.
- Development of New Zealand Cook Strait ferry services.
- Benefits of major new contracts particularly in the food and retail sector.

REVIEW OF BUSINESS OPERATIONS

Toll North – Financial Performance

	2004	2003	% change
Revenue (\$ million)	540	485	11.2
Employee number	1,499	1,362	10.0



Revenue Contribution

Toll North – Highlights

- Solid trading performance with revenue increasing 11.2 percent to \$540.1 million.
- EBIT increasing 8.4% to \$27.6 million.
- The Division has strong momentum following the consolidation of resource sector activities and international forwarding operations into Toll North, combined with new warehousing and distribution contracts.
- NQX produced a record result, supported by excellent organic growth and maintenance of sound cost control programs.

What we are doing

Australia

- Acquired the minority interest of R&H Transport and this business continues to perform well, providing added focus to resource sector activities.
- QRX, Toll's North Queensland rail forwarding business, suffered badly from substantial rail linehaul rate increases imposed by Queensland Rail.
- Poor service levels provided by Queensland Rail, the monopoly rail linehaul provider, impacted on customer service standards and QRX's cost structure. These issues have led to strong customer support for Pacific National rail services, scheduled to be established throughout Queensland in the first half of the next calendar year.

Asia

- The Group's international freight forwarding operations, now consolidated under the Toll North Division, are providing project logistics and freight forwarding services to major customers, many of whom are exploring opportunities to take greater control over their supply chains, in relation to imported and exported product inventory.
- The level of activity is now supporting development of both air and sea international forwarding within Asia, and with the growing operations in New Zealand, it is expected that more customers will seek Toll's presence and scale, in relation to their Asian-based operations.

Outlook 2005

- Transfer of QRX volumes to Pacific National.
- Benefits of consolidation of resource sector activities.
- Expansion of intermodal freight forwarding operations supporting Australasian customer base.

BOARD OF DIRECTORS



John Moule AM
 Non-Executive Chairman
 FCA, FAICD
 Appointed to Board in November 1995.
 Appointed Chairman in September 2002. Age 65.



Paul Little
 Managing Director
 FAICD, FCIT
 36 years in the Transport Industry.
 Managing Director for 18 years.
 Age 56.



Mark Rowsthorn
 Executive Director Operations
 BEc, Grad Dip. Bus.
 27 years in the Transport Industry.
 Executive Director Operations for 17 years. Age 49.



Neil Chatfield
 Chief Financial Officer
 FCPA
 Joined Toll in December 1997.
 Appointed to the Board in July 1998.
 30 years experience in the Transport and Resource industries. Age 50.



Ross Dunning AC
 Non-Executive Director
 B.E. (Hon) B.Com.
 Appointed to the Board in July 2001. Age 62.



Alastair Lucas
 Non-Executive Director
 FCPA, FSIA
 Appointed to the Board in April 2003. Age 52.



William (Bill) Farrands
 Non-Executive Director
 B.Com.
 Appointed to the Board in March 1997. Age 71.

'The Board is to bid farewell to Bill Farrands at this year's AGM. Many thanks Bill.'

SENIOR MANAGEMENT



John Ludeke
 Divisional Director Networks
 Joined industry in 1975.
 Transferred to Toll with Interlink in October 1995. Age 55.



Don Telford
 Divisional Director Logistics
 Joined industry in 1968.
 Transferred to Toll with TNT Logistics in December 1997.
 Age 55.



Terry Mallon
 Divisional Director Toll North
 Joined industry in 1980.
 Transferred to Toll with Carpentaria Transport in December 1997. Age 62.



Stephen Stanley
 Director Strategy
 Joined industry in 1988.
 Joined Toll in April 1999.
 Age 46.



Hugh Cushing
 Director Group Development
 Joined industry in 1975.
 Transferred to Toll with Carpentaria Transport in December 1997. Age 47.



Bernard McInerney
 Company Secretary
 Joined Industry in 1984
 Joined Toll in 1994. Age 46.

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 2004 and the auditors' report thereon.

Directors

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

John Moule AM (Chairman)

Paul Little (Managing Director)

Mark Rowsthorn

William Farrands

Neil Chatfield

Ross Dunning AC

Alastair Lucas

Principal Activities

The principal activities of the Toll Group 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;
- Bulk liquid transportation;
- Shipping linehaul operations for freight and passengers; and
- Rail passenger operations.

During the year the Toll Group acquired 84.2% of Tranz Rail Holdings Limited a transport and logistics operator in New Zealand involved in rail, road, shipping and warehousing operations. There were no other significant changes in the nature of the activities of the Toll Group during the year.

Consolidated Result

The consolidated profit from ordinary activities for the year attributable to the members of the Company was:

	2004 \$'000	2003 \$'000
Net profit attributable to members of the Company	168,639	106,067
Earnings per share		
Basic earnings per share	50.82c	35.87c
Diluted earnings per share	50.09c	34.63c

Review of Operations

The Company announced another record profit of \$168.6m in respect of the year to 30 June 2004, an increase of 59% over the previous year.

Revenue from operating activities of \$3.27 billion excluding Pacific National was 27.3% higher than last year.

Revenue growth was generated by a combination of continued strong organic growth, the full year impact of prior acquisitions and the inclusion of Toll NZ operations (formerly Tranz Rail) from October 2003.

Organic growth from new business contributed revenues of \$197m. This represents a 7.7% increase on total 2003 revenues.

EBIT for the Group (excluding equity share of Pacific National) increased 51% to \$193.4m for the year. Strong results from Toll IPEC and Toll Priority and the inclusion of Toll NZ drove the EBIT improvement.

Excluding Toll NZ, EBIT margins grew to 5.32%, up 6.3% on the previous corresponding period.

Including Toll NZ overall EBIT margins increased to 5.91%.

The EBIT margin result was particularly pleasing, after allowing for further low margin contributions from Mayne Express and the Ausdoc DX business.

Overall Group margins continue to benefit from significant investment in new depot and warehouse facilities, technology development and integration benefits from past acquisitions.

Pacific National contributed an after tax equity accounted result of \$41.8m, an increase of 47.8% over the previous year.

For the period since acquisition in October 2003, Toll NZ contributed net profit of \$23.4m, on revenues of \$415m. No income tax charge has been recorded in respect of Toll NZ due to losses arising on sale of assets and restructuring costs.

A summary of the composition of earnings is as follows:

DIRECTORS' REPORT

CONTINUED

ASM	BASE OPERATIONS	TOLL NZ	SUB-TOTAL	PACIFIC NATIONAL (50% SHARE)	GROUP TOTAL
Revenue	2,857	415	3272	542	3,814
EBIT	151.8	41.6	193.4	72.5	265.9
Net Interest	9.3	13.8	23.1	16.0	39.1
Tax	38.7	–	38.7	14.7	53.4
Minority Interest	0.4	4.4	4.8	–	4.8
NPAT	103.4	23.4*	126.8	41.8*	168.6

* Excludes funding costs of the original acquisition equity, which is included in base operations.

Review of Operations continued

EBITDA, excluding Pacific National, grew from \$205m to \$308m, an increase of 50.2%.

Group operating cashflows continued to grow strongly generating a 44% increase to \$210 million. Continued investment in infrastructure, technology and new fleet, as well as investments associated with new major contracts resulted in net capital expenditure of \$130m for the year.

Net debt at 30 June 2004 was \$317m with net debt to equity reducing to 30%. As has been past experience following acquisitions, Group gearing has reduced, providing the Group with significant capacity to pursue its strategic growth plans. During the year, the Group increased its equity base by the issue of \$250m Reset Preference Shares.

Earnings per share (fully diluted) increased 45% from 34.6 cents to 50.1 cents, and the Company has declared a fully franked final ordinary share dividend of 12 cents per share. The total dividend per ordinary share of 20.5 cents for the year represents a 41% increase over last year and is a record for the Company.

Operations

The major industry sectors in which the Group operates continued to perform well during the year, as economic conditions in both Australia and New Zealand remained solid.

Competition and associated pressure on margins also remained evident throughout the year.

The food, beverage and retail sector, from which over 40% of the Group's revenue is derived, remained very strong. The Group was successful in winning numerous important contracts, maintaining its status in the sector as Australia's leading logistics provider.

The rollout of supply chain projects being undertaken across the retail sector in Australia, has provided the Group with increased growth as customers seek integrated solutions, supported by high levels of technology and innovation.

It is clear that major retailers are looking to partner with logistics providers who can demonstrate broad ranging operational expertise, including multi-modal capabilities and the scale and intellectual strength to achieve long term cost reduction and greater supply chain efficiency. It is also expected that a large number of new opportunities will be presented to the Group, as the retail initiatives continue to be implemented.

Customers are strongly supporting our Managed Transport Services model (Toll-MTS), as an integral part of their supply chain re-engineering efforts, in order to improve inventory visibility and integration, as well as providing high levels of planning and asset utilisation.

The Automotive sector remained strong throughout the year, with high volumes challenging the Group, and the industry as a whole. Similarly to the retail sector, automotive manufacturers are seeking greater levels of innovation and efficiency in their supply chains. The Group is continuing to invest heavily in new fleet and technology aimed at meeting customer needs and at the same time lifting the level of investment returns necessary to ensure long term efficiencies.

The industrial and manufacturing sector remains extremely competitive, with overall volumes stable throughout the course of the year. The Group restructured various operations with the aim of better supporting our customer base and improving returns, through greater use of technology and selective fleet upgrades.

The port and resources sector grew strongly during the year as export demand increased. The Group's port operations in New Zealand were further strengthened through the acquisition of Leonard and Dingley earlier in the year. Further growth opportunities will be developed going forward.

The relocations sector slowed during the year, with defence relocations being lower than historical levels. However, a number of new contracts have been secured and are expected to aid growth in this sector.

Divisional Performance

As previously foreshadowed, the Group restructured various business units throughout the year in order to better focus on customer needs and to aggressively pursue new growth platforms. Prior year comparatives have been adjusted to facilitate performance assessment. This restructure involved the Logistics division assuming responsibility for all shipping operations and Toll North taking over resources, refrigeration and international forwarding activities.

All divisions produced improved earnings at record levels and achieved organic growth across their revenue base.

Toll Networks

Revenue increased 41.5% to \$1.586 billion whilst EBIT improved 54.1% to \$79.5m. Results were assisted by the full year trading of Toll Priority and the inclusion of Toll NZ's road and rail operations from October 2003.

Toll IPEC significantly improved its performance reflecting the impact of new depot facilities, improved fleet and technology upgrades, plus significant contract success.

Toll Priority and Toll Fast continued to improve throughout the year as integration benefits flowed to results. These businesses generate in excess of \$380m of revenue, although margins still lag significantly behind the group average. Progress with the integration of these businesses and the upgrade of infrastructure and technology remain on plan, with results achieved ahead of overall expectations to date.

Toll NZ land based operations contributed revenue of \$339.3m and EBIT of \$16.1m, for the period since acquisition in October 2003.

Other operations, including Toll Express, Toll Tasmania and Toll SPD continued to perform well and in line with plan.

Toll North

This division recorded another solid trading performance with revenue growth of 11.2% to \$540.1m and EBIT increasing 8.4% to \$27.6m. With the consolidation of resource sector activities and international forwarding operations into Toll North, combined with new warehousing and distribution contracts, the division has strong momentum.

NQX produced a record result, supported by excellent organic growth and maintenance of sound cost control programs.

However QRX, Toll's North Queensland rail forwarding business, suffered badly from substantial rail linehaul rate increases imposed by Queensland Rail. In addition, poor service levels provided by this monopoly rail linehaul provider impacted customer service standards and QRX's cost structure.

These issues have led to strong customer support for the Pacific National rail services, scheduled to be established throughout Queensland in the first half of next calendar year.

During the year the Group acquired the minority interest of R&H Transport and this business continues to perform well, providing added focus to the resources sector activities.

Toll Logistics

The Logistics division recorded a strong performance for the year, growing revenue by 19% to \$1.145 billion, whilst EBIT was \$86.3m, a 68% increase over last year.

Toll NZ Interisland line contributed external revenue of \$75.9m and EBIT of \$25.5m, for the period since acquisition in October 2003.

The food, beverage and retail sectors, together with automotive, ports and the Toll Shipping Bass Strait operations all performed solidly during the year.

Both of the Bass Strait vessels have now returned to service following scheduled major overhaul and lengthening in order to add substantial capacity.

Following the execution of final contracts in relation to the defence warehousing and distribution outsource contract (known as DIDS) in December 2003, the TenixToll joint venture is presently transitioning the defence sites, with progress to date in line with expectations.

The Logistics division is continuing to secure major long term customer contracts and access the trend towards outsourcing. In addition,

customers are increasingly seeking cross-border relationships with our Group, to facilitate supply chain efficiencies. The recent contract to provide warehousing services to Nike in New Zealand is another example of these developing areas for growth.

Asia

Operations in Thailand continue to perform well and are showing strong growth. The focus on the oil and gas and automotive sectors is providing a range of opportunities for the Group to work with large multi-national customers and continue to develop our Asian based infrastructure and capabilities.

The Group's international freight forwarding operations, now consolidated under the Toll North division, are providing project logistics and freight forwarding services to major customers, many of whom are exploring opportunities to take greater control over their supply chains, in relation to imported and exported product inventory.

The level of activity is now supporting development of both air and sea international forwarding within Asia, and with the growing operations in New Zealand, it is expected that more customers will seek Toll's presence and scale, in relation to their Asian based operations.

Toll NZ

Following the acquisition of a majority controlling interest in Tranz Rail on 10 October 2003, the Group began a restructure of this business to improve customer focus, stabilise and turn around poor financial performance, and position the business for growth.

For the period since acquisition, the contribution to Group revenue was \$415m, whilst EBIT was \$41.6m.

Underlying trading was generally in line with plan, although impacted by severe flooding which occurred in the lower half of the North Island during February 2004.

Major restructuring activities have centred around better organising land based road and rail operations, with the establishment of Toll Rail as a bulk and linehaul above rail operator, and establishment of Toll TranzLink as a national multi-modal freight forwarder.

The Interisland line shipping services continued to contend with intense competition. The Group is making a number of changes to improve service levels and has committed to the refurbishment of the vessel Arahura as part of this process.

The rebranding exercise completed during May 2004 also saw the Tranz Rail Group change its name to Toll NZ.

On 30 June 2004, the Company completed negotiations and executed contractual arrangements in relation to the sale of rail track infrastructure back to the New Zealand Government.

The final contracts were in accordance with the Heads of Agreement between Toll and the New Zealand Government which was signed in July 2003. These contracts provide for an orderly transition of track infrastructure management and capital expenditure commitments for the Government and Toll NZ, and are designed to improve rail's share of the freight task over time.

DIRECTORS' REPORT

CONTINUED

Review of Operations continued

Whilst progress with the integration and restructure of Toll NZ has been steady to date, there is much to be done to raise overall performance, in particular margins and return on capital.

The expected tight cash position at the time of takeover has necessitated significant financial support from Toll. At the end of the financial year Toll had provided NZ\$200m in committed facilities. Since 30 June 2004, the Group has provided a longer term debt facility for NZ\$300m to secure Toll NZ's cash position and support its capital expenditure commitment to the Government.

Pacific National

Pacific National, Toll's 50% owned rail operation, contributed after tax equity earnings of \$41.8 m for the year, up from \$28.3m in the previous year. The result was based on increased revenues of \$1.083 billion compared to \$1.047 billion in the previous year, and EBIT of \$144.8m (pre unusual items), up from \$113m last year.

Coal and intermodal revenues continued to grow although grain shipments remained impacted by regional drought conditions. The Australian Transport Network (ATN) acquisition in March 2004, also assisted revenue growth.

Since 30 June 2004, final regulatory approvals have been given for Pacific National to acquire the Victorian based bulk rail operator, Freight Australia. The acquisition is expected to complete in early September 2004.

A number of advances during the year, including conclusion of a Company wide employee enterprise agreement, the Federal Government's announcement of additional rail infrastructure investment and transfer of NSW interstate rail track to the ARTC, have positioned Pacific National to drive the increase in rail's share of the interstate freight market.

Dividends

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

TYPE	CENTS PER SHARE	TOTAL \$'000	FRANKING	DATE OF PAYMENT
• In respect of the previous financial year <i>Paid or declared during the year</i>				
– Final – ordinary	8.0	24,842	100%	1 Oct 2003
• In respect of the current financial year: <i>Paid or declared during the year</i>				
– Interim – ordinary	8.5	27,051	100%	26 Mar 2004
– Half yearly – reset preference shares	–	7,708	100%	11 May 2004
<i>Paid or declared after end of year</i>				
– Final – ordinary	12.0	38,556	100%	30 Sept 2004
	98,157			
	NOTE			
Dealt with in the financial report as:				
– Dividends	6	59,601		
– Noted as a subsequent event	6	38,556		
		98,157		

Economic Conditions

The overall economic environment remained stable during the course of the 2004 financial year.

Interest rate increases in both Australia and New Zealand have been absorbed into the economies without any disturbing slowdown in growth, and there is no current evidence of major inflationary pressures.

Global oil prices have shown substantial increase through the year, however the Company has established sound management practices to reduce the impact of increasing fuel costs, including a well developed customer surcharging regime.

Outlook

The 2004 financial year has significantly broadened the Group's platform for delivery of further earnings and cashflow growth. Further, the Group is excellently positioned both operationally and financially to maintain its aggressive growth strategy.

The acquisition of Tranz Rail in New Zealand, the consolidation of rail operators in Pacific National, and the continued integration benefits arising from the Toll Priority and Toll Fast businesses, have all added momentum to the Group as well as providing platforms for ongoing growth.

In addition, organic revenue and earnings growth are expected from opportunities in relation to supply chain initiatives of major customers and new outsourced logistics contracts.

Since 30 June 2004, trading conditions have remained solid, with results ahead of plan and well ahead of the previous period.

Based on current conditions, the Group expects to produce another record result in respect of the 2005 financial year.

Significant Changes in the State of Affairs

Significant changes in the state of affairs of the Toll Group during the financial year were:

(a) An increase in paid up capital of \$314m to \$722m which included the following:

- Issue of 1,762,884 fully paid ordinary shares in accordance with the Dividend Reinvestment Plan;
- Placement of 5,000,000 ordinary shares during the year;
- Issue of 5,720,000 ordinary shares as a result of conversion of Executive Share Options throughout the year; and
- Issue of 2,500,000 reset preference shares.

(b) An increase in assets and liabilities due to the purchase of 84.2% of Tranz Rail Holdings Limited following a takeover offer dated 26 July 2003.

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

Approval has been granted by both the ACCC and the Victorian Government for the acquisition of Freight Australia by Pacific National. All necessary regulatory approvals have now been obtained. Completion of the transaction is expected to take place in early September 2004.

Other than the above and the declaration of a final 12.0 cents per share dividend, 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 Toll Group, the results of those operations, or the state of affairs of the Toll Group, in future financial years.

Likely Developments and Expected Results of Operations

The Toll Group will continue to pursue its policy of increasing the profitability and market share of its businesses during the next financial year.

Information as to likely developments in the operations of the Toll Group 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 Toll Group.

Information on Directors

DIRECTOR	EXPERIENCE & QUALIFICATIONS	AGE	SPECIAL RESPONSIBILITIES*
J A Moule AM FCA, FAICD Chairman Independent Non Executive Director	Extensive experience in accounting and financial and general management. Director MLC Ltd Group, Former Managing Partner Deloitte Touche Tohmatsu Director since 1995 Appointed Chairman 2002	65	Chairman of Board of Directors Chairman of Remuneration and Succession Planning Committee Member of the Nomination and Corporate Governance, and Audit and Financial Risk Committees
P A Little FAICD, FCIT Managing Director	Extensive experience and management in the Transport Industry Managing Director for 17 years Director since 1986	56	Member of the Nomination and Corporate Governance Committee
M Rowsthorn B Ec, Grad Dip Bus. Executive Director Operations	Extensive experience and management in the Transport Industry Director since 1988	49	Chairman of Toll NZ Limited. Chairman of the Risk Management Committee
W Farrands B.Com Independent Non Executive Director	Extensive experience in industry and management. Former Group General Manager of the Building & Industrial Products Division and for the Coated Products Division within BHP Steel Director since 1997	71	Chairman of the Nomination and Corporate Governance Committee, Member of the Audit and Financial Risk and Remuneration and Succession Planning Committees

DIRECTORS' REPORT

CONTINUED

Information on Directors continued

DIRECTOR	EXPERIENCE & QUALIFICATIONS	AGE	SPECIAL RESPONSIBILITIES*
N Chatfield FCPA Chief Financial Officer	Extensive experience in financial management, capital markets, mergers and acquisitions, and risk management. Director since 1998	50	Member of the Risk Management Committee
R Dunning AC B.E. (Hons) B.Com Independent Non Executive Director	Extensive experience and management in the railway and resource industries and infrastructure. Director Brisbane Airport Corporation Ltd, Central Queensland Port Authority, Queensland Energy Resources Ltd and Australian Infrastructure Fund Ltd, Chairman – Port of Brisbane Corporation. Director since 2001	62	Chairman of the Audit and Financial Risk Committee, Member of the Nomination and Corporate Governance and Remuneration and Succession Planning Committees
A Lucas FCPA, ASIA Independent Non Executive Director	Extensive experience in financial services, capital markets, mergers and acquisitions. Managing Director, Co Chairman Investment Banking and Co Vice Chairman Goldman Sachs JB Were. Formerly Chairman Investment Banking Group Macquarie Bank Limited Chairman of Burnet Institute Director since 2003	52	Member of the Audit and Financial Risk, Nomination and Corporate Governance and Remuneration and Succession Planning Committees.

* Refer Meetings of Directors as detailed on the following page.

Directors Interests

The relevant interest of each director in the shares, options or convertible notes issued by the companies within the Toll Group and other related bodies corporate, as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at 17 August 2004 is as follows:

THE COMPANY	ORDINARY SHARES	OPTIONS OVER ORDINARY SHARES
P A Little	36,931,300	800,000
M Rowsthorn	31,023,008	800,000
J A Moule	709,299	–
W Farrands	88,037	–
N Chatfield	503,484	480,000
R Dunning	11,195	–
A Lucas	220,143	–

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 2004 and the number of meetings attended by each director who held office during the financial year.

DIRECTOR	DIRECTORS MEETINGS		AUDIT AND FINANCIAL RISK COMMITTEE MEETINGS		REMUNERATION AND SUCCESSION PLANNING COMMITTEE		NOMINATION AND CORPORATE GOVERNANCE COMMITTEE	
	MEETINGS		MEETINGS		MEETINGS		MEETINGS	
	NO OF MEETINGS ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD
P A Little	11	11	4*	4	—*	—	5	5
M Rowsthorn	11	11	—*	—	—*	—	—*	—
J A Moule	11	11	4	4	7	7	5	5
W Farrands	11	11	4	4	7	7	5	5
N Chatfield	11	11	4*	4	—*	—	—*	—
R Dunning	11	11	4	4	7	7	5	5
A Lucas	11	11	4	4	7	7	5	5

* May attend meetings as an invitee.

Share Options

During or since the end of the financial year, the Company has not granted any options over unissued ordinary shares. However, the Directors may approve the issue of options periodically.

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

Senior Executive Option Plan and Executive Share Option Scheme

As at the 17 August 2004, unissued ordinary shares of the Company under option are:

GRANT DATE	TOTAL OPTIONS GRANTED	UNEXPIRED OPTIONS	NO OF EXECUTIVES	EXERCISE PRICE \$	EXPIRY DATE
29 May 00	4,460,000	130,000	3	1.9925	28 May 2005
28 Nov 01	80,000	80,000	1	5.9350	27 Nov 2006
25 Jan 02	5,052,000	4,919,000	149	6.7525	24 Jan 2007
31 Oct 02	1,600,000	1,600,000	2	6.5575**	30 Oct 2007
31 Oct 02	480,000	480,000	1	6.7525	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 ASX 200 Industrials (excluding banks), during the period from grant date to the end of the qualifying period (generally a three year period).

5,720,000 ordinary shares were issued at various prices 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 (2003: 2,722,000 shares). No ordinary shares have been issued since the end of the financial year on the exercise of options granted under the scheme. (2003: Nil shares)

** Issue price of \$0.7606 per option is payable on or before exercise of options.

Toll NZ Limited Equity Incentive Plan

Toll NZ Limited have an Equity Incentive Plan in operation. The Equity Incentive Plan (the "Plan") allows for Toll NZ Limited to award, at its discretion within specified limits, option rights, appreciation rights and restricted shares to employees. The terms and conditions of such awards are to be determined at Toll NZ Limited's discretion up to a maximum of 15,000,000 ordinary shares that may be issued under the Plan. The directors of the Company are not currently authorised to issue new option rights, appreciation rights and restricted shares to employees pursuant to the Plan.

DIRECTORS' REPORT

CONTINUED

Toll NZ Limited Equity Incentive Plan continued

Redeemable Restricted Share Capital

All of these items were acquired by Toll in the acquisition of Tranz Rail Holdings Limited. None of these are held by independent parties.

Share Options

A total of 2,763,712 options exist in Toll NZ Limited. Of this balance 1,961,500 options were purchased by Toll in the acquisition of Tranz Rail Holdings Limited. The balance remaining of options on issue are as follows:

NUMBER ON ISSUE	EXERCISE PRICE (\$)	EXPIRY DATE
10,000	5.97	7 May 2006
10,000	6.90	7 May 2006
10,000	7.95	7 May 2006
10,000	9.19	7 May 2006
10,000	10.61	7 May 2006
52,500	5.78	19 February 2008
105,000	3.50	23 December 2009
207,500		

Directors' and Senior Executives' Emoluments

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 Operations, non-executive directors and where appropriate, senior executives. It also reviews and makes recommendations regarding the policies applicable to staff salary reviews. One of the Company's requirements is to ensure remuneration levels are competitively set to attract appropriately qualified and experienced directors and senior executives.

The Toll Remuneration Policy is performance driven and is designed to support the needs and direction of the business. The level of remuneration of non-executive directors, executive directors and other senior executives is determined by reference to the market via survey data and input from remuneration consultants. Remuneration programs are designed to be appropriately competitive but financially responsible.

For executive directors and other senior executives, remuneration programs are balanced with a mix of fixed and variable rewards. The structure of both short and long term variable incentives is performance based.

Short term incentives typically require the achievement of goals relating to annual Business Unit/Division/Toll Group performance, or achieving strategic objectives.

Long term incentives through the shareholder-approved Senior Executive Option Plan focus on linking executive reward with overall Toll Group Performance. Current performance hurdles to be met require the achievement of predetermined targets of Earnings Per Share and Total Shareholder Return, as set out above.

Non-executive director remuneration comprises fees (inclusive of committee fees) and superannuation. A retirement benefits program, which operated pursuant to a Deed entered into with each non-executive director (other than Alastair Lucas), in accordance with Section 200G of the Corporations Act 2001 was terminated from 1 July 2003, other than for payment of accrued entitlements calculated up to that date. Non-executive directors received a compensatory increase in director's fees at that time. In addition, to further align the interests of non-executive directors with the Company, from 1 July 2003 they receive a minimum of 22% of their directors' fees as ordinary shares in the Company, as approved by the 2003 annual meeting of shareholders. A higher percentage of such fees may be taken as shares, if desired by the director. Unlike executives, 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 Toll Group receiving the highest emolument are :

Non-executive directors of the Company

NAME	DIRECTORS FEE \$	NON CASH BENEFITS \$	SUPERANNUATION \$	RETIREMENT BENEFITS \$	TOTAL \$
J A Moule	180,000	70,000	11,001	—	261,001
W Farrands	100,050	25,300	—	—	125,350
R Dunning	100,050	25,300	—	—	125,350
A Lucas	40,833	74,167	10,350	—	125,350

Executive directors of the Company

NAME	BASE SALARY \$	PERFORMANCE INCENTIVE \$	NON-CASH BENEFITS \$	SUPERANNUATION \$	OPTION VALUE* \$	TOTAL \$
P Little <i>Managing Director</i>	1,400,328	1,380,000	55,460	44,213	660,190	3,540,191
M Rowsthorn <i>Executive Director Operations</i>	1,223,073	950,000	15,925	11,001	660,190	2,860,189
N Chatfield <i>Chief Financial Officer</i>	698,402	175,000	40,596	11,001	441,221	1,366,220

Executive officers of the Company and Toll Group

NAME	BASE SALARY \$	PERFORMANCE INCENTIVE \$	NON-CASH BENEFITS \$	SUPERANNUATION \$	OPTION VALUE* \$	TOTAL \$
D Telford <i>Divisional Director, Toll Logistics</i>	538,851	100,000	—	91,149	228,333	958,333
J Ludeke <i>Divisional Director, Toll Networks</i>	516,729	100,000	53,271	60,000	228,333	958,333
S Stanley <i>Director, Strategy</i>	518,750	25,000	—	30,000	228,333	802,083
T Mallon <i>Divisional Director, Toll North</i>	355,271	60,000	34,179	40,000	171,250	660,700
G Lyon <i>General Manager, Intermodal PNL</i>	315,299	50,000	52,005	28,000	114,167	559,471

* No options were granted during the year. The exercising of these options is dependent upon the satisfaction of two performance hurdles, being Total Shareholder Return over the three year period from the grant date must be at least equal to 35% and Earnings Per Share (EPS) diluted growth over the same period must be at least equal to the growth in the EPS of the ASX200 Industrials (excluding banks). These options have been valued at grant date using the Binomial Method. The fair value of options has been allocated over the vesting period for the purposes of remuneration calculations.

DIRECTORS' REPORT

CONTINUED

Insurance of officers

During the financial year, the Company paid premiums of \$313,339 (2003: \$167,504) to insure officers of the Company and related bodies corporate.

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

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 the secretary, 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 or secretary 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.



J A Moule
Director



P A Little
Director

Dated at Melbourne this 26th day of August 2004.

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance policies and practices of the Company. During the year these have been extensively reviewed and, where appropriate, enhanced. Except where indicated, they are in accord with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (ASX Guidelines).

Board Processes

The Board operates under a formal Charter detailing its functions and responsibilities. In summary:

- The Board seeks to ensure that it adds value by guiding, assisting and supporting management to achieve the Company's goals. This includes creating and maintaining a company which generates sustainable growth and profitability for the benefit of all stakeholders. The Board is committed to abiding by all relevant laws and regulations and to providing employees with a safe and rewarding working environment. It will have consideration in its deliberations for the broader community, external and internal stakeholders and the Company's responsibilities as a corporate citizen of good standing.
- The Board is responsible for the overall operation and stewardship of the Toll Group and, in particular, is responsible for strategy, risk management, reporting and disclosure, management performance, corporate governance, Board committees, and delegation of authority to management.

The Board's role includes evaluating the performance of the Managing Director, approving criteria for assessing and for monitoring and evaluating the performance of senior executives, as well as undertaking an annual performance review of its effectiveness.

During the year each Board member completed an assessment of the competencies of the Board and its Committees. These assessments were a resource when the Chairman discussed Board and Committee effectiveness with the Board as a whole and with each director individually. These discussions formed the basis for further Board consideration of continuous improvement. In addition, over an annual cycle, perceptions of Board performance are to be sought from major shareholders and senior management.

In addition to its regular meetings, the Board's annual program includes regular reviews of Company activities and strategies, and directors participate in visitation of operations around Australia and New Zealand. Opportunities are provided both at and outside Board meetings for directors to meet with senior executives and personnel. The Board plans to continue and, where possible, increase opportunities for these important interactions.

Composition of the Board

Members of the Board bring considerable and wide-ranging competencies to Board considerations. These include skills, experience and expertise in international business, major resource industries, railways management, ports management, investment banking, finance and accounting, general management plus extensive experience in transport logistics management and development.

The names and further information regarding the skills, experience, qualifications and relevant expertise of the directors are set out in the Directors' Report.

The Board comprises a majority of non-executive directors including the Chairman, each of whom is considered to be independent. The Board considers that, fundamentally, the independence of directors is based on their capacity to put the best interests of the Company and its shareholders ahead of all other interests, so that directors are objectively capable of exercising independent judgment. Capacity to act independently and the skill sets and experience of individual directors to complement the skills and experience of the Board overall are critical criteria in candidate selection. The capacity to add value to the Board is very important.

When evaluating candidates, the Board will have regard to the potential for conflicts of interest, whether actual or perceived, and the extent or materiality of these in the ongoing assessment of director independence. In this respect the Board has regard to the definition of 'independence' in the ASX Guidelines. The Board does not believe that the existence of one or more of the relationships in the definition will necessarily result in the relevant director not being classified as independent, particularly given the criteria outlined above, and that the Company will seek to implement additional safeguards to ensure independence. An overall review of these considerations is used by the Board to determine whether individual directors are independent.

Additional policies, such as directors not being present during discussions or decision making in matters in which they have or could be seen to potentially have a material conflict of interest, as well as directors being excluded from taking part in the appointment of third party service providers where the director has an interest, provide both further separation and safeguards to independence. Using these criteria, the Board has determined that its four non-executive members are independent at this time. The Board has considered materiality thresholds in relation to independence, but has determined not to establish fixed thresholds, believing that, if taken in isolation and out of context, these can be misleading and inconclusive.

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, and any development which may impact the director's perceived or actual independence. The Board has procedures in place to allow directors to disclose potential conflicts of interest.

Each director has the right, with the Chairman's approval, to seek independent professional advice at the Company's expense.

Securities Trading Policy

The Company has in place a detailed securities trading policy. In summary, directors, executives and employees are prohibited from trading in the Company's securities, related financial products and derivatives whenever they have price sensitive information which is not generally available. Apart from such occasions, trading is normally permitted for the six-weeks period commencing after two full trading days following the release of half year and full year results, the Annual

CORPORATE GOVERNANCE STATEMENT

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General Meeting, or other Board sanctioned occasions where price sensitive information has been released by the Company.

Ethical Standards

All directors, managers and employees are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Company's Code of Practice, which has been in place for several years and is issued to all employees, has been supplemented with the introduction from May 2004 of a Code of Conduct for Directors and Senior Executives, based on a code prepared by the Australian Institute of Company Directors. All employees have nominated supervisors to whom they may refer any issues arising from their employment.

Board Committees

To assist in the execution of its responsibilities, the Board has established a number of Board Committees, comprising a Nomination and Corporate Governance Committee, Audit and Financial Risk Committee and a Remuneration and Succession Planning Committee. These committees have written terms of reference, which are regularly reviewed. Matters attended to by Board Committees are reported to the Board following each committee meeting. Board Committees are authorised to seek any information they require from any officer or employee of the Company and may take such independent professional advice as they consider necessary. They have no executive powers regarding their findings and recommendations. The Chairman and a majority of members of each Committee are independent non-executive directors. Details of members and their attendance at committee meetings during the year are set out in the Directors' Report.

Nomination and Corporate Governance Committee

Membership of the Committee currently includes all four independent non-executive directors and the Managing Director, and is at all times to comprise no less than three directors (including the Managing Director), the majority of whom are to be independent. The Chairman of the Committee is an independent director. The Committee meets as necessary, but at least four times each year. The purpose of the Committee is to assist the Board by:

- monitoring the size and composition of the Board and its Committees;
- recommending individuals for nomination as members of the Board and its Committees;
- reviewing Board succession plans;
- ensuring that the performance of the Board and its Committees is reviewed;
- ensuring that the Board Chairman reviews the performance of each Board member; and
- establishing and monitoring the procedures to protect the ethical standards of the Toll Group. This includes periodically reviewing the Company's:
 - Corporate Governance Guidelines and establishing procedures to promote compliance;
 - Code of Practice, as well as procedures to promote compliance;

- Continuous Disclosure Policy; and
- policies on sensitive matters such as environmental, Equal Opportunity, and drugs and alcohol.

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 Operations, non-executive directors and, where appropriate, senior executives. Normally at least two meetings are held each year, one in each half year, including at least one prior to the financial year end to review the senior executive salary review process. It also reviews and makes recommendations regarding the policies applicable to staff salary reviews. One of the Company's requirements is to ensure remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives.

The Toll Group's Remuneration Policy is performance driven and is designed to support the needs and direction of the business. The level of remuneration of non-executive directors, executive directors and other senior executives is determined by reference to the market via survey data and input from remuneration consultants. Remuneration programs are designed to be appropriately competitive but financially responsible.

For executive directors and other senior executives, remuneration programs are balanced with a mix of fixed and variable rewards. The structure of both short and long term variable incentives is performance based. Short-term incentives typically require the achievement of goals relating to annual Business Unit/Division/Toll Group performance, or achieving strategic objectives. Long-term incentives through the shareholder-approved Senior Executive Option Plan focus on linking executive reward with overall Toll Group performance. Current performance hurdles to be met require the achievement of predetermined targets of Earnings Per Share growth and Total Shareholder Return, as set out in the Directors' Report.

Non-executive director remuneration comprises fees (inclusive of committee fees) and superannuation (or an allowance therefor). A retirement benefits program, which operated pursuant to a Deed entered into with each non-executive director (other than Alastair Lucas), in accordance with Section 200G of the Corporations Act 2001 was terminated from 1 July 2003, other than for payment of accrued entitlements calculated up to that date. Non-executive directors received a compensatory increase in directors' fees at that time. In addition, to further align the interests of non-executive directors with the Company, from 1 July 2003 they receive a minimum of 22% of their directors' fees as ordinary shares in the Company, as approved by the 2003 annual meeting of shareholders. A higher percentage of such fees may be taken as shares, if desired by the director. Unlike executives, non-executive directors do not receive any performance related remuneration.

Further information and the components of remuneration for directors and senior executives are set out in the Directors' Report.

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

- review, determine and approve remuneration, allowances and incentives of the Managing Director and Executive Director Operations;
- review and, if considered appropriate, make recommendations to the Managing Director on remuneration, allowances and incentives of other executive directors ;
- review non-executive directors' fees for submission to the Board;
- 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 the Company's superannuation plan and compliance with relevant laws and regulations;
- review and recommend to the Board senior executive and director payments on retirement or termination;
- review and monitor fringe benefits;
- review adequacy of professional indemnity and directors' and officers' liability insurance policies; and
- monitor executive succession planning.

Audit and Financial Risk Committee

The Audit and Financial Risk Committee considers any matters relating to the financial affairs of the Company and the Toll 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:

- monitor any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, Australian Stock Exchange and financial institutions and compliance with the Corporations Act 2001 and ASX Listing Rules;
- monitor corporate risk assessment and internal controls;
- review and monitor compliance with the Company's Auditor Independence Policy;
- liaise with external auditors;
- review the annual audit plan with the auditors;
- review information derived from the audit;
- review interim financial information;
- review accounting policies;
- review effectiveness of internal audit and cross divisional reviews;
- monitor risks relating to business continuity, disaster recovery, reputation, currency exposure and interest rate exposure;
- review compliance with relevant government regulations;
- assess the performance of financial management;
- review adequacy of insurance coverage;

- recommend to the Board the appointment, re-appointment or replacement of the external auditors (introduced 1 July 2004);
- review performance and compensation of the external auditors; and
- supervise special investigations as directed by the Board.

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.

A longstanding pre-condition to the Committee's consideration of the profit announcement and recommendation of the annual report and accounts is its review of a statement in writing to the Board signed by the Managing Director and Chief Financial Officer. The statement certifies that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This certification is supported by appropriate sign offs from divisional management. During the year, the risk management and governance management declaration process was implemented to compliment the existing financial statements certification and further build transparency and accountability. This declaration expands the formal evaluation of risk management, compliance and internal control across all business units, divisions, and Group functions.

Risk Management

Good risk management underpins a successful business and is an integral part of the management processes and culture at Toll. The Company embraces the active management of risk by all Toll employees, supported by clear accountability and performance evaluation, to achieve strategic and business objectives. While the acceptance of risk is necessary to achieving corporate goals, success is derived from the Company's ability to identify key risks in a timely manner and implement appropriate strategies to maximise business opportunities, manage uncertainties, and minimise potential hazards. In continually evaluating the risk and reward balance, and building risk management into daily activities, the Toll risk management framework addresses the interests of all stakeholders – including shareholders, customers, suppliers, regulators, employees and members of the public.

The Board, through the Audit and Financial Risk Committee, oversees the establishment, implementation and ongoing review of the Company's risk management and internal control system. The internal control system covers financial, operational and compliance risks. The Audit and Financial Risk Committee also approves the annual program and scope of Business Assurance and Internal Audit (BA&IA) reviews. The Nomination and Corporate Governance Committee reviews corporate governance practice, compliance and relevant Company policies.

The Managing Director is responsible for implementation of the risk management policy and system. In practice, Divisional Directors are

CORPORATE GOVERNANCE STATEMENT

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Risk Management continued

responsible for risk management within their respective divisions. To promote accountability, Divisional Directors delegate day-to-day responsibility for compliance and control to Business Unit General Managers. This responsibility includes designing and implementing a sound system of risk management and internal control that identifies, assesses, monitors, and manages key risks that impact achievement of business objectives. Specialist risk or Operational Health and Safety (OH&S) managers support business units in establishing and monitoring risk management processes and awareness.

The Managing Director and Chief Financial Officer have provided declarations to the Board that:

- the company's financial reports present a true and fair view, in all material respects, of the financial condition and operational results of the company and Group and are in accordance with relevant accounting standards and the Corporations Act 2001;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board, and that the company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

All declarations cover the period up to signing the annual financial report. These declarations are provided in accordance with the ASX Guidelines which recognise that the management declaration is aimed to provide reasonable but not an absolute level of assurance.

The full text of Toll's comprehensive Risk Management Policy Statement is set out in the Corporate Governance section of the Company's website at www.toll.com.au. The following is a summary.

Integrated risk management programs aimed at ensuring risks are identified, assessed and appropriately managed include regular reports to the Board on the status of business risks. The Audit and Financial Risk Committee also receives reports on financial risks in accordance with its charter, and is also responsible for reviewing the effectiveness of the Group's risk management and internal control system.

As a transport and logistics provider, business risks may arise from such matters as OH&S (including vehicle and driver safety), environment and property management, business continuity, contractual obligations, financial and capital management, risk financing and insurance, and development and use of information systems and technology. Managing significant joint venture relationships and the growth in Toll's important New Zealand operations are also key business areas that must be effectively managed.

All material changes to the Toll risk profile are disclosed to stakeholders in accordance with the Toll Continuous Disclosure.

The Executive Group Risk Management Committee (a management committee), chaired by the Executive Director Operations, formulates Group policies and strategies for selected key risks, has a risk performance monitoring role, as well as being a forum to discuss and manage any major risk issues. This Committee seeks to identify the key business risks which could prevent the Company from achieving its objectives and ensures that appropriate controls are in place to manage these risks.

The Group Risk function is responsible for providing technical advice, developing risk management policies and procedures, and coordinating risk reporting to the Executive Group Risk Management Committee and the Board on matters such as OH&S, property protection, environment, dangerous goods/hazards, contracts, risk financing, and insurance. Through General Managers, Financial Controllers, and business unit Risk or OH&S managers, Group Risk assists divisions to implement appropriate processes and practices. In doing so it promotes the active day-to-day management of risk and ongoing performance improvement. Significant risk matters are also reported on a monthly basis to the Board.

Business Assurance and Internal Audit (BA&IA) reports to the Audit and Financial Risk Committee and is responsible for independently evaluating the effectiveness and efficiency of selected risk management and internal compliance and control systems. The BA&IA function coordinates its program with other Group 'assurance' activities covering occupational health & safety, hazardous goods, financial integrity, and internal compliance programs. It also assists in monitoring the ongoing Group and Divisional business risk analysis program. BA&IA liaises and consults with the Group Risk function and the Executive Group Risk Management Committee on selected risk and compliance matters.

Internal Compliance and Control

The strength of Toll's risk management and internal control framework is founded on a combination of 'formal' analysis, policies and procedures; and 'informal' controls such as management competence, judgment, ethics and values, and specific accountability; all actively promoted by senior management. The Board is responsible for the internal compliance and control framework but recognizes that no cost effective internal control system will preclude all errors and irregularities. Selected internal compliance and control mechanisms employed to support the business include:

- Business Planning, Budgeting and Reporting – A comprehensive business planning and budgeting process includes evaluation of strategies, objectives, and risks resulting in an annual budget approved by the Board. Monthly actual performance is reported against budget and revised forecasts for the year are prepared regularly. Monitoring of division and business unit performance is supported by regular senior management forums, Risk Management Committee meetings, and reporting to the Board and Board committees.
- Quality and integrity of employees – there are clearly defined accountabilities, performance measures, and reinforcement of values and ethics by senior management. The Toll Group quality management system, supported by training, development, and appraisal, requires the involvement and commitment of management, employees and subcontractors to ensure continuous improvement and management of risk.
- Corporate policies – Board approved corporate policies address matters such as Code of Practice, OH&S, Equal Opportunity, Driver Health, Compliance, Environment, Drugs and Alcohol, Corporate Governance, Management Performance Review and Development, Continuous Disclosure, Securities Trading Policy, Treasury, and Privacy. Documented confirmation is obtained from divisions on the implementation of Board approved policies.

- Business controls – comprehensive financial, business process, project management and IT system controls and procedures exist at the Group, division and business unit level.
- Investment appraisal – the Company has documented guidelines for capital expenditure, investment appraisals and acquisitions. These include annual budgets, appraisal against financial hurdle targets, expenditure review procedures, and appropriate levels of authority. Post investment reviews are performed to assess effectiveness of funds invested on capital assets and acquired operations. Comprehensive and proven business integration strategies are used to enhance success of and derive maximum value from acquisitions.
- Group assurance and monitoring activities – these include Internal Audit, OH&S, environment, and dangerous goods audits, balance sheet reviews, and internal compliance programs.

Communicating with Shareholders

Toll is committed to keeping shareholders fully informed regarding developments and important information affecting the Group. It endeavours to do so using plain language, with transparency and openness.

Toll uses a range of channels to achieve these objectives and continues to seek additional and more effective ways to enhance communications with its shareholders. It aims to provide a level playing field for the provision of information to all shareholders. Information is communicated to shareholders as follows:

- All matters requiring disclosure or reporting under the ASX Listing Rules are communicated to the ASX Online Announcements Office for immediate dissemination to the market in accordance with the Company's Continuous Disclosure Policy.
- The Annual Report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document).
- The Annual General Meeting is the main opportunity for shareholders to hear the Managing Director and Chairman provide updates on Company performance, ask questions of the Board, and to express views and vote on the various matters of business on the agenda. Shareholders may also ask questions of the Company's auditors at the meeting regarding the conduct of the audit, preparation and content of the auditor's report, accounting policies adopted by management and auditor independence. The auditor will also be given reasonable opportunity to answer appropriate written questions from shareholders. Shareholders unable to attend in person may appoint a proxy to attend and vote on their behalf, and they may view the web cast of the meeting. In addition, where appropriate, additional meetings of shareholders are held to consider relevant proposals which need to be dealt with outside the time frame of the Annual General Meeting.
- The Company's internet website at www.toll.com.au is regularly updated and provides the following information under the Shareholder Information section:
 - Information regarding the latest AGM, Notice and explanatory memoranda concerning the AGM, and web cast of the most recent AGM.

- Annual Reports for the past 5 years and presentations made to the market regarding annual results.
- Half Yearly reports and presentations made to the market regarding them.
- Ten Year financial history summary.
- Announcements made to the ASX over the past 4 years.
- "Toll Today" quarterly newsletters published for the last 5 years.
- Current (20 minute delayed) share price of Toll's ordinary shares trading on the ASX.
- Direct link to Toll share registrar's website.

Relating to our Stakeholders

Toll recognizes that its actions and behaviour as a large public company affect many stakeholders. Shareholders, employees, customers, suppliers, unions, governments and members of the public may all be affected by Toll's corporate presence to some extent. Toll believes in openness and transparency within its operations and its relationships with stakeholders. To assist this process, the Toll Group has developed a number of codes of conduct or policies which set out what various groups of people may expect when they interact with the Group, and where appropriate, what Toll expects of them. These policies embrace the following, details or summaries of which are available on the Company's internet website at www.toll.com.au under the Company Policies section:

- Directors and Senior Executives
- Employees
- Occupational Health and Safety
- Environment
- Compliance
- Drugs and Alcohol
- Rehabilitation
- Driver Health
- Dangerous Goods
- Privacy

In addition, information on the following matters is accessible under the Corporate Governance section of the Company's internet website at www.toll.com.au:

- Board charter
- Terms of reference of Board committees
- Procedure for the selection and appointment of new directors
- Securities trading policy for directors and employees
- Code of conduct for directors and senior executives
- Auditor independence policy
- Continuous disclosure policy
- Communications with shareholders
- Risk management policy statement
- Performance evaluation process for Board and key executives
- Codes of conduct with stakeholders

CORPORATE GOVERNANCE STATEMENT

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Relating to our Shareholders continued

With over 17,000 employees throughout the Group, Toll takes seriously its responsibilities as a significant member of the wider community. For many years it has been actively involved in supporting, either corporately or through its employees, various community projects. One significant current example is the Second Step Program.

The Second Step Program is a Toll concept designed to offer employment experience for people who have overcome chemical addictions. Dignity and integrity of individuals are protected and no judgments are made. The program was developed in conjunction with the First Step and Disability Employment Action Centre (DEAC) organisations and allows successful candidates the opportunity to engage in training and employment, under special conditions, within the Toll Group for a period of twelve months.

Positions within the Toll Group are chosen to meet the skills and interests of the Second Step candidates and are financed by Toll Corporate. During the twelve month employment period Second Step candidates are offered appropriate training as well as an on site mentor in conjunction with the continued support of the First Step program and DEAC. The Toll Chaplaincy program, which is designed to offer care and counselling to employees facing difficulties, is also involved. The candidates who have already begun employment through the Second Step Program have proved to be enthusiastic members of the Toll community whose contribution to the work place is recognized by their colleagues and supervisors – in fact, some have subsequently accepted full-time employment.

STATEMENTS OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2004

	NOTE	CONSOLIDATED		THE COMPANY	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue from ordinary activities	2	3,313,998	2,603,493	135,979	75,859
Expenses from ordinary activities before borrowing costs, depreciation and amortisation and income tax expense	3	(3,006,451)	(2,399,059)	(58,008)	(26,120)
Depreciation and amortisation	4	(114,459)	(76,955)	(3,264)	(6,763)
Borrowing costs	4	(26,081)	(21,283)	(18,555)	(17,902)
Share of net profits of associates and joint ventures accounted for using the equity method	29	45,108	31,236	–	–
Profit from ordinary activities before income tax expense		212,115	137,432	56,152	25,074
Income tax expense relating to ordinary activities	5(a)	(38,684)	(30,274)	(1,699)	(221)
Profit from ordinary activities after income tax expense		173,431	107,158	54,453	24,853
Net profit attributable to outside equity interests	21	(4,792)	(1,091)	–	–
Net profit attributable to members of the parent entity	20	168,639	106,067	54,453	24,853
Non-owner transaction changes in equity					
Net exchange difference on translation of financial statements of self sustaining foreign operations	19	6,643	(1,160)	–	–
Net (decrease) in retained profits on the initial adoption of: Revised AASB1028 "Employee Benefits"	20	–	(1,149)	–	(318)
Total changes in equity from non-owner related transactions attributable to the members of the parent entity		175,282	103,758	54,453	24,535
Basic earnings per share – ordinary shares	33	50.82¢	35.87¢		
Diluted earnings per share – ordinary shares	33	50.09¢	34.63¢		

The above statements of financial performance are to be read in conjunction with the accompanying notes to the financial statements set out on pages 36 to 84.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2004

	NOTE	CONSOLIDATED		THE COMPANY	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current Assets					
Cash assets	32(a)	102,389	88,299	507	52
Receivables	7	444,994	313,890	16,735	11,728
Inventories	8	15,698	10,014	33	–
Other	9	31,752	27,142	8,198	7,312
Total Current Assets		594,833	439,345	25,473	19,092
Non-Current Assets					
Receivables	7	27,125	7,152	253,504	359,717
Investments accounted for using the equity method	10	398,374	349,733	–	–
Other financial assets	11	9,950	36,123	481,778	202,779
Property, plant and equipment	12	1,009,043	462,752	68,079	57,831
Intangible assets	13	101,999	107,459	–	–
Deferred tax assets	5(d)	23,882	27,437	36,028	3,842
Other	9	9,663	7,200	–	–
Total Non-Current Assets		1,580,036	997,856	839,389	624,169
Total Assets		2,174,869	1,437,201	864,862	643,261
Current Liabilities					
Payables	14	335,703	255,269	4,638	2,864
Interest bearing liabilities	15	5,956	14,754	–	983
Current tax liabilities	5(b)	22,588	14,735	20,477	(260)
Provisions	17	180,470	134,993	21,975	12,489
Deferred gains		7,990	–	–	–
Total Current Liabilities		552,707	419,751	47,090	16,076
Non-Current Liabilities					
Interest bearing liabilities	15	413,258	336,452	50,000	210,000
Deferred tax liabilities	5(c)	21,698	23,119	25,620	(113)
Provisions	17	72,382	27,105	17,800	1,462
Deferred gains		20,444	–	–	–
Total Non-Current Liabilities		527,782	386,676	93,420	211,349
Total Liabilities		1,080,489	806,427	140,510	227,425
Net Assets		1,094,380	630,774	724,352	415,836
Equity					
Contributed equity	18	722,010	408,346	722,010	408,346
Reserves	19	6,091	(552)	–	–
Retained profits	20	329,415	220,377	2,342	7,490
Total parent entity interest		1,057,516	628,171	724,352	415,836
Outside equity interests	21	36,864	2,603	–	–
Total Equity		1,094,380	630,774	724,352	415,836

The above statements of financial position are to be read in conjunction with the accompanying notes to the financial statements set out on pages 36 to 84.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2004

	NOTE	CONSOLIDATED		THE COMPANY	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cash flows from operating activities					
Cash receipts in the course of operations		3,488,399	2,772,524	139,733	71,742
Cash payments in the course of operations		(3,212,739)	(2,564,815)	(103,848)	(52,197)
Restructure costs paid		(19,124)	(7,120)	(1,277)	(617)
Interest received		3,001	2,011	740	589
Dividend received		1,349	1,296	52,000	21,000
Interest and other costs of finance paid		(23,119)	(20,125)	(18,555)	(17,902)
Income taxes paid	5(b)	(28,639)	(37,476)	(1,521)	(2,782)
Net cash inflow/(outflow) from operating activities		209,128	146,295	67,272	19,833
Cash flows from investing activities					
Payment for entities and businesses, net of cash acquired		(145,760)	(63,461)	(86)	–
Payment for property, plant and equipment		(163,524)	(141,096)	(51,393)	(21,516)
Proceeds from sale of property, plant and equipment	2	33,550	26,390	17,827	–
Proceeds from sale of investments		670	–	–	–
Payment for investments		(6,734)	(32,217)	–	–
Payment for loan to other entities		(1,251)	–	(1,251)	–
Payment for loan to related party		–	–	(125,788)	–
Proceeds from repayment of loans with other entities		665	22,651	652	–
Net cash inflow/(outflow) from investing activities		(282,384)	(187,733)	(160,039)	(21,516)
Cash flows from financing activities					
Proceeds from borrowings		415,884	218,350	–	105,983
Repayment of borrowings		(576,520)	(115,539)	(160,982)	(97,723)
Dividends paid	6	(45,149)	(26,548)	(45,149)	(26,548)
Proceeds from share issue		299,353	20,012	299,353	20,012
Finance lease payments		(7,166)	(14,051)	–	–
Net cash inflow/(outflow) from financing activities		86,402	82,224	93,222	1,724
Net increase/(decrease) in cash held		13,146	40,786	455	41
Cash at the beginning of the financial year		88,299	47,550	52	11
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		944	(37)	–	–
Cash at the end of the financial year	32(a)	102,389	88,299	507	52
Financing arrangements	16				
Non-cash financing and investing activities	32(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 36 to 84.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

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 Toll Group and are consistent with those of the previous year.

(b) Principles of Consolidation

Controlled Entities

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

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.

Associates

Associates are those entities, over which the Toll Group 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 Toll Group'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.

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 are eliminated to the extent of the Toll Group's interest. Unrealised gains relating to associates 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 of 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.

(d) Revenue Recognition

(i) Revenue

Revenue comprises revenue earned (net of GST, returns, discounts and allowances) from the provision of services to entities outside the Toll Group. 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 Toll Group. 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.

(vi) Internal Recharges

Internal recharge revenue comprises revenue from the provision of services to related parties including property, payroll, information technology, risk, secretarial and management services.

(e) Taxation

Income Tax

The Toll Group adopts the income statement 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.

Tax consolidation

The Company is the head entity in the tax-consolidated group comprising all the Australian wholly-owned subsidiaries set out in Note 28. The implementation date for the tax-consolidated group is 1 July 2003. The head entity recognises all of the current and deferred tax assets and liabilities of the tax-consolidated group (after elimination of intragroup transactions).

The tax-consolidated group has entered into a tax funding agreement that requires Australian wholly-owned subsidiaries to make contributions to the head entity for:

- deferred tax balances recognised by the head entity on implementation date, including the impact of any relevant reset tax cost bases; and
- current tax assets and liabilities and deferred tax balances arising from external transactions occurring after the implementation of tax consolidation.

Under the tax funding agreement, the contributions are calculated on a 'stand-alone basis' so that the contributions are equivalent to the tax balances generated by external transactions entered into by the Australian wholly-owned subsidiaries. The contributions are payable as set out in the agreement and reflect the timing of the head entity's obligations to make payments for tax liabilities to the relevant tax authorities. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities with a consequential adjustment to income tax expense/revenue.

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 provision is made for any doubtful accounts. Trade debtor terms vary from 7 to 30 days and are carried at amounts due.

(h) Investments

Controlled Entities

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

Associates

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

Other entities

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

(i) Inventories

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

(j) Land and buildings held for resale

Valuation

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

Recognition of income

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

(k) Property, Plant and Equipment

(i) Acquisition

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

The cost of property, plant and equipment constructed by the Toll Group 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 over

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

1. Statement of Significant Accounting Policies (continued)

(k) Property, Plant and Equipment (continued)

their estimated useful lives. Depreciation rates used for each class of asset are as follows:

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

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

(l) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

(i) Employee Entitlements

Annual Leave

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

Long Service Leave

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

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

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

(ii) Dividends

A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

(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.

(v) Other Provisions

This class of provisions provides for items including mainly payroll related items, bonuses, damages, pallets and stock losses.

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

The Company grants options to certain executives under the Executive Share Option Scheme approved by members on 2 November 2000. 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 Toll Group. Details are disclosed in relation to Directors and specified executives in Note 23.

The Company 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. Options and shares issued to employees, including Directors, are recorded in contributed equity for the consideration received.

(n) Superannuation Funds

The Company and its controlled entities contribute to employee accumulation superannuation funds. Contributions are expensed as they are incurred.

(o) Cash

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

(p) Earnings per Share

(i) Basic Earnings per Share

Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the Company, by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted Earnings per Share

Diluted EPS earnings is calculated by adjusting the basic EPS earnings for the after tax effect of financing costs and the effect of conversion to ordinary shares associated with dilutive potential ordinary shares.

The diluted EPS weighted average number of shares includes the number of ordinary shares assumed to be issued for no consideration in relation to 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 based on net profit or loss from continuing ordinary operations 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.

(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 Toll Group. 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 and foreign exchange exposure on the net borrowings of the Toll Group. To achieve this objective, a combination of derivatives including interest rate swaps, forward rate agreements and interest rate options may be used. Derivative financial instruments are not held for speculative purposes.

(i) Hedges

Anticipated transactions

Transactions are designated as a hedge of the anticipated specific purchase of qualifying assets, or an anticipated interest transaction, only when they are expected to reduce exposure to the risks being hedged, are designated prospectively so that it is clear when an anticipated transaction has or has not occurred and it is probable the

anticipated transaction will occur as designated. Gains or losses on the hedge arising up to the date of the anticipated transaction, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the anticipated transaction when the transaction has occurred as designated. Any gains or losses on the hedge transaction after that date are included in the statement of financial performance.

The net amounts receivable or payable under forward foreign exchange contracts and the associated deferred gains or losses are recorded on the statement of financial position from the date of inception of the hedge transaction. Losses are recorded on the statement of financial position from the date of inception of the hedge transaction. When recognised, the net receivables or payables are revalued using the foreign currency current at reporting date. Refer to Note 22.

The net amounts receivable or payable under interest rate and commodity swaps, and the associated deferred gains or losses are not recorded on the statement of financial position until the hedge transaction occurs. When recognised the net receivables or payables are revalued using the interest or commodity rates current at reporting date. Refer to Note 22.

When the anticipated transaction is no longer expected to occur as designated, the deferred gains or losses relating to the hedged transaction are recognised immediately in the statement of financial performance.

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur as designated, the deferred gains or losses that arose on the hedge prior to its termination continue to be deferred and are included in the measurement of the purchase or sale or interest transaction when it occurs. Where a hedge transaction is terminated early because the anticipated transaction is no longer expected to occur as designated, deferred gains or losses that arose on the hedge prior to its termination are included in the statement of financial performance for the period.

Where a hedge is redesignated as a hedge of another transaction, gains or losses arising on the hedge prior to its redesignation are only deferred where the original anticipated transaction is still expected to occur as designated. When the original anticipated transaction is no longer expected to occur as designated, any gains or losses relating to the hedge instrument are included in the statement of financial performance for the period.

Gains or losses that arise prior to and upon the maturity of transactions entered into under hedge rollover strategies are deferred and included in the measurement of the hedged anticipated transaction if the transaction is still expected to occur as designated. If the anticipated transaction is no longer expected to occur as designated, the gains or losses are recognised immediately 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

1. Statement of Significant Accounting Policies (continued)

(s) Derivatives (continued)

(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, except where:

- Hedging specific anticipated transactions or net investments in self-sustaining operations;
- Relating to amounts payable or receivable in foreign currency forming part of a net investment in a self-sustaining foreign operation. In this case, the exchange difference, together with any related income tax expense/revenue, is transferred to the foreign currency translation reserve on consolidation.

(ii) Translation of controlled foreign entities

The assets and liabilities of foreign operations, including associates, 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.

(v) Financial instruments issued

Other financial instruments

The proceeds received from the issue of Convertible Notes during 02/03 were classified as a liability and related distribution as interest expense.

(w) 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.

(x) Deferred Gains

Deferred gains relate mainly to gains made on sale and leaseback transactions where the gain is deferred and amortised over the term of the lease.

(y) Comparatives

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

2. Revenue from ordinary activities

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue from operating activities				
Services	3,271,929	2,569,798	4,619	3,890
Other Revenue				
From operating activities				
Dividends				
– Related parties	–	–	52,000	21,000
– Other parties	126	275	–	–
Distribution from trust	827	335	4,572	2,949
Rental revenue	4,565	4,684	1,012	210
Internal Recharges	–	–	55,209	47,221
Interest				
– Other parties	3,001	2,011	740	589
From outside operating activities				
Proceeds from sale of non-current assets	33,550	26,390	17,827	–
Total revenue from ordinary activities	3,313,998	2,603,493	135,979	75,859

3. Expenses from ordinary activities

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Direct transport costs	1,628,596	1,321,460	–	–
Wages and salaries	995,219	745,138	18,213	11,799
Property costs	130,184	109,571	3,738	3,061
Corporate administrative costs	–	–	36,057	11,260
Other	252,452	222,890	–	–
Total	3,006,451	2,399,059	58,008	26,120

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

4. Profit from ordinary activities before income tax expense

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Profit from ordinary activities before income tax has been arrived at after charging/(crediting) the following items:				
Charging				
Borrowing costs:				
Other parties	26,814	20,567	18,555	17,902
Finance charges on capitalised leases	681	1,531	–	–
Less capitalised borrowing costs	(1,414)	(815)	–	–
	26,081	21,283	18,555	17,902
Depreciation of:				
Buildings and leasehold improvements	6,807	6,440	767	615
Plant and equipment	93,068	52,811	2,497	4,886
Total depreciation	99,875	59,251	3,264	5,501
Amortisation of:				
Leased assets capitalised	2,480	5,335	–	–
Goodwill	12,104	11,107	–	–
Borrowing costs	–	1,262	–	1,262
Total amortisation	14,584	17,704	–	1,262
Amounts set aside to provision for:				
Doubtful trade debts	1,063	927	–	–
Employee entitlements	19,875	16,818	5,132	5,567
Operating lease rental expense				
– property	71,956	58,060	412	580
– plant and equipment	89,182	57,884	1,134	1,021
Crediting				
Net gains/(losses) on sales of property, plant and equipment	(2,983)	252	(3,761)	–

5. Taxation

a) Income Tax Expense

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Prima facie income tax expense on the profit from ordinary activities @ 30% (2003 – 30%)	63,635	41,229	16,846	7,522
Tax effect of permanent differences				
Non deductible expenditure	595	1,189	908	292
Non deductible depreciation and amortisation	4,278	4,347	23	200
Imputation credit gross up on dividend	31	12	6,686	2,700
Franking credit on dividend received	(103)	(39)	(22,286)	(9,000)
Tax deductible expenditure and depreciation not included in operating profit	(7,305)	(4,310)	(489)	(17)
Non-assessable gains	(1,120)	(876)	(1,426)	(885)
Utilisation of tax losses not previously recognised	(8,341)	–	–	–
Assessable gains	21	245	–	245
Net deferred tax balances recognised by head entity in relation to wholly owned subsidiaries within the tax consolidated group upon implementation of Tax Consolidation	–	–	33,164	–
Recovery of income tax expense under a tax funding agreement at transition	–	–	(33,164)	–
Share of associates net profit	(13,532)	(9,371)	–	–
Income tax expense on the profit from ordinary activities	38,159	32,426	262	1,057
Under/(Over) provision in prior years accounts	525	(2,152)	1,437	(836)
Income tax expense attributable to profit from ordinary activities	38,684	30,274	1,699	221
Total income tax expense is made up of:				
Current year's income tax provision	37,461	35,243	(732)	2,160
Deferred income tax provision	(6,208)	(3,768)	776	19
Future income tax benefit	6,906	951	218	(1,122)
Under/(Over) provision in prior year	525	(2,152)	1,437	(836)
	38,684	30,274	1,699	221

(b) Current Tax Liabilities

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Provision for Current Income Tax				
Movements during the year were as follows:				
Balance at beginning of year	14,735	22,609	(260)	1,148
Income tax paid	(28,639)	(37,476)	(1,521)	(2,782)
Income tax provision acquired	228	(4,050)	–	–
Current year's income tax expense on profit from ordinary activities	37,461	35,243	(732)	(2,160)
Income tax related to wholly owned subsidiary transactions in a tax consolidated group.	–	–	21,370	–
Under/(Over) provision in prior year	(1,197)	(1,591)	1,620	(786)
	22,588	14,735	20,477	(260)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

5. Taxation (continued)

(c) Deferred Tax Liabilities

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Provision for Deferred Income Tax				
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% (2003: 30%) on the following items:				
Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	14,933	12,375	18,855	(140)
Expenditure currently deductible for tax but deferred and amortised for accounting purposes	6,765	10,744	6,765	27
	21,698	23,119	25,620	(113)

(d) Deferred Tax Assets

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Future Income Tax Benefit				
Future income tax benefit comprises the Estimated future benefit at the applicable rate of 30% (2003: 30%) of the following items:				
Provisions and accrued employee entitlements not currently deductible	23,882	27,437	36,028	3,842
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	20,434	739	–	–

The potential future income tax benefit which has not been recognised as an asset will only be obtained if:

- 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 Toll Group in accordance with relevant income tax legislation;
- the relevant Company and/or the Toll Group continues to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the relevant Company and/or the Toll Group in realising the benefit.

6. Dividends Paid and Declared

	CENTS PER SHARE	TOTAL (\$'000)	FRANKING (%)	PAYMENT DATE
Dividends provided or paid by the Company during the year:				
Ordinary Shares				
2004				
2003 Final Dividend recognised when declared during year	8.0	24,842	100	1/10/2003
2004 Interim Dividend	8.5	27,051	100	26/03/2004
		51,893		
2003				
2002 Final Dividend	5.5	15,146	100	30/09/2002
2003 Interim Dividend	6.5	19,685	100	28/03/2003
		34,831		
Reset Preference Shares				
2004				
Half Yearly Dividend (6.2%)		7,708	100	11/05/2004
Franked dividends declared or paid during the year were franked at the tax rate of 30%.				
Subsequent Events				
Since the end of the financial year directors declared the following dividend:				
Final Ordinary	12.0	38,556	100	30/9/2004

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2004 and will be recognised in subsequent financial reports.

	THE COMPANY	
	2004 \$'000	2003 \$'000
Dividend franking account		
Net Class C (30%) franking credits (2003: 30%) available to Shareholders of the Company for subsequent financial years.	51,465	48,527

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

- Franking credits that will arise from the payment of the amount of the provision for current income tax
- Franking debits that will arise from the payment of dividends recognised as a liability at year-end
- Franking credits that will arise from the receipt of dividends recognised as receivables at year-end
- 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 2004 and 30 June 2003 were as follows:

	2004 \$'000	2003 \$'000
Paid in cash – ordinary	37,441	26,548
Paid in cash – reset preference share	7,708	–
Total dividends paid in cash	45,149	26,548
Satisfied by issue of shares	14,311	8,148
Satisfied by reduction in employee share plan loans	141	135
	59,601	34,831

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

7. Receivables

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current				
Trade debtors	400,577	290,515	1,983	6,567
Less: Provision for doubtful trade debtors	10,363	11,026	2	92
	390,214	279,489	1,981	6,475
Other debtors	54,780	34,401	14,754	5,253
	444,994	313,890	16,735	11,728
Non-current				
Loans to controlled entities (note 27)	–	–	244,189	352,571
Loans to associates	7,167	5,542	8,064	5,549
Other debtors	18,707	–	–	–
Other loans	1,251	1,610	1,251	1,597
	27,125	7,152	253,504	359,717

8. Inventories

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Raw materials and stores – at cost	15,698	10,014	33	–

9. Other Assets

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current				
Prepayments	31,752	27,142	8,198	7,312
Non-current				
Prepayments	9,663	7,200	–	–
Deferred borrowing costs	–	1,642	–	1,642
Less Accumulated amortisation	–	1,642	–	1,642
	9,663	7,200	–	–

10. Investments accounted for using the equity method

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Non-current				
Associates (note 29 (a))	398,374	349,733	–	–

11. Other financial assets

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Non-current				
Investments in other entities				
Shares in controlled entities, unquoted – at cost	–	–	479,802	200,889
Associates (note 29)	–	–	1,976	1,890
Listed shares – at cost	7,035	31,373	–	–
Unlisted shares – at cost	2,915	4,750	–	–
	9,950	36,123	481,778	202,779

12. Property, plant and equipment

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Land and Buildings				
Freehold land – at cost	33,755	32,405	2,546	2,102
Freehold buildings – at cost	81,538	48,462	13,434	10,475
Less: Accumulated depreciation	14,451	8,410	2,811	2,320
	67,087	40,052	10,623	8,155
Leasehold improvements – at cost	58,394	55,837	5,399	5,273
Less: Accumulated depreciation	27,131	23,180	2,674	2,232
	31,263	32,657	2,725	3,041
Total Land and Buildings	132,105	105,114	15,894	13,298
Plant and Equipment				
Plant and equipment – at cost	1,318,533	515,583	17,498	21,423
Less: Accumulated depreciation	511,651	219,148	11,766	12,157
	806,882	296,435	5,732	9,266
Leased plant and equipment – at cost	19,258	22,810	–	–
Less: Accumulated amortisation	11,944	9,570	–	–
	7,314	13,240	–	–
Total Plant and Equipment	814,196	309,675	5,732	9,266
Capital works in progress – at cost	62,742	47,963	46,453	35,267
Total Property, Plant and Equipment – Net book value	1,009,043	462,752	68,079	57,831

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

12. Property, plant and equipment (continued)

Reconciliations

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

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Freehold land				
Carrying amount at beginning of year	32,405	17,454	2,102	2,102
Additions	1,448	9,287	444	–
Acquisitions through entity acquired	732	3,053	–	–
Transfer from capital work in progress	–	3,606	–	–
Net foreign currency differences on translation of self sustaining operations	37	–	–	–
Disposals	(867)	(995)	–	–
Carrying amount at end of year	33,755	32,405	2,546	2,102
Buildings				
Carrying amount at beginning of year	40,052	36,866	8,155	8,417
Additions	4,549	2,485	1,559	–
Acquisitions through entity acquired	22,922	2,197	–	–
Transfer from capital work in progress	17,970	13,361	1,233	–
Disposals	(17,329)	(13,684)	–	–
Net foreign currency differences on translation of self sustaining operations	985	–	–	–
Depreciation	(2,062)	(1,173)	(324)	(262)
Carrying amount at end of year	67,087	40,052	10,623	8,155
Leasehold improvements				
Carrying amount at beginning of year	32,657	33,236	3,041	1,937
Additions	1,229	2,068	127	–
Acquisition through entity acquired	1,507	1,255	–	–
Transfer from capital work in progress	497	1,457	497	1,457
Disposals	(74)	(92)	(497)	–
Net foreign currency differences on translation of self sustaining operations	192	–	–	–
Depreciation	(4,745)	(5,267)	(443)	(353)
Carrying amount at end of year	31,263	32,657	2,725	3,041
Plant and Equipment				
Carrying amount at beginning of year	296,435	225,498	9,266	5,606
Additions	98,529	70,344	2,725	1,822
Acquisition through entity acquired	461,045	31,323	–	–
Transfer from capital works in progress	38,051	23,962	17,330	6,724
Disposals	(15,007)	(1,881)	(21,092)	–
Net foreign currency differences on translation of self sustaining operations	20,897	–	–	–
Depreciation	(93,068)	(52,811)	(2,497)	(4,886)
Carrying amount at end of year	806,882	296,435	5,732	9,266

Reconciliations (continued)

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Leased plant and equipment				
Carrying amount at beginning of year	13,240	27,334	–	–
Additions	9	727	–	–
Acquisition through entity acquired	–	–	–	–
Disposals	(3,455)	(9,486)	–	–
Amortisation	(2,480)	(5,335)	–	–
Carrying amount at end of year	7,314	13,240	–	–
Capital works in progress				
Carrying amount at beginning of year	47,963	33,170	35,267	23,754
Additions	56,629	54,842	46,983	19,694
Acquisition through entity acquired	13,958	2,337	–	–
Net foreign currency differences on translation of self sustaining operations	710	–	–	–
Transfer to related entities	–	–	(16,737)	–
Transfer to plant and equipment and buildings	(56,518)	(42,386)	(19,060)	(8,181)
Carrying amount at end of year	62,742	47,963	46,453	35,267

Borrowing costs were capitalised to land at a weighted average rate of 6.0% (2003: 6.0%)

Valuation of Land and Buildings

Independent valuations were prepared as at 30 June 2004 on all major properties in Australia by Jones Lang Laselle on the basis of fair market value based on existing use. This valuation totalled \$138 million and this reflected a surplus over carrying values of \$34 million. These valuations are in accordance with the Company's policy of obtaining an independent valuation of land and buildings every three years. This surplus has not been recognised in the Group's accounts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

13. Intangible Assets

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Goodwill – at cost	133,046	126,016	–	–
Less Accumulated Amortisation	31,047	18,557	–	–
	101,999	107,459	–	–

14. Payables

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current				
Trade creditors	190,423	81,439	–	23
Other creditors and accruals	145,280	173,830	4,638	2,841
	335,703	255,269	4,638	2,864

15. Interest Bearing Liabilities

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current				
Commercial bills – unsecured	–	983	–	983
Bank loans – unsecured	3,090	2,076	–	–
Subordinated bonds – unsecured	–	–	–	–
Lease liabilities – secured (note 26(d))	2,389	10,426	–	–
Hire purchase liabilities (note 26(e))	477	1,269	–	–
	5,956	14,754	–	983
Non-current				
Commercial bills – unsecured	296,569	318,000	50,000	210,000
Bank loans – unsecured	21,466	9,713	–	–
Other loans – unsecured	–	2,900	–	–
Subordinated bonds – unsecured	91,060	–	–	–
Lease liabilities – secured (note 26(d))	2,788	4,684	–	–
Hire purchase liabilities (note 26(e))	1,375	1,155	–	–
	413,258	336,452	50,000	210,000

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

16. Financing arrangements

The Toll Group has unrestricted access at balance date to the following lines of credit:

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Bank overdraft – unsecured	500	500	–	–
Bank loans – unsecured	24,556	11,789	–	–
Commercial bills / Cash Advance – unsecured	765,359	570,983	100,000	400,983
Subordinated bonds – unsecured	91,060	–	–	–
Other facilities	117,041	88,152	39,899	44,533
	998,516	671,424	139,899	445,516
Facilities utilised at balance date:				
Bank overdraft – unsecured	–	–	–	–
Bank loans – unsecured	24,556	11,789	–	–
Commercial bills / Cash Advance – unsecured	296,569	318,983	50,000	210,983
Subordinated bonds – unsecured	91,060	–	–	–
Other facilities	84,433	55,544	39,899	44,533
	496,618	386,316	89,899	255,516
Facilities not utilised at balance date:				
Bank overdraft – unsecured	500	500	–	–
Bank loans – unsecured	–	–	–	–
Commercial bills / Cash Advance – unsecured	468,790	252,000	50,000	190,000
Subordinated bonds – unsecured	–	–	–	–
Other facilities	32,608	32,608	–	–
	501,898	285,108	50,000	190,000

Security

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.

Bank Loans

All bank loans are denominated in Thailand baht and New Zealand dollars. The Thailand baht bank loans are unsecured and repayable on or before 5 July 2007 on an equal instalment basis. These loans are not subject to review.

The New Zealand dollar loan facility of NZD 16.5 million which was fully drawn at 30 June 2004 was repaid and cancelled on 10 August 2004.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

16. Financing arrangements (continued)

Commercial Bill Acceptance Facility/Cash Advance Facility

The commercial bill acceptance facility and cash advance facility is available for varying periods and due for review as follows:

	\$'000	REVIEW DATE
Floating Rate Funded	25,000	16 October 2007
Floating Rate Funded	50,000	7 March 2006
Floating Rate Funded	50,000	31 January 2006
Floating Rate Funded	50,000	31 December 2005
Floating Rate Funded	75,000	30 November 2005
Floating Rate Funded	25,000	27 June 2005
Floating Rate Funded	50,000	23 June 2005
Floating Rate Funded	50,765	2 February 2005
Floating Rate Funded	22,765	2 February 2005
Floating Rate Funded	22,765	2 February 2005
Floating Rate Funded	25,000	31 January 2005
Floating Rate Funded	75,000	8 January 2005
Floating Rate Funded	144,064	31 December 2004
Floating Rate Funded	100,000	31 December 2004
	765,359	

The weighted average effective interest rate is 6.77%.

Other Bank Facilities

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

Subordinated Bonds

The subordinated debt is unsecured, carries a fixed interest rate of 8.95% and matures on 15 October 2004. This debt is denominated in New Zealand dollars. At maturity, the subordinated bonds will be replaced with floating rate debt from the Company's facilities.

17. Provisions

	NOTE	CONSOLIDATED		THE COMPANY	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current					
Restructure		11,139	7,656	–	–
Dividends	6	–	–	–	–
Other		60,296	44,780	13,076	2,755
Employee entitlements		109,035	82,557	8,899	9,734
		180,470	134,993	21,975	12,489
Non-current					
Restructure		12,411	7,700	–	–
Other		38,166	12,165	16,269	–
Employee entitlements		21,805	7,240	1,531	1,462
		72,382	27,105	17,800	1,462
Employee Entitlements					
Aggregate employee entitlements, including on costs					
Current		109,035	82,557	8,899	9,734
Non-current		21,805	7,240	1,531	1,462
		130,840	89,797	10,430	11,196
Number of employees at year end		17,375	12,466		

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2004 \$'000	2004 \$'000	2004 \$'000
Reconciliations				
<i>Dividends</i>				
Provisions made during the year				
– Final ordinary dividend 2003		24,842		24,842
– Interim ordinary dividend 2004		27,051		27,051
– Reset preference share dividend 2003		7,708		7,708
Payments made during the year		(59,601)		(59,601)
Carrying amount at end of year		–		–
<i>Restructure – Current</i>				
Carrying amount at beginning of year		7,656		–
Increase through acquisition of entity		14,185		–
Net foreign currency differences on translation of self sustaining operations		722		–
Transfer from non-current restructure provision		1,108		–
Payments made during the period		(12,532)		–
Carrying amount at end of year		11,139		–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

17. Provisions (continued)

	CONSOLIDATED		THE COMPANY	
	2004		2004	
	\$'000		\$'000	
Reconciliations (continued)				
<i>Restructure – Non-Current</i>				
Carrying amount at beginning of year	7,700		–	
Increase through acquisition of entity	11,810		–	
Net foreign currency differences on translation of self sustaining operations	601		–	
Transfer to current restructure provision	(1,108)		–	
Payments made during the period	(6,592)		–	
Carrying amount at end of year	12,411		–	

18. Contributed Equity

(a) Issued and Paid Up Capital

	CONSOLIDATED		THE COMPANY	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Share Capital				
321,296,695 ordinary shares fully paid (2003 – 308,813,811)	476,888	408,346	476,888	408,346
Other Contributed Equity				
2,500,000 Reset Preference Shares	245,122	–	245,122	–
	722,010	408,346	722,010	408,346

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

(b) Dividend Reinvestment Plan

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% (2003: 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
Ordinary Shares				
1 Jul 03	Opening Balance	308,813,811		408,346,206
1 Oct 03	Dividend Reinvestment Plan	982,418	7.11	6,966,688
31 Oct 03	Share Placement	3,000,000	7.30	21,796,194
26 Mar 04	Dividend Reinvestment Plan	780,466	9.45	7,344,406
22 Apr 04	Share Placement	2,000,000	9.65	19,107,000
Various	Share Option Exercise	5,720,000	Various	13,327,743
30 Jun 04	Closing Balance	321,296,695		476,888,237

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.

18. Contributed Equity (continued)

(d) The Company issued 2.5 million reset preference shares with a face value of \$100 each on 11 November 2003. Dividends are payable half-yearly on 11 November and 11 May at a dividend rate of 6.2% p.a.

Holders of reset preference shares have the same rights as holders of Ordinary Shares to receive audited accounts, reports and notices and to attend meetings of the Company's members.

Holders may not speak or vote at meetings of Toll except in the following circumstances:

- if at the time of the meeting, a Dividend has been determined to be payable and the relevant Dividend Payment Date has passed but the Dividend has not been paid in full;
- on a proposal:
 - (i) to reduce the share capital of the Company;
 - (ii) that affects the rights attaching to Toll RPS;
 - (iii) to wind up the Company; or
 - (iv) for the disposal of the whole of the property, business and undertaking of the Company;
- on a resolution to approve the terms of a buy-back agreement; or
- during the winding-up of the Company, in which case, Holders shall have the same right to vote as a holder of Ordinary Shares.

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

As at 30 June 2004 unissued ordinary shares of the Company under option are:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE (\$)	BALANCE 01/07/03	OPTIONS GRANTED	OPTIONS LAPSED	OPTIONS EXERCISED	BALANCE 30/06/04	VESTED BALANCE	PROCEEDS		MARKET VALUE AGGREGATE (\$)
									RECEIVED (\$)	# SHARES ISSUED	
23/06/99	22/06/04	1.3538	250,000	—	—	250,000	—	—	338,438	250,000	2,260,500
29/05/00	28/05/05	1.9925	3,680,000	—	—	3,550,000	130,000	130,000	7,073,375	3,550,000	26,828,741
26/07/00	28/05/05	1.9925	20,000	—	—	20,000	—	—	39,850	20,000	149,320
02/10/00	28/05/05	1.9925	100,000	—	—	100,000	—	—	199,250	100,000	788,000
02/11/00	01/11/05	2.9561	1,600,000	—	—	1,600,000	—	—	5,278,330	1,600,000	13,632,000
02/11/00	28/05/05	1.9925	200,000	—	—	200,000	—	—	398,500	200,000	1,464,000
27/06/01	26/06/06	4.9775	160,000	—	—	—	160,000	160,000	—	—	—
28/11/01	27/11/06	5.9350	80,000	—	—	—	80,000	—	—	—	—
25/01/02	24/07/07	6.7525	5,021,000	—	102,000	—	4,919,000	—	—	—	—
31/10/02	30/10/07	6.5575	1,600,000	—	—	—	1,600,000	—	—	—	—
31/10/02	24/01/07	6.7525	480,000	—	—	—	480,000	—	—	—	—
			13,191,000	—	102,000	5,720,000	7,369,000	290,000	13,327,743	5,720,000	45,122,561

The Company has an Executive Share Option Scheme and Senior Executive Option Plan which have been approved by the members at previous Annual General Meetings.

Each option is convertible into one ordinary share at any time between three and five years after the grant date. The exercise price of the options, determined in accordance with the Rules of the plan, is based on the weighted average price of the Company's shares traded during the five business days preceding the date of granting the option. The options granted are only exercisable on the satisfaction of specific hurdle criteria with regard to the Company's Total Shareholder Return (>35% over a three year period from the date of grant) and diluted EPS growth during the same three year period must at least equal the EPS growth of the ASX 200 Industrials (excluding banks).

5,720,000 ordinary shares were issued during the financial year on the exercise of options granted under the executive share option scheme (2003: 2,722,000 shares).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

18. Contributed Equity (Continued)

(f) Toll NZ Limited Equity Incentive Plan

Toll NZ Limited have an Equity Incentive Plan in operation. The Equity Incentive Plan (the "Plan") allows for Toll NZ Limited to award, at its discretion within specified limits, option rights, appreciation rights and restricted shares to employees. The terms and conditions of such awards are to be determined at Toll NZ Limited's discretion up to a maximum of 15,000,000 ordinary shares that may be issued under the Plan. The Directors of the Company are not currently authorised to issue new option rights, appreciation rights and restricted shares to employees pursuant to the Plan.

(i) Redeemable restricted share capital

All of these shares were acquired by Toll in the acquisition of Tranz Rail Holdings Limited.

(ii) Share Options

The options have no rights to voting or dividends. A total of 2,763,712 options exist in Toll NZ Limited. Of this balance 1,961,500 options were purchased by Toll in the acquisition of Tranz Rail Holdings Limited. The balance remaining of options on issue at 30 June 2004 are as follows:

NUMBER ON ISSUE	EXERCISE PRICE (NZD\$)	EXPIRY DATE
10,000	5.97	7 May 2006
10,000	6.90	7 May 2006
10,000	7.95	7 May 2006
10,000	9.19	7 May 2006
10,000	10.61	7 May 2006
52,500	5.78	19 February 2008
105,000	3.50	23 December 2009
207,500		

19. Reserves

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Foreign Currency Translation				
Balance at beginning of year	(552)	608	–	–
Net translation adjustment	6,643	(1,160)	–	–
Balance at end of year	6,091	(552)	–	–

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	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Retained profits at beginning of year	220,377	135,144	7,490	2,640
Net profit attributable to members of the parent entity	168,639	106,067	54,453	24,853
Net effect of initial adoption of revised AASB1028 "Employee Benefits"	–	(1,149)	–	(318)
Net effect on dividends from initial adoption of AASB1044 "Provisions, Contingent Liabilities and Contingent Assets"	–	15,146	–	15,146
Dividends (Note 6)	(59,601)	(34,831)	(59,601)	(34,831)
Retained profits at the end of the year	329,415	220,377	2,342	7,490

21. Outside Equity Interests

	CONSOLIDATED	
	2004 \$'000	2003 \$'000
Outside equity interests in controlled entities comprise:		
Interest in retained profits at the beginning of the financial year	1,889	798
Outside equity interests in entities acquired during the financial year	(2,065)	–
Interest in profit from ordinary activities after income tax	4,792	1,091
Interest in retained profits at the end of the financial year	4,616	1,889
Interest in share capital	32,248	714
Total outside equity interests	36,864	2,603

22. Additional Financial Instruments Disclosure

(a) Interest rate risk

The Toll Group enters into interest rate derivatives to manage cashflow risks associated with the interest rates on borrowings.

Interest Rate Swaps

Interest rate swaps allow the Toll Group to manage the percentage of fixed rates against floating rates in the total Group interest rate exposures. Swap contracts are principally matched against known debt maturities.

Each contract involves quarterly payment of the net amount of interest. At 30 June 2004, the weighted average fixed rate was 6.43% (2003: 5.55%) and the floating rates were at bank bill rates. The weighted average effective floating interest rate at 30 June 2004 was 6.34% (2003: 5.60%).

Interest Rate Collar

Interest rate collars allow the Toll Group 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 4.09% to 5.50%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

22. Additional Financial Instruments Disclosure (continued)

(a) Interest rate risk (continued)

Interest rate risk exposures

2004	WEIGHTED AVERAGE INTEREST RATE	FLOATING INTEREST RATE \$'000	FIXED INTEREST MATURING IN:				TOTAL \$'000
			1 YEAR OR LESS \$'000	OVER 1 TO 5 YEARS \$'000	MORE THAN 5 YEARS \$'000	NON-INTEREST BEARING \$'000	
Financial Assets							
Cash	4.75%	102,389	–	–	–	–	102,389
Receivables		–	–	–	–	472,119	472,119
Investments		–	–	–	–	408,324	408,324
		102,389	–	–	–	880,443	982,832
Financial Liabilities							
Bank overdraft and loans	6.77%	311,569	94,150	6,466	–	–	412,185
Payables		–	–	–	–	335,703	335,703
Lease and HP liabilities	6.73%	–	2,866	4,163	–	–	7,029
		311,569	97,016	10,629	–	335,703	754,917
Interest rate swaps*		(185,000)	75,000	110,000	–	–	–

The fixed interest maturing in 1 year or less includes subordinated bonds in Toll NZ Limited which mature on 15 October 2004. These bonds will be replaced with floating rate debt from the Company's facilities.

2003	WEIGHTED AVERAGE INTEREST RATE	FLOATING INTEREST RATE \$'000	FIXED INTEREST MATURING IN:				TOTAL \$'000
			1 YEAR OR LESS \$'000	OVER 1 TO 5 YEARS \$'000	MORE THAN 5 YEARS \$'000	NON-INTEREST BEARING \$'000	
Financial Assets							
Cash	4.75%	88,299	–	–	–	–	88,299
Receivables		–	–	–	–	321,042	321,042
Investments		–	–	–	–	385,856	385,856
		88,299	–	–	–	706,898	795,197
Financial Liabilities							
Bank overdraft and loans	5.40%	318,000	3,059	9,713	–	2,900	333,672
Payables		–	–	–	–	255,269	255,269
Lease and HP liabilities	6.73%	–	11,695	5,839	–	–	17,534
		318,000	14,754	15,552	–	258,169	606,475
Interest rate swaps*		(90,000)	30,000	60,000	–	–	–

* Notional principal amount

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 Toll Group which have been recognised in the statements of financial position is the carrying amount, net of any provision for doubtful debts.

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

The Toll Group 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) Foreign exchange risk

The Toll Group enters into forward foreign exchange contracts to hedge a proportion of anticipated purchase commitments denominated in US dollars. The amount of anticipated future purchases is forecast in light of current conditions in foreign markets and experience.

The following table sets out the gross value to be paid under foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of outstanding contracts for the Toll Group.

	2004 WEIGHTED AVERAGE RATE	2004 \$'000
<i>Buy US dollars</i>		
Not later than one year	0.72	13,926
Later than one year but not later than two years	0.70	9,459
Later than two years but not later than five years	0.67	20,425
		43,810

The net deferred costs and exchange gains and losses on hedges of anticipated foreign currency purchases and the timing of their anticipated recognition as part of purchases are:

	NET GAINS/ (LOSSES)
	2004 \$'000
Not later than one year	812
Later than one year but not later than two years	627
Later than two years but not later than five years	1,099
	2,538

(c) Commodity Price Risk

As at year end, the consolidated entity did not have any outstanding forward contracts to hedge (or hedge a portion of) commodity purchase prices on anticipated specific purchase commitments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

22. Additional Financial Instruments Disclosure (continued)

(d) Net fair values of financial assets and liabilities

Valuation approach

Net fair values of financial assets and liabilities are determined by the Toll Group 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 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.

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 Toll Group 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.

Recognised Financial Instruments

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

	CONSOLIDATED		CONSOLIDATED	
	2004 CARRYING AMOUNT \$'000	2004 NET FAIR VALUE \$'000	2003 CARRYING AMOUNT \$'000	2003 NET FAIR VALUE \$'000
Financed Assets				
Cash	102,389	102,389	88,299	88,299
Receivables	472,119	472,119	321,042	321,042
Investments	408,324	408,324	385,856	385,856
	982,832	982,832	795,197	795,197
Financed Liabilities				
Bank overdrafts and loans	412,185	412,185	333,672	333,672
Payables	335,703	335,703	255,269	255,269
Lease and hire purchase liabilities	7,029	7,029	17,533	17,533
	754,917	754,917	606,474	606,474

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:

	2004 \$'000	2003 \$'000
Interest rate derivatives	4,162	(443)

23. Directors' and Executives' Remuneration

(a) Details of Specified Directors and Specified Executives

(i) Specified Directors

Non Executive Directors

John Moule	Chairman
William Farrands	Director
Ross Dunning	Director
Alastair Lucas	Director

Executive Directors

Paul Little	Managing Director
Mark Rowsthorn	Executive Director Operations
Neil Chatfield	Chief Financial Officer

(ii) Specified Executives

John Ludeke	Divisional Director Networks
Don Telford	Divisional Director Logistics
Terry Mallon	Divisional Director Toll North
Stephen Stanley	Director Strategy
Hugh Cushing	Director Business Development

(b) Remuneration of Specified Directors and Specified Executives

(i) Remuneration Policy

The Company aims to ensure remuneration levels are competitively set to attract appropriately qualified and experienced directors and senior executives.

The Toll Remuneration Policy is performance driven and is designed to support the needs and direction of the business. The level of remuneration of non-executive directors, executive directors and other senior executives is determined by reference to the market via survey data and input from remuneration consultants. Remuneration programs are designed to be appropriately competitive but financially responsible.

For executive directors and other senior executives, remuneration programs are balanced with a mix of fixed and variable rewards. The structure of both short and long term variable incentives is performance based.

Short term incentives typically require the achievement of goals relating to annual Business Unit/Division/ Toll Group performance, or achieving strategic objectives. Currently, the criteria relate to achievement of a mixture of budgeted EBIT, NPAT, revenue, EPS growth, cash based returns on assets, debtors days outstanding and safety measures.

Long term incentives through the shareholder-approved Senior Executive Option Plan focus on linking executive reward with overall Toll Group Performance. Current performance hurdles to be met require the achievement of predetermined targets of Earnings Per Share and Total Shareholder Return, as set out in the Directors' Report.

Non-executive director remuneration comprises fees (inclusive of committee fees) and superannuation. Accrued entitlements of non-executive directors under a retirement benefits program, which operated in accordance with Section 200G of the Corporations Act, were frozen as at 30 June 2003. Other than for the payment of accrued entitlements, the retirement benefits program terminated from 1 July 2003. Non executive directors received a compensatory increase in Directors fees as a consequence of the freezing of their accrued entitlements and termination of the retirement benefits program. Unlike executives, non-executive directors do not receive any performance-related remuneration or share options. Non-executive directors fees are reviewed annually by the Board. Non-executive directors are required each year to receive a minimum of 22 percent of their remuneration in Toll Holdings Limited shares, which are acquired on market.

(ii) Service Contracts

As at 30 June 2004, a service contract is in place for the CFO, Neil Chatfield. This contract is for a period of three years finishing on 31 December 2006. His remuneration is set out in the directors Report and notes to the accounts and is to be reviewed annually. Employment may be terminated by the Company by giving 12 months notice. A restraint period of 18 months exists following any termination of employment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

23. Directors' and Executives Remuneration (continued)

(b) Remuneration of Specified Directors and Specified Executives (continued)

(iii) Remuneration of Specified Directors and Specified Executives

NAME	PERIOD	PRIMARY			POST EMPLOYMENT		EQUITY	OTHER	TOTAL
		SALARY & FEES*	BONUS	NON MONETARY BENEFITS	SUPERANNUATION	RETIREMENT BENEFITS	OPTIONS	OTHER	
SPECIFIED DIRECTORS		\$	\$	\$	\$	\$	\$	\$	
Non Executive									
John Moule	2004	180,000	—	70,000	11,001	—	—	—	261,001
	2003	149,154	—	—	10,868	—	—	—	160,022
William Farrands	2004	100,050	—	25,300	—	—	—	—	125,350
	2003	70,000	—	—	6,300	—	—	—	76,300
Ross Dunning	2004	100,050	—	25,300	—	—	—	—	125,350
	2003	70,000	—	—	6,300	—	—	—	76,300
Alastair Lucas	2004	40,833	—	74,167	10,350	—	—	—	125,350
	2003	13,282	—	—	1,195	—	—	—	14,477
Executive Directors									
Paul Little	2004	1,400,328	1,380,000	55,460	44,213	—	660,190	—	3,540,191
	2003	1,070,152	750,000	35,635	44,213	—	636,415	—	2,536,415
Mark Rowsthorn	2004	1,223,073	950,000	15,925	11,001	—	660,190	—	2,860,189
	2003	970,207	540,000	19,274	10,519	—	636,415	—	2,176,415
Neil Chatfield	2004	698,402	175,000	40,596	11,001	—	441,221	—	1,366,220
	2003	573,885	127,500	40,596	10,519	—	414,068	—	1,166,568
Total	2004	3,742,736	2,505,000	306,748	87,566	—	1,761,601	—	8,403,651
	2003	2,916,680	1,417,500	95,505	80,464	—	1,686,898	—	6,206,497
Specified Executives									
John Ludeke	2004	516,729	100,000	53,271	60,000	—	228,333	—	958,333
	2003	490,000	100,000	50,000	60,000	—	280,227	—	980,227
Don Telford	2004	538,851	100,000	—	91,149	—	228,333	—	958,333
	2003	482,859	100,000	30,000	87,141	—	280,227	—	980,227
Terry Mallon	2004	355,271	60,000	34,179	40,000	—	171,250	—	660,700
	2003	334,821	60,000	34,179	40,000	—	223,144	—	692,144
Stephen Stanley	2004	518,750	25,000	—	30,000	—	228,333	—	802,083
	2003	445,000	25,000	—	30,000	—	280,227	—	780,227
Hugh Cushing	2004	265,454	60,000	25,392	36,754	—	68,500	—	456,100
Total	2004	2,195,055	345,000	112,842	257,903	—	924,749	—	3,835,549

* In addition to the above amounts all executives are entitled to statutory long service leave benefits. The Company also paid insurance premiums of \$313,339 during the year to insure officers of the Company. The officers of the Company include the Directors, Secretary and managers of the Toll Group.

(c) Equity Instruments

(i) Options granted as remuneration

All options refer to options over ordinary shares of the Company, which are exercisable on a one-for-one basis under the Executive share option plan.

The assessed fair value at grant date of options granted to directors and specified executives is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using the Binomial method.

During the reporting period no options over ordinary shares were issued.

During the reporting period, the following options vested and/or shares were issued on the exercise of options previously granted as remuneration.

	NUMBER OF OPTIONS VESTED	NUMBER OF OPTIONS EXERCISED	AMOUNT PAID PER SHARE \$	TOTAL \$
Specified Directors				
Paul Little	800,000	800,000	2.95605	2,364,840
Mark Rowsthorn	800,000	800,000	2.95605	2,364,840
Neil Chatfield	–	200,000	1.9925	398,500
Specified Executives				
John Ludeke	–	400,000	1.9925	797,000
Don Telford	–	400,000	1.9925	797,000
Terry Mallon	–	200,000	1.9925	398,500
Stephen Stanley	–	250,000	1.3538	338,450
Stephen Stanley	–	400,000	1.9925	797,000
Hugh Cushing	–	80,000	1.9925	159,400

Option Holdings

NAME	VESTED BALANCE 1 JULY 2003	TOTAL BALANCE 1 JULY 2003	GRANTED AS REMUNERATION	EXERCISED	TOTAL BALANCE 30 JUNE 2004	VESTED BALANCE 30 JUNE 2004
Specified Directors						
Paul Little	–	1,600,000	–	800,000	800,000	–
Mark Rowsthorn	–	1,600,000	–	800,000	800,000	–
Neil Chatfield	200,000	680,000	–	200,000	480,000	–
Specified Executives						
John Ludeke	400,000	800,000	–	400,000	400,000	–
Don Telford	400,000	800,000	–	400,000	400,000	–
Terry Mallon	200,000	500,000	–	200,000	300,000	–
Stephen Stanley	650,000	1,050,000	–	650,000	400,000	–
Hugh Cushing	80,000	200,000	–	80,000	120,000	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

23. Directors' and Executives Remuneration (continued)

Equity Holdings and Transactions

Ordinary Shares of Toll Holdings Limited

NAME	BALANCE 1 JULY 2003	PURCHASES	EXERCISE OF OPTIONS	DIVIDEND REINVESTMENT	SALES	BALANCE 30 JUNE 2004
Specified Directors						
Non Executive						
John Moule	703,089	2,418	–	3,792	–	709,299
William Farrands	87,164	873	–	–	–	88,037
Ross Dunning	10,115	873	–	207	–	11,195
Alastair Lucas	217,164	2,979	–	–	–	220,143
Executive						
Paul Little	36,931,300	–	800,000	–	(800,000)	36,931,300
Mark Rowsthorn	36,023,008	–	800,000	–	(5,800,000)	31,023,008
Neil Chatfield	403,484	–	200,000	–	(100,000)	503,484
Specified Executives						
John Ludeke	1,400	–	400,000	–	–	401,400
Don Telford	8,500	–	400,000	–	–	408,500
Terry Mallon	1,400	–	200,000	–	(200,000)	1,400
Stephen Stanley	11,505	–	650,000	271	(650,000)	11,776
Hugh Cushing	–	–	80,000	–	(80,000)	–

Reset Preference Shares of Toll Holdings Limited

NAME	BALANCE 1 JULY 2003	PURCHASES	SALES	BALANCE 30 JUNE 2004
Specified Directors				
Non Executive				
John Moule	–	–	–	–
William Farrands	–	500	–	500
Ross Dunning	–	500	–	500
Alastair Lucas	–	–	–	–
Executive				
Paul Little	–	1,500	–	1,500
Mark Rowsthorn	–	1,500	–	1,500
Neil Chatfield	–	1,000	–	1,000
Specified Executives				
John Ludeke	–	–	–	–
Don Telford	–	1,000	–	1,000
Terry Mallon	–	–	–	–
Stephen Stanley	–	–	–	–
Hugh Cushing	–	–	–	–

24. Auditors' Remuneration

	CONSOLIDATED		THE COMPANY	
	2004	2003	2004	2003
	\$	\$	\$	\$
Audit services:				
Auditors of the Toll Group	1,558,389	982,750	80,000	70,000
Other services:				
– Taxation services	975,152	1,355,756	110,000	95,000
– Other assurance services	51,836	41,693	–	–
	1,026,988	1,397,449	110,000	95,000
Related practices of the auditor:				
– Due diligence and other services	182,064	373,695	–	–
Total auditors' remuneration	2,767,441	2,753,894	190,000	165,000

25. Contingent Liabilities

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

	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
(i) The Toll Group has issued bank guarantees and guaranteed the bank facilities of controlled entities in respect of bank overdraft, payroll and cheque clearing accounts	84,432	55,544	39,899	–

- (ii) Under the terms of the Deed of Cross Guarantees, described in note 30, the Company has guaranteed any deficiency which might arise if Toll Transport Pty Ltd, Toll Ports 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, Toll (FHL) Pty Limited, Toll (Cowra) Pty Ltd, Toll Equipment (FFM) Pty Ltd, Toll (FGCT) Pty Ltd, Toll Pty Ltd, Performance Leasing 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, R&H Nominees Pty Ltd, R&H Transport Services Pty Ltd, Artmill Distributors Pty Ltd and Eastern Basin 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

26. Commitments for Expenditure

(a) Superannuation Commitments

All employees of the Toll Group 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 Toll Group also contribute to the plans.

(b) Capital Expenditure Commitments

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

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Not later than one year	133,406	11,717	–	–
Later than one year but not later than five years	117,099	–	–	–
	250,505	11,717	–	–

(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:

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Not later than one year	139,116	97,478	277	551
Later than one year but not later than five years	344,664	284,476	1,040	11
Later than five years	174,431	163,639	–	–
	658,211	509,593	1,317	562
Property	318,053	283,862	1,317	169
Plant and Equipment	340,158	225,731	–	393
	658,211	509,593	1,317	562

(d) Finance Lease Commitments

Finance lease rentals are payable as follows:

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Not later than one year	2,592	11,338	–	–
Later than one year but not later than five years	2,890	4,602	–	–
Later than five years	–	38	–	–
Future lease rentals	5,482	15,978	–	–
Less: future finance charges	305	868	–	–
Total finance lease commitments in financial statements	5,177	15,110	–	–
Finance lease commitment				
Current (note 15)	2,389	10,426	–	–
Non-current (note 15)	2,788	4,684	–	–
Total lease liability	5,177	15,110	–	–

26. COMMITMENTS FOR EXPENDITURE (continued)

(e) Hire purchase commitments

Hire purchase payments are payable as follows:

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Not later than one year	570	946	–	–
Later than one year but not later than five years	1,536	512	–	–
Later than five years	–	1,325	–	–
Minimum repayments	2,106	2,783	–	–
Less Future finance charges:	254	359	–	–
Total hire purchase commitments in the financial statements	1,852	2,424	–	–
Hire purchase liability				
Current (note 15)	477	1,269	–	–
Non-current (note 15)	1,375	1,155	–	–
Total hire purchase liability	1,852	2,424	–	–

27. Related Parties

Directors

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

P A Little

M Rowsthorn

J A Moule

N Chatfield

W Farrands

R Dunning

A Lucas

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Toll Group 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 3,999 ordinary shares of the Company were issued to directors in accordance with the Dividend Reinvestment Plan during the year (2003: 3,616).

An aggregate of 1,807,143 ordinary shares of the Company were acquired by directors or their director related entities during the year. (2003: 210,000).

An aggregate of nil convertible notes of the Company held by directors or their director related entities were converted into ordinary shares during the year. (2003: 6,082,476).

An aggregate of 5,000 reset preference shares of the Company were acquired by directors or their director related entities during the year. (2003: Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

27. Related Parties (continued)

Transactions of Directors and Director Related Entities concerning Shares (continued)

An aggregate of nil ordinary shares of the Company were issued to directors in accordance with the Employee Share Ownership Plan during the year (2003: Nil).

6,700,000 ordinary shares of the Company were disposed of by the directors or their director related entities during the year. (2003: Nil).

The aggregate number of ordinary shares of the Company held directly, indirectly or beneficially by directors or their director related entities at balance date was 69,486,466 (2003: 74,375,324).

The aggregate number of reset preference shares of the Company held directly, indirectly or beneficially by directors or their director related entities at balance date was 5,000 (2003: nil).

At 30 June 2004, directors or their director related entities hold directly, indirectly or beneficially 2,080,000 options over ordinary shares (2003: 3,880,000).

During the year the Company granted options over nil unissued shares under the Senior Executive Option Plan and Executive Share Option Scheme (2003: 2,080,000). Of these, nil options were granted to directors and their director-related entities (2003: 2,080,000).

During the year, 1,800,000 options issued to Directors were sold. (2003: 1,600,000).

Other Transactions with the Company or its Controlled Entities

A company within the Group contributed \$150,000 during the year to Paul Little Racing Pty Ltd for promotional and advertising arrangements. Paul Little Racing Pty Ltd, of which 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 the Company and its wholly owned controlled entities as set out in note 28.

Transactions between the Company and related parties in the wholly owned group during the years 30 June 2004 and 30 June 2003 consisted of:

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

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 the Company.

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

	THE COMPANY	
	2004 \$'000	2003 \$'000
Interest revenue	740	–
Rental revenue	1,012	210
Dividend revenue	52,000	21,000
Internal recharge	55,209	47,221
Distribution from Trust	4,572	2,949
Aggregate amounts receivable from related parties in the wholly owned group at balance date were as follows:		
Non-current receivables	244,189	352,571

Ownership Interests in Related Parties

Interests held in related parties are set out in note 28.

Superannuation Fund

Details of the Toll Group's employee superannuation funds are set out in Note 26(a).

28. Particulars in relation to Controlled Entities

NAME OF ENTITY	NOTE	CLASS OF SHARE	EQUITY HOLDING	
			2004 %	2003 %
The Company				
Toll Holdings Limited				
Controlled Entities of Toll Holdings Limited				
Toll Transport Pty Ltd	a,b	Ord	100	100
Toll Ports Pty Ltd	a,b	Ord	100	100
Freshmark Pty Limited	a,b	Ord	100	100
Toll Properties Pty Ltd	a,b	Ord	100	100
Kentucky Woods Pty Ltd	a,i	Ord	–	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	100
Toll Rail Holdings Pty Ltd	a,b	Ord	100	100
Toll Finance Pty Ltd	a,b	Ord	100	100
Toll Stevedoring Pty Ltd	a,b	Ord	100	100
Toll Group (NZ) Limited	d,h	Ord	100	100
Toll Shipping (IOM) Limited	h,l	Ord	100	–
Eastern Basin Pty Ltd	a,b,o	Ord	50	–
Toll Fleet Equipment (Malaysia) Sdn Bhd	h,m	Ord	57	–
Controlled Entities of Toll Transport Pty Ltd				
Toll Metro (NZ) Limited	d,h	Ord	100	100
Refrigerated Roadways Pty Ltd	a,b	Ord	100	100
Toll Logistics Australia Pty Ltd	a,b	Ord	100	100
Toll Energy Logistics Pty Ltd	a,b	Ord	100	100
GeelongPort Pty Ltd	b,h	Ord	100	100
GeelongPort Pty Ltd	f	Pref	100	100
Controlled Entities of Toll North Pty Ltd				
W&M Meats Transport Pty Ltd	a,b	Ord	100	100
R&H Transport Services Pty Ltd	a,b,g	Ord	50	50
Malleys Transport Pty Ltd	a,b	Ord	100	100
R&H Nominees Pty Ltd	a,b	Ord	100	–
Controlled Entities of Toll Technologies Pty Ltd				
Movinghome.com.au Pty Ltd	a,b	Ord	100	100
Toll Technologies Investments Pty Ltd	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	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

28. Particulars in relation to Controlled Entities (continued)

NAME OF ENTITY	NOTE	CLASS OF SHARE	EQUITY HOLDING	
			2004 %	2003 %
Controlled Entities of Toll Ports Pty Ltd				
Strang Stevedoring Australia WDW Pty Ltd	a,b	Ord	100	100
Forest Products Terminal Pty Ltd	a,b	Ord	–	100
Controlled Entities of Toll (FHL) Pty Limited				
Toll Pty Ltd	a,b	Ord	100	100
C J Dean Transport Pty Limited	a,b	Ord	100	100
Toll (Albury) Pty Ltd	b,i	Ord	–	100
Takedda Pty Limited	b,i	Ord	–	100
Toll Equipment (FFM) Pty Ltd	a,b	Ord	100	100
Toll (FGCT) Pty Ltd	a,b	Ord	100	100
Toll Holdings (Thailand) Co., 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 Ltd	a,b	Ord	100	100
Autotrans Express (Aust) Pty Ltd	a,b	Ord	100	100
Canberra Pacific Nominees Pty Limited	b,i	Ord	–	100
Controlled Entities of Takedda Pty Limited				
Gainall Pty Limited	b,i	Ord	–	100
Controlled Entities of Gainall Pty Limited				
Finemores Pty Ltd	b,i	Ord	–	100
Controlled Entities of Toll Holdings (Thailand) Co., Limited				
Toll Services (Thailand) Limited	c,h,k	Ord	51	51
Toll (Thailand) Co., Limited	c,h,j	Ord	51	51
Controlled Entities of Toll Group (NZ) Limited				
Toll Finance (NZ) Limited	d,h	Ord	100	100
Toll Limited (formerly Toll (NZ) Limited)	d,h	Ord	100	100
Toll NZ Limited (formerly Tranz Rail Holdings Limited)	d,h	Ord	84	20
Controlled Entities of Toll Limited				
Toll Logistics (NZ) Limited	d,h	Ord	100	100
Toll Logistics (CL) Limited	d,h	Ord	75	75
Leonard and Dingley Ltd	d,h	Ord	100	–
Controlled Entities of R&H Transport Services Pty Ltd				
Artmill Distributors Pty Ltd	b,h	Ord	100	100
Controlled Entities of Leonard and Dingley Ltd				
Cruise Line Services Ltd	d,h	Ord	100	–
Allied Personnel Services Ltd	d,h	Ord	100	–
Controlled Entities of Toll NZ Limited				
Toll NZ Consolidated Ltd	d,h	Ord	100	–
Toll (TR) Finance Ltd	d,h	Ord	100	–

28. Particulars in relation to Controlled Entities (continued)

NAME OF ENTITY	NOTE	CLASS OF SHARE	EQUITY HOLDING	
			2004 %	2003 %
Controlled Entities of Toll NZ Consolidated Limited				
Tranz National Ltd	d,h	Ord	100	—
Tranz Metro Ltd	d,h	Ord	100	—
Tranz Metro Auckland Ltd	d,h	Ord	100	—
Tranz Link Ltd	d,h	Ord	100	—
The National Stadium Ltd	d,h	Ord	100	—
Passenger Rail Ltd	d,h	Ord	100	—
New Zealand Rail Ltd	d,h	Ord	100	—
Coastliner Ltd	d,h	Ord	100	—
Clifford Bay Ltd	d,h	Ord	100	—
Tranz Scenic 2001 Ltd	d,h	Ord	100	—
Tranz Rail Receivables Ltd	d,h	Ord	100	—
On Track Collections Ltd	d,h	Ord	100	—
Controlled Entities of Passenger Rail Ltd				
Tranz Link Distribution Ltd	d,h	Ord	100	—
Tranz Link Refrigerated Ltd	d,h	Ord	100	—
Tranz Link International Ltd	d,h	Ord	100	—
ATN Australia Ltd	d,h	Ord	100	—
Tranz Rail Pty Ltd	d,h	Ord	100	—
Tranz Rail Holdings Pty Ltd	d,h	Ord	100	—
Controlled Entities of Tranz Link International Ltd				
Tranz Link International Pty Ltd	d,h	Ord	100	—
Controlled Entities of ATN Australia Ltd				
NZ National Freight BV	n,h	Ord	100	—

(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 balance held by R&H Nominees Pty Ltd.

(h) Not included in Deed of Cross Guarantee.

(i) Entity deregistered during the year.

(j) Remaining 49% owned by Toll Holdings Limited.

(k) Remaining 49% owned by Toll (FHL) Pty Limited.

(l) Incorporated in Isle of Man

(m) Incorporated in Malaysia

(n) Incorporated in Netherlands

(o) Remaining 50% owned by R&H Transport Services Pty Ltd

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

29. Investments accounted for using the equity method

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

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
– associates	45,108	31,236	–	–

(a) Investments in associates

Details of investments in associates are as follows

NAME	ORDINARY SHARE OWNERSHIP INTEREST		INVESTMENT CARRYING VALUE			
	CONSOLIDATED & THE COMPANY		CONSOLIDATED		THE COMPANY	
	2004 %	2003 %	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
PrixCar Services Pty Ltd (Pre-dealer motor vehicle preparation)	33 Ord Class	33 Ord Class	6,441	5,828	–	–
Actraint No 126 Pty Ltd (Management)	50 Ord Class	50 Ord Class	–	–	–	–
Minto Properties Pty Ltd (Property Owner)	100 Ord 'B' Class	100 Ord 'B' Class	10,664	9,802	–	–
SeaHighway Pty Ltd (Property Owner)	100 Ord 'B' Class	100 Ord 'B' Class	3,717	3,375	–	–
Pacific National Pty Ltd (Rail Operator)	50	50	371,847	328,902	–	–
Albany Bulk Handling Pty Ltd (Bulk Handling)	50	50	1,779	1,823	1,890	1,890
Fremantle Link Services Pty Ltd (Land Bridging activities)	50	50	391	3	–	–
Tenix Toll Defence Logistics Pty Ltd	50 Ord Class	–	–	–	–	–
Auckland Stevedoring Co Ltd (Stevedoring activities)	50	–	3,643	–	–	–
Zari Haulage Sdn Bhd	45	–	(108)	–	86	–
			398,374	349,733	1,976	1,890

(i) Balance date for all associated companies is 30 June 2004.

(ii) The Toll Group held 50% of Minto Properties Pty Ltd and SeaHighway Pty Ltd.

Dividends received from associates for the year ended 30 June 2004 by the Toll Group amounted to \$210,000.

29. investments accounted for using the equity method (continued)

Results of associates

	CONSOLIDATED	
	2004 \$'000	2003 \$'000
Shares of associates' profit from ordinary activities before income tax	49,018	39,554
Share of associates income tax attributable to profit from ordinary activities	(4,910)	(9,918)
Share of associates net profit	44,108	29,636
Adjustments	1,000	1,600
Share of associates net profit accounted for using the equity method	45,108	31,236
Share of post-acquisition retained profits and reserves attributable to associates		
Retained profits		
Shares of associates retained profits at beginning of year	37,508	8,097
Shares of associates net profits	44,108	29,636
Dividends from associates	(210)	(225)
Share of associates retained profits at end of year	81,406	37,508
Movements in carrying amount of investments		
Carrying amount of investments in associates at the beginning of the financial year	349,733	315,395
Investments in associates acquired during the year	3,391	–
Adjustments to carrying value	352	3,327
Share of associates net profit accounted for using the equity method	45,108	31,236
Dividends received from associates	(210)	(225)
Carrying amount of investments in associates at end of year	398,374	349,733
Commitments		
Share of associates operating lease commitments payable:		
Within one year	11,026	11,869
One year or later and no later than five years	24,493	28,336
Later than five years	19,520	13,198
	55,039	53,403
Share of associates maintenance expenditure commitments payable:		
Within one year	22,415	20,892
One year or later and no later than five years	87,050	85,672
Later than five years	82,237	100,428
	191,702	206,992
Share of associates capital expenditure commitments payable		
Within one year	41,161	42,357
One year or later and no later than five years	29,526	41,981
	70,687	84,338

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

29. investments accounted for using the equity method (continued)

Results of associates (continued)

	CONSOLIDATED	
	2004 \$'000	2003 \$'000
Contingent Liabilities		
Share of associates contingent liabilities		
(i) Guaranteed bank facilities	152,273	157,330
(ii) An associate, Pacific National, has defined benefit superannuation schemes which are underfunded. In accordance with the various Trust Deeds, Pacific National has no legal obligation to immediately bring the funds back to a fully funded position. Accordingly, as Pacific National has no legal or constructive obligation in respect of the deficits, the net deficit of \$15.5 million is not reflected in the statement of financial position as at 30 June 2004. Pacific National shall contribute to the funds in line with actuarial recommendations.		
Summary financial position of associates		
The Toll Group's share of aggregate assets and liabilities of associates is as follows:		
Current assets	111,470	136,157
Non-current assets	657,426	646,061
Total assets	768,896	782,218
Current liabilities	91,295	121,166
Non-current liabilities	272,891	300,640
Total liabilities	364,186	421,806
Net assets – as reported by associates	404,710	360,412
Adjustments arising from equity accounting	(6,336)	(10,679)
Net assets – equity adjusted	398,374	349,733

30. 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 Ltd	11 June 1993
Toll Ports Pty Ltd	11 June 1993
Freshmark Pty Limited	29 June 1994
Toll Properties Pty Ltd	21 December 1994
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
Toll (FHL) Pty Limited (formerly Finemore Holdings Limited)	5 June 2001
Toll (Cowra) Pty Ltd (formerly Finemores Cowra Pty Limited)	5 June 2001
Toll Equipment (FFM) Pty Ltd (formerly Finemores Fleet Management Pty Limited)	5 June 2001
Toll (FGCT) Pty Ltd (formerly Finemores GCT Pty Limited)	5 June 2001
Toll Pty Ltd (formerly Finemores Pty Ltd)	5 June 2001
Performance Leasing Pty Limited	5 June 2001
Strang Stevedoring Australia WDW Pty Ltd	12 June 2001
Toll Relocations Pty Ltd	12 June 2001
Toll Technologies Investments Pty Ltd	12 June 2001
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
R&H Nominees Pty Ltd	28 April 2004
R&H Transport Services Pty Ltd	28 April 2004
Artmill Distributors Pty Ltd	28 April 2004
Eastern Basin Pty Ltd	28 April 2004

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

30. 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 2004 is set out below.

	CONSOLIDATED	
	2004 \$'000	2003 \$'000
Statement of financial performance		
Profit from ordinary activities before income tax	161,944	129,064
Income tax expense relating to ordinary activities	39,472	28,088
Profit from ordinary activities after income tax	122,472	100,976
Retained profits at the beginning of the financial year	210,834	130,673
Dividends provided for or paid	59,601	19,685
Net effect of initial adoption of revised AASB 1028 "Employee Benefits"	–	1,130
Retained profits at the end of the financial year	273,705	210,834
Statement of financial position		
Cash assets	78,367	71,761
Receivables	306,480	295,480
Inventories	12,201	7,522
Other	26,697	48,038
Total Current Assets	423,745	422,801
Receivables	13,854	7,152
Investments accounted for using the equity method	394,736	349,733
Other financial assets	300,118	21,808
Property, plant and equipment	474,621	440,387
Intangible assets	99,831	104,493
Deferred tax assets	22,528	27,437
Other	6,000	7,200
Total Non-Current Assets	1,311,688	958,210
Total Assets	1,735,433	1,381,011
Payables	208,453	224,829
Interest bearing liabilities	2,788	2,545
Current tax liabilities	24,166	14,735
Provisions	152,111	132,174
Total Current Liabilities	387,518	374,283
Interest bearing liabilities	293,548	337,436
Deferred tax liabilities	21,530	23,119
Provisions	37,122	26,993
Total Non-Current Liabilities	352,200	387,548
Total Liabilities	739,718	761,831
Net Assets	995,715	619,180
Contributed equity	722,010	408,346
Reserves	–	–
Retained profits	273,705	210,834
Total Equity	995,715	619,180

31. Segment Information

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

BUSINESS SEGMENTS	NETWORKS		TOLL NORTH		LOGISTICS		ELIMINATIONS		CONSOLIDATED	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue										
Operating segment revenue	1,586,100	1,120,588	540,058	485,677	1,145,771	963,533	–	–	3,271,929	2,569,798
Other segment revenue	24,737	9,398	4,726	3,382	9,605	18,904	–	–	39,068	31,684
Inter segment revenue	120,114	120,211	30,673	11,732	21,669	14,222	(172,456)	(146,165)	–	–
Total Segment Revenue	1,730,951	1,250,197	575,457	500,791	1,177,045	996,659	(172,456)	(146,165)	3,310,997	2,601,482
Unallocated Interest Revenue									3,011	2,011
Total Revenue									3,313,998	2,603,493
Result										
Segment Result	79,557	51,564	27,598	25,469	86,300	51,419	–	–	193,455	128,452
Share of net profit of equity accounted investments – Pacific National									41,740	28,252
Unallocated Net Interest Expense									23,080	19,272
Profit from ordinary activities before income tax expense									212,115	137,432
Income tax expense									38,684	30,274
Profit from ordinary activities after income tax expense									173,431	107,158
Depreciation and amortisation	70,570	41,939	10,058	10,380	33,831	24,636			114,459	76,955
Non-cash expense other than depreciation and amortisation	13,477	10,721	6,357	5,758	1,104	1,266			20,938	17,745

Of the total share of equity accounted investments of \$45.108 million (2003: \$31.236 million), \$3.368 million (2003: \$2.984 million) has been reallocated to business segments, leaving \$41.74 million (2003: \$28.252 million) unallocated.

BUSINESS SEGMENTS	NETWORKS		TOLL NORTH		LOGISTICS		ELIMINATIONS		CONSOLIDATED	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Assets										
Segment assets	1,021,968	378,385	126,617	175,888	386,882	287,666	–	–	1,535,467	841,939
Equity accounted investments									398,374	349,733
Unallocated corporate assets									241,028	245,529
Consolidated Total Assets									2,174,869	1,437,201
Liabilities										
Segment liabilities	309,986	210,697	54,487	59,670	159,405	145,521	–	–	523,878	415,888
Unallocated corporate liabilities									556,611	390,538
Consolidated Total Liabilities									1,080,489	806,426
Acquisition of non-current assets	87,915	56,696	13,959	18,044	61,650	65,012			163,524	139,753

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

31. Segment Information (continued)

Geographical Segments

Geographical Segments – 2004

	AUSTRALIA	NEW ZEALAND	OTHER	CONSOLIDATED
	\$'000	\$'000	\$'000	\$'000
External revenue by location	2,828,253	461,940	20,804	3,310,997
Segment assets by location of assets	1,442,514	718,820	13,535	2,174,869
Acquisition of non-current assets	136,333	25,364	1,827	163,524

Geographic segments

Previously, the Toll Group operated predominantly in Australia. However, during the year Toll acquired significant operations in New Zealand via the acquisition of Toll NZ Limited (previously Tranz Rail Holdings Limited).

The consolidated entity operates in the following geographical segments:

- Australia – home country of the parent entity, with operations in all major areas of the transport and logistics sector.
- New Zealand – comprises operations in all major areas of the transport and logistics sector.
- Other – comprises mainly transport and logistics activities in Thailand and Malaysia in the oil, gas and automotive sectors.

Business segments

The Toll Group comprises the following main business segments, based on management reporting systems:

- Networks – Longhaul forwarding services by road, rail, sea and air.
- Toll North – Provider of time-certain distribution between major cities and regional centres of Queensland and Northern Territory.
- Logistics – Provider of industry focussed supply chain solutions.

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.

32. Notes to the Statement of Cash Flows

(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:

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cash at bank and on hand	102,389	88,299	507	52

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

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Profit from ordinary activities after income tax	173,431	107,158	54,453	24,853
Add/(Less) non-cash items				
Depreciation and Amortisation	102,355	65,848	3,264	6,763
Amortisation of goodwill	12,104	11,107	–	–
Provision for doubtful trade debtors	1,063	927	–	–
Write down of investments	1,039	1,077	110	–
(Profit)/loss on sale – other	2,983	(252)	3,761	–
Share of associates net profit	(45,108)	(31,236)	–	–
Net cash inflow from operating activities before changes in assets and liabilities	247,867	154,629	61,588	31,616

Changes in assets and liabilities adjusted for effects of purchase and disposal of controlled entities during the financial year:

	CONSOLIDATED		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
(Increase)/decrease in trade debtors	(34,879)	(56,302)	4,494	(3,557)
(Increase)/decrease in other debtors	(21,083)	7,231	(11,211)	1,044
(Increase)/decrease in inventory	(1,381)	983	(33)	–
(Increase)/decrease in prepayments	(607)	(7,392)	249,577	401
Increase/(decrease) in trade creditors	18,200	5,508	(23)	29
Increase/(decrease) in other creditors	(14,994)	43,016	28,721	3,164
Increase/(decrease) in provision for employee entitlements	5,419	6,712	(1,101)	(79)
(Increase)/decrease in loan to controlled entities	–	–	(279,023)	(11,852)
Increase/(decrease) in income taxes payable	7,863	(3,823)	20,737	(1,408)
(Increase)/decrease in future income tax benefit	4,144	(1,705)	(32,187)	378
Increase/(decrease) in provision for deferred income tax	(1,421)	(2,562)	25,733	97
Net cash inflow/(outflow) from operating activities	209,128	146,295	67,272	19,833

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

32. 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

2004

(i) During the financial year the consolidated entity purchased 64.2% of Tranz Rail Holdings Limited and its controlled entities, a company incorporated in New Zealand. A 20% shareholding of Tranz Rail Holdings Limited was held at 30 June 2003. Details of the acquisition are as follows:

	\$'000
Consideration	164,505
Cash acquired	(8,762)
Outflow of cash	155,743
Fair value of net assets of entity acquired:	
Property, plant & equipment	476,122
Trade receivables	108,850
Future income tax benefit	374
Inventories	4,302
Prepayments	4,054
Other assets	6,623
Trade creditors	(86,998)
Other creditors	(27,737)
Provision for employee entitlements	(21,034)
Provision for restructuring	(25,995)
Other provisions	(24,210)
Term loans	(227,024)
	187,327
Minority interest in above net assets acquired	(31,584)
Consideration (cash)	155,743

Control of Tranz Rail Holdings Limited was gained on 10 October 2003.

A restructuring provision of \$26 million was established for restructuring the operations of the business, involving the rationalisation of employee numbers. A balance of \$21.7 million remains in the provision at 30 June 2004.

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

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

(ii) During the financial year the consolidated entity purchased Leonard & Dingley Ltd and its controlled entities. Details of the acquisition are as follows:

	\$'000
Consideration	6,241
Cash acquired	(721)
Outflow of cash	5,520
Fair value of net assets of entity acquired:	
Trade receivables	786
Property, plant & equipment	762
Future income tax benefit	215
Prepayments	43
Investment	3,306
Trade creditors	(453)
Provision for employee entitlements	(270)
Other provisions	(180)
	4,209
Goodwill on acquisition	1,311
Consideration (cash)	5,520

Leonard & Dingley Ltd and its controlled entities was acquired on 5 January 2004.

2003

(i) During the financial year the Toll Group purchased the Mayne Express business operations of Mayne Ltd. Details of the acquisition are as follows:

	\$'000
Consideration	–
Cash acquired	(9,021)
Inflow of cash	(9,021)
Fair value of net assets of entity acquired:	
Property, plant & equipment	17,020
Future income tax benefit	8,576
Inventories	799
Prepayments	717
Other assets	31
Other creditors	(4,879)
Provision for employee entitlements	(7,801)
Provision for restructuring	(9,284)
Other provisions	(11,500)
Deferred tax liability	(2,700)
Cash acquired	(9,021)

The business operations of the Mayne Express business were acquired on 11 November 2002.

A restructuring provision of \$9,284,000 was established for restructuring the operations of the business, including the rationalisation of employee numbers. A balance of \$369,000 remains in the provision at 30 June 2004.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

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

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

(ii) During the financial year the Toll Group purchased the Brambles Shipping business operations of Brambles Australia Ltd. Details of the acquisition are as follows:

	\$'000
Consideration	72,500
Cash acquired	(18)
Outflow of cash	72,482
Fair value of net assets of entity acquired:	
Property, plant & equipment	23,145
Future income tax benefit	2,191
Inventories	1,152
Prepayments	9,805
Trade creditors	(2,171)
Other creditors	(2,773)
Provision for employee entitlements	(4,980)
Other provisions	(1,927)
	24,442
Goodwill on acquisition	48,040
Consideration (cash)	72,482

The business operations of the Brambles Shipping business were acquired on 1 November 2002

(e) Non-cash financing and investment activities

(i) During the year the Toll Group increased plant and equipment with an aggregate fair value of \$NIL (2003: \$0.7 million) by means of finance leases and hire purchase agreements.

(ii) 1,762,884 shares with an aggregate value of \$14.3 million (2003: \$8.1 million) were issued in accordance with the Dividend Reinvestment Plan in lieu of remitting cash dividends.

(iii) A final prior year dividend of 8.0 cents per share and an interim current year dividend of 8.5 cents per share was utilised to reduce employee loans in accordance with the Employee Share Plan. Employee loans were reduced as a result by \$141,000 (2003: \$135,000).

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

33. 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.
- (c) Reset Preference Shares

	CONSOLIDATED	
	2004 \$'000	2003 \$'000
Earnings reconciliation		
Net profit	173,431	107,158
Net profit attributable to outside equity interests	(4,792)	(1,091)
Reset Preference Share Dividend	(7,708)	—
Basic earnings	160,931	106,067
After tax effect of interest on convertible notes	—	1,904
Reset Preference Share Dividend	7,708	—
Diluted earnings	168,639	107,971
Weighted average number of shares used as the denominator		
Number for basic earnings per share	'000	'000
Ordinary shares	316,684	295,676
Effect of executive share options on issue	3,419	6,279
Effect of redeemable convertible notes	—	9,829
Effect of Reset Preference Shares	16,591	—
Number for diluted earnings per share	336,694	311,784

During the course of the year 5,720,000 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 1,260,439.

34. Event subsequent to Balance Date

Approval has been granted by both the ACCC and the Victorian Government to the acquisition of Freight Australia by Pacific National. All necessary regulatory approvals have now been obtained. Completion of the transaction is expected to take place in early September 2004.

Other than the above and the declaration of a final 12 cents per share dividend (Refer Note 6), 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 Toll Group, the results of these operations, or the state of affairs of the Toll Group, in future financial years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

35. International Financial Reporting Standards

Toll Holdings Ltd will be required to prepare financial statements which comply with International Financial Reporting Standards ("IFRS"), as issued by the Australian Accounting Standards Board, from 1 July 2005. The financial report for the half year ending 31 December 2005 will be the first financial report prepared in compliance with IFRS. Comparative information will be required to be restated to reflect the application of IFRS to that comparative period.

Toll Holdings Ltd has established a formal IFRS Project Team to manage and plan the convergence to IFRS in line with the above dates. A high level overview of the new IFRS requirements has been performed and a detailed technical evaluation is currently underway. Calculation of transition adjustments and management of any process or system changes required will be identified after this phase is complete. A training program for appropriate staff will also be performed to assist in the transition to IFRS. The IFRS Project Team comprises senior members of management and reports regularly to the audit committee on the progress towards adoption.

The following areas have been identified as significant differences that exist between current accounting practice and the required treatment under IFRS. These areas should not be taken as an exhaustive list of all the differences between current accounting practice and IFRS that will be identified when the project is completed.

(a) Accounting for Goodwill

Under IFRS, Goodwill will no longer be amortised, but instead is subject to an annual assessment for impairment to ensure that the carrying value of Goodwill is not greater than the recoverable amount. As a result, the statement of financial performance will no longer include an expense item reflecting the annual Goodwill amortisation.

(b) Taxation

Currently a profit and loss approach is used in calculating income tax expense and timing differences. Under IFRS this will be performed under a balance sheet approach. Under the new method, the Company will recognise deferred tax balances on the statement of financial position when there is a difference between the carrying value of an asset or liability and its tax base. Whilst it is too early to say what impact this will have, it is expected that the Company will carry higher levels of deferred tax assets and liabilities.

(c) Financial Instruments/Equity

Under IFRS, accounting for certain forms of hybrid instruments may differ. From Toll's perspective the Reset Preference Shares (RPS) currently treated as equity will likely be recorded as debt. This will result in the treatment of the 6.2% yield on these instruments as interest expense rather than dividends paid.

(d) Hedge Accounting

Under IFRS all derivative financial instruments, including those used for balance sheet hedging purposes, are to be recognised on balance sheet and measured at fair value. Hedge accounting can be applied, subject to certain rules for fair value hedges, cash flow hedges and hedges of investments in foreign operations.

It is expected that these new rules around accounting for hedge instruments will introduce volatility within equity reserves, and the potential for volatility within the statement of financial performance.

(e) Employee Benefits – Defined Benefit Superannuation Plans

With the introduction of IFRS, the net surpluses or deficits that arise with defined benefit superannuation plans must be recognised in the statement of financial position. The annual movements in those surpluses or deficits must be recorded in the statement of financial performance. Although Toll does not have any significant defined benefit superannuation plans directly, it is impacted indirectly via Pacific National. Changes under IFRS may impact the Pacific National result in this area and consequently impact Toll's equity accounted share of profits.

(f) Share based remuneration

Under IFRS, the fair value of all share based remuneration must be recognised as an expense. The fair value of options at grant date must be expensed over the vesting period of those options. The fair value of options is to be calculated using a generally accepted market valuation method.

(g) Impairment of assets

Under IFRS the recoverable amount of non-current assets will be assessed as the higher of net selling price and value in use, on a discounted basis. Toll currently assesses recoverable amounts of non-current assets based on undiscounted future net cash flows.

DIRECTORS' DECLARATION

Directors Declaration

1. In the opinion of the directors of the Company:

(a) the financial statements and notes set out on pages 23 to 85 are in accordance with the Corporations Act 2001 including:

(i) giving a true and fair view of the financial position of the Company and Toll Group as at 30 June 2004 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 28 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:



J A Moule
Director



P A Little
Director

Dated at Melbourne this 26th day of August 2004.

INDEPENDENT AUDIT REPORT

Independent audit report to the members of Toll Holdings Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Toll Holdings Limited (the 'Company') and Toll Holdings Limited and its controlled entities (the 'Consolidated Entity') for the year ended 30 June 2004. The Consolidated Entity comprises both the company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

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 2004 and of their performance for the financial year ended on that date; and
 - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory financial reporting requirements in Australia.

KPMG

Adrian V King
Partner

Melbourne
26 August 2004

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 17 August 2004.

A. Distribution of shareholders

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

	NUMBER	UNITS	%
1 – 1,000	10,560	5,824,898	1.81
1,001 – 5,000	11,496	25,797,493	8.03
5,001 – 10,000	1,849	13,383,046	4.16
10,001 – 100,000	1,343	31,601,750	9.83
100,001 – and over	107	244,729,508	76.16
	25,355	321,336,695	100.00

There were six hundred and sixty 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 ISSUED SHARES
1 Paul Alexander Little	36,026,444	11.21
2 JP Morgan Nominees Australia Limited	32,210,323	10.02
3 National Nominees Limited	29,865,424	9.29
4 Mostia Dion Nominees Pty Ltd	29,604,824	9.21
5 Westpac Custodian Nominees Limited	21,144,454	6.58
6 PGA (Investments) Pty Ltd	10,666,668	3.32
7 Citicorp Nominees Pty Limited	8,927,184	2.78
8 Australian Foundation Investment Company Limited (Investment Portfolio A/C)	8,000,000	2.49
9 ANZ Nominees Limited	6,959,727	2.17
10 Cogent Nominees Pty Limited	5,549,618	1.73
11 Cable Nominees Pty Ltd (33390 A/C)	4,333,332	1.35
12 Queensland Investment Corporation	3,313,489	1.03
13 Citicorp Nominees Pty Limited (CFS WSLE Imputation Fnd A/C)	3,222,724	1.00
14 Camrock (Australia) Pty Ltd	2,287,520	0.71
15 Citicorp Nominees Pty Limited (CFS Imputation Fund A/C)	2,010,006	0.63
16 Wadham Nominees Pty Ltd	2,000,000	0.62
17 Citicorp Nominees Pty Limited (CFS WSLE Aust Share Fund A/C)	1,826,439	0.57
18 Citicorp Nominees Pty Limited (CFS WSLE Industrial Share A/C)	1,680,171	0.52
19 Mr A Hancock & Mrs R Hancock	1,538,000	0.48
20 AMP Life Limited	1,420,920	0.44
Total	212,587,267	66.15%

C. Substantial shareholders

The following are substantial shareholders of the company.

NAME	NUMBER AND PERCENTAGE OF SHARES IN WHICH INTEREST HELD IN ORDINARY SHARES	
	NUMBER	INTEREST %
(a) Paul Alexander Little and related bodies corporate	36,931,300	11.49
(b) Mark Rowsthorn and related bodies corporate	31,023,008	9.65
(c) Barclays Group	19,638,957	6.11

TEN YEAR SUMMARY

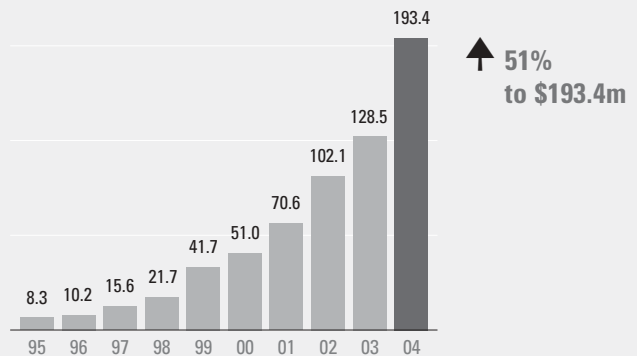
	JUNE 1995	JUNE 1996	JUNE 1997	JUNE 1998	JUNE 1999	JUNE 2000
Operating Results (\$'000)						
Group Sales	178,709	234,297	469,998	854,440	1,295,855	1,360,098
Profit before Depreciation, Amortisation and Interest (EBITDA)	12,833	16,805	27,290	43,411	63,315	72,474
Depreciation and Amortisation	4,542	6,586	11,728	21,723	21,661	21,452
Profit before Interest and Tax (EBIT)	8,291	10,219	15,562	21,688	41,654	51,022
Interest	1,693	2,631	3,605	3,593	3,303	3,070
Plus Share of Equity Accounting Result	–	–	–	–	–	–
Profit before Tax	6,598	7,588	11,957	18,095	38,351	47,952
Income Tax Expense	963	2,214	2,857	3,157	7,841	7,285
Operating Profit after Tax	5,635	5,374	9,100	14,938	30,510	40,667
Outside Equity Interests	106	0	0	193	370	263
Profit Attributable to Members	5,529	5,374	9,100	14,745	30,140	40,404
Profit Attributable to Members before Abnormal Items	5,529	3,285	7,743	13,742	29,210	40,404
CPS Dividend			637	1,705	3,240	0
Ordinary Dividends	3,700	3,141	4,772	6,241	11,631	16,909
Ordinary Payout Ratio (%)	66.92	58.45	56.39	47.86	43.24	41.85
Overall Dividend Payout Ratio (%)			59.44	53.89	49.34	41.85
Financial Position (\$'000)						
Cash	5,705	5,718	6,683	20,323	22,919	26,691
Other Current Assets	17,831	37,747	58,206	132,201	144,264	190,179
Other Non-Current Assets	48,093	80,836	70,332	177,085	170,172	181,595
Future Income Tax Benefits	1,730	5,144	6,806	8,470	9,044	4,808
Intangible Assets (Goodwill & Other)	3,906	7,613	7,584	4,606	0	0
Total Assets	77,265	137,058	149,611	342,685	346,399	403,273
Other Liabilities	18,517	45,850	46,111	173,092	169,714	199,463
Borrowings	23,395	52,877	41,751	59,661	50,314	45,159
Total Liabilities	41,912	98,727	87,862	232,753	220,028	244,622
Net Assets	35,353	38,331	61,749	109,932	126,371	158,651
Outside Equity Interests	0	0	0	1,846	64	326
Reserves and Retained Profits	29,145	32,033	53,087	96,473	36,074	59,569
Paid Up Capital	6,208	6,298	8,662	11,613	90,233	98,756
Total Shareholders Equity	35,353	38,331	61,749	109,932	126,371	158,651
Per Ordinary 20c Share (\$)						
Basic Earnings per ordinary share before abnormal items						
Based on weighted average number of shares issued during the year	0.045	0.026	0.047	0.071	0.143	0.169
Based on number of shares issued at the end of the period	0.045	0.026	0.044	0.067	0.110	0.167
Basic Earnings per ordinary share after abnormal items						
Based on weighted average number of shares issued during the year	0.045	0.043	0.056	0.077	0.148	0.169
Based on number of shares issued at the end of the period	0.045	0.043	0.053	0.073	0.114	0.167
Diluted Earnings per share	0.045	0.043	0.056	0.067	0.129	0.166
Dividend Paid or Declared per share	0.03	0.02	0.03	0.04	0.06	0.07
Franking (%) Interim	100	100	100	75	35	20
Final	100	100	100	65	50	50
Net Tangible Asset Backing	0.24	0.20	0.234	0.317	0.535	0.655
Analytical Information						
EBITDA to Sales (%)	7.18	7.17	5.81	5.08	4.89	5.33
EBIT to Sales (%)	4.64	4.36	3.31	2.54	3.21	3.75
Group Profit after Tax to Sales (%)	3.09	2.29	1.94	1.73	2.33	2.97
EBIT to Total Assets (%)	10.73	7.46	10.40	6.33	12.02	12.65
Return on Members Equity (%)	15.64	14.02	14.74	13.64	23.86	25.52
Current Assets to Current Liabilities (X)	1.14	0.85	1.05	0.97	1.10	1.17
EBIT Interest cover (X)	4.90	3.88	4.32	6.04	12.61	16.62
Effective Tax Rate (%)	14.60	29.18	23.89	17.45	20.45	15.19
Gearing						
Net borrowings to Equity (%)	50.04	123.03	56.79	35.78	21.68	11.64
Other						
Ordinary Shares						
Weighted average number of shares on issue during the year	122,382,060	124,971,736	150,525,316	170,139,864	181,880,484	238,838,888
Shares on issue at year end	124,161,224	125,955,908	159,899,044	178,918,708	235,997,956	242,089,936
Preference Shares						
Cumulative Shares on issue at year end			13,333,336	0	0	0
Non Cumulative Shares on issue at year end			0	53,333,336	0	0
Number of shareholders at year end	919	945	1,310	3,517	4,889	6,992
Number of employees at year end	786	1,800	1,700	4,500	5,635	5,874

JUNE 2001 JUNE 2002 JUNE 2003 JUNE 2004

1,602,798	2,037,996	2,569,798	3,271,929
100,423	154,731	205,407	304,546
29,793	52,605	76,955	114,459
70,630	102,134	128,452	190,087
4,614	12,280	19,272	23,080
-	7,965	28,252	45,108
66,016	97,819	137,432	212,115
16,415	23,138	30,274	38,684
40,667	74,681	107,158	173,431
363	525	1,091	4,792
49,238	74,156	106,067	168,639
49,238	74,156	106,067	168,639
0	0	0	7,708
20,241	27,457	44,409	65,607
41.11	37.03	41.87	40.77
41.11	37.03	41.87	43.47

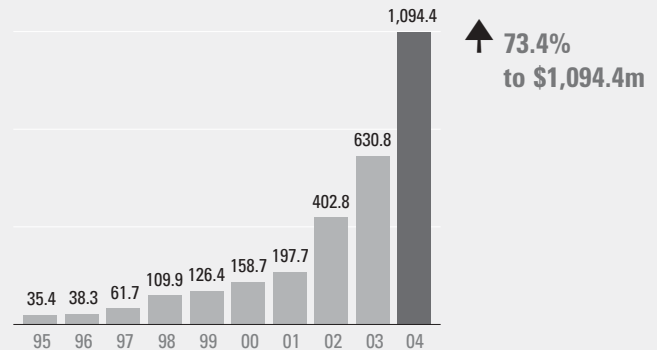
Profit before interest and tax (EBIT)

(\$m)



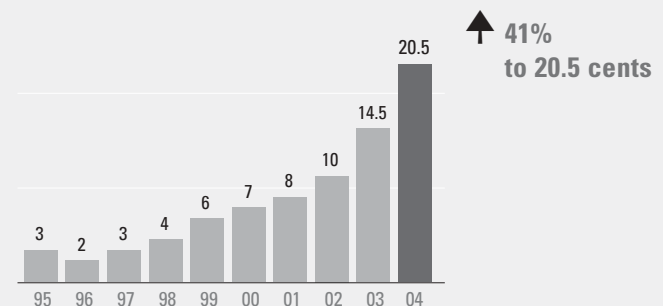
Total shareholders' equity

(\$m)



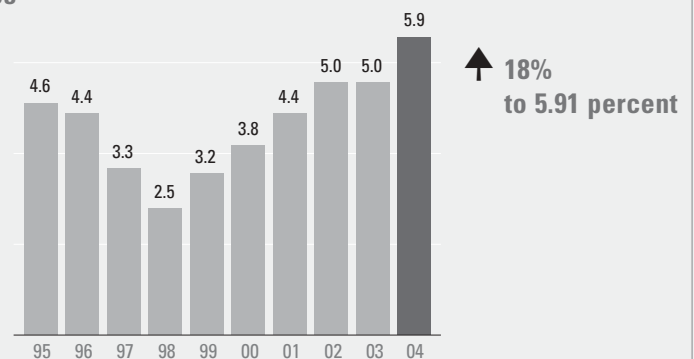
Dividend paid or declared per ordinary share

(Cents)



EBIT to sales

(Percent)



46,896	47,550	88,299	102,389
244,471	293,472	351,046	492,444
349,142	726,762	862,960	1,454,155
12,485	14,458	27,437	23,882
45,748	67,515	107,459	101,999
698,742	1,149,757	1,437,201	2,174,869
313,456	370,680	455,221	661,275
187,593	376,323	351,206	419,214
501,049	747,003	806,427	1,080,489
197,693	402,754	630,774	1,094,380
550	1,512	2,603	36,864
88,518	135,752	219,825	335,506
108,625	265,490	408,346	722,010
197,693	402,754	630,774	1,094,380

0.201	0.279	0.359	0.508
0.201	0.269	0.343	0.501
0.201	0.279	0.359	0.508
0.200	0.269	0.343	0.501
0.194	0.264	0.346	0.501
0.08	0.10	0.14	0.205
60	100	100	100
70	100	100	100
0.619	1.217	1.695	3.089

6.27	7.59	9.09	10.69
4.41	5.01	6.10	7.19
3.07	3.64	4.13	5.15
10.11	8.88	10.90	10.81
24.94	18.48	16.89	15.95
1.03	1.00	1.05	1.08
15.31	8.32	8.13	10.19
24.87	23.65	22.03	18.24

71.17	81.63	41.68	28.95
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244,687,632	265,943,792	295,676,489	316,684,355
245,550,368	275,381,324	308,813,811	321,296,695
0	0	0	2,500,000
0	0	0	0
7,913	9,473	16,877	25,355
8,984	9,764	12,466	17,375

COMPANY DIRECTORY

Directors

Chairman

John Moule AM

Managing Director

Paul Little

Executive Directors

Mark Rowsthorn

Neil Chatfield

Non-Executive Directors

William Farrands

Ross Dunning AC

Alastair Lucas

Divisional Directors

John Ludeke Toll Networks

Don Telford Toll Logistics

Terry Mallon Toll North

Stephen Stanley Strategy

Hugh Cushing Group Bus
Development

Secretary

Bernard McInerney

Principal Registered Office in Australia

Level 8, 380 St Kilda Road

Melbourne Vic 3004

Telephone: +61 3 9694 2888

Facsimile: +61 3 9694 2880

Divisional Offices

Networks & Logistics

Level 1, 32 Walker Street

North Sydney NSW 2060

Telephone: +61 2 8923 2333

Facsimile: +61 2 8904 0219

Toll North

146 Kerry Road

Archerfield Qld 4108

Telephone: +61 7 3275 0400

Facsimile: +61 7 3275 0444

Share Register

Computershare Investor Services

Yarra Falls

452 Johnston Street

Abbotsford Vic 3067

Telephone:

– Australia 1300 850 505

– Overseas +61 3 9415 4000

Facsimile: +61 3 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



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