Toll Holdings Limited
Annual Report 2012

Toll Group is the Asian region's leading provider of integrated logistics. Operating out of the Asia Pacific region, with a global reach, Toll employs around 45,000 people in over 55 countries.

The Group is divided into six divisions.

Toll Global Resources

Provides logistics services to the oil & gas, mining, and government and defence sectors in Australia, Asia and Africa.

Toll Global Logistics

World-class contract logistics solutions provider in the Asia Pacific region.

Toll Global Forwarding

International freight forwarding and advanced supply chain management services.

Toll Global Express

Market leading express freight operator in Australia providing time sensitive freight distribution, and top 10 express logistics provider in Japan.

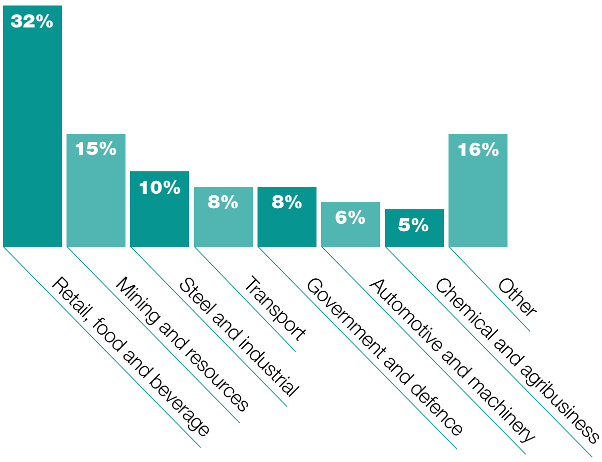
Toll Domestic Forwarding

Domestic freight forwarding across Australia and New Zealand.

Toll Specialised and Domestic Freight

Provides a comprehensive suite of options Australia-wide for palletised freight, liquids distribution, chemicals distribution and warehousing, through to relocation services.

Industries we worked with in FY12



Revenue split by division in FY12

14% Toll Global Resources
17% Toll Global Logistics
10% Toll Global Forwarding
26% Toll Global Express
16% Toll Domestic Forwarding
17% Toll Specialised and Domestic Freight

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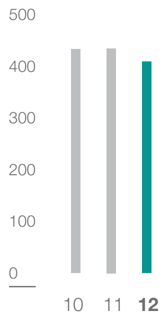
2012 highlights

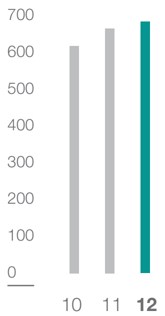
EBIT* ($M)

$411



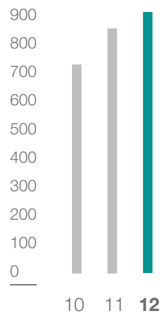
EBITDA* ($M)

$681



REVENUE ($M)

$8,707

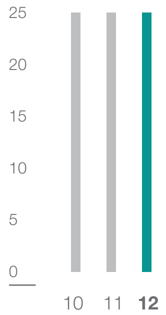


*Before non-recurring items

Unless otherwise stated, all $ amounts relate to Australian Dollars throughout this report.

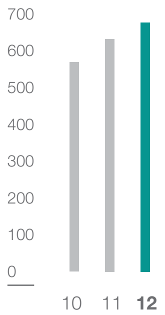
DIVIDENDS PER SHARE (¢)

25¢



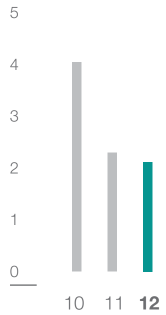
OPERATING CASH FLOW ($M)

$673



LOST TIME INJURY FREQUENCY RATE

2.13



Chairman's message

I am once again pleased to announce that Toll has produced a solid underlying result in very challenging market conditions. Our business diversity has again stood us in good stead this year, and we have produced a strong result despite the write downs in some businesses.

As you will be aware, the past year has seen the role of Managing Director transition from Paul Little to Brian Kruger. The Board led the recruitment process and appointment of Brian, and we are delighted with the way he has settled in.

In the relatively short time in his new role, Brian has impressed the Board not only in his strong decision making and strategic vision, but also in his thorough understanding of the business and his leadership skills. A perfect example of this is the way he has taken on the One Toll program.

One Toll is about maximising the opportunities that come from being part of the broader Toll Group. As many of you will know, a large part of the growth of Toll has come from acquiring a number of large and small businesses. A key strength of the Group is its empowered businesses and ownership of results by our business units.

Our task is now to fully integrate all of our operations under the One Toll umbrella through our external appearance, and also to bring about common processes, culture and values systems internally.

The Board fully supports Brian and his management team to achieve this goal, and we look forward to being able to report on even more collaborative successes in the years to come.

The Board

During the past year, the Board spent some time in India, travelling to our operations there and meeting some of our key customers. This gave us a chance to understand our business, our people and our operations so much better. Seeing the challenges we face in India versus those we have to work with in our home market, helps us to further understand the complexities and opportunities of our business.

Our people

Today Toll is a company of around 45,000 people in over 55 countries. Our workforce diversity has contributed to the richness of our organisation and is a key competitive advantage. Our success is a reflection of the quality and skills of our talented people.

We work hard to ensure our workplaces are inclusive and this is promoted through our Equal Employment Opportunities and Diversity Policy. We have also set diversity objectives that measure gender diversity relating to senior roles and achieving pay equity within job groups, job families and performance level by 2015.

The smooth transition to our new Managing Director demonstrates the strong succession planning that we have in place here at Toll. We continue to develop our existing and new managers through our Leadership@Toll program; close to 700 managers have now participated in this program.

Environment

We have further developed our Smarter Green program throughout the business. This is our commitment to the environment and sustainable logistics.

In Australia, Toll has been preparing for carbon pricing for some time, in order to present our customers with a selection of carbon intensity options ahead of the Federal Government's Energy Legislation, which came into effect on 1 July 2012. The carbon price focuses all Australian businesses on improving energy efficiency and decreasing greenhouse gas emissions—Toll included.

We do not expect carbon pricing to have a material impact on our financial performance in the coming year, as we will pass on any significant impacts on our costs to customers. We are working to offer alternative transport or energy solutions to our customers who want a choice.

During the last year, Toll issued a public report to the Carbon Disclosure Project (CDP) along with 72 other firms from the ASX top 100. The CDP ranked Toll second in the industrial sector, with a score of 76.

Scores above 70 are seen to indicate that the organisation has an understanding of business issues related to climate change, and is embedding action on climate change risks and opportunities into the core of its operations. We are pleased with this result and will look to build on it over the coming years.

Safety

We know that businesses that manage safety well are generally well-managed businesses. We are no different and want to be known for our outstanding safety record as well as being relied upon for getting the job done.

As Chairman I have been impressed by Brian and his team's approach to safety and their passion for driving this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home across the organisation. We have committed to harmonising our approach to safety across the Group through the **Think safe. Act safe. Be safe.** strategy that will be rolled out during the current financial year.

This will help us to live our safety messages and give us a number of lead indicators of safety performance that extend beyond our Lost Time Injury Frequency Rate. Impressively, this strategy will encompass our entire business around the globe, and I am keen to observe the success that this approach will bring.

Community

By the very nature of what we do, we maintain strong links to the communities in which we work. This year has been no exception with many of our businesses around the globe getting involved in community initiatives, sponsorships and events.

In addition to offering financial assistance, we ship freight free of charge to help selected charities move their donated goods or fund-raising merchandise. This allows them to spend their funds on the work they do that is so valuable to the community and not have to worry about logistics costs.

We have continued to see some very positive results through the Second Step program again this year with 35 candidates coming through the program within Australia.

We are also taking the initiative to develop our first Reconciliation Action Plan to demonstrate our commitment to narrowing the gap between Indigenous and non-Indigenous Australians. This is further to Toll signing up to the Australian Employment Covenant in 2011.

Looking Forward

The past 12 months has been a period of change for Toll. Moving from a Managing Director of 26 years, to a new chapter with a new leader has been an exciting time for the Board and me.

We have seen Toll's structures maturing through improved processes, internal refinements and driving productivity growth. We have asked more questions of ourselves and will continue to do so as we search for the best ways to drive efficiency in our operations.

During the coming period, we will continue to evolve and to develop the notion of One Toll further into our business. Like Brian, the Board and I see tremendous value in this proposition and will continue to support the spirit of working together with one common goal.

On behalf of the Board, I would like to thank all Toll employees for their excellent work throughout the period.

As outlined in the 2011 annual report, sometime after the 2012 AGM we expect to be able to announce whether Paul Little is coming back to the Board. Paul is one of the world's most experienced and respected logistics executives and would be a fantastic contributor to the company as a non-executive director if he were to return.

We have previously stated that Paul needs to have an appropriate break from Toll. When he has completed an appropriate break, the Board will then assess the way ahead.

I look forward to welcoming you at the Annual General Meeting on Friday 26 October at the Melbourne Convention Centre.

RK Horsburgh

Ray Horsburgh AM


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Managing Director's report

It is an honour to be reporting to you for the first time as Managing Director of Toll. I am very excited to have the opportunity to bring to life some of the great initiatives we have been working on for some time and to find new avenues to continue to grow our business.

Moving from the role of CFO, which is now filled by internal candidate Grant Devonport, I have been close to Toll's key decisions and investments that have been made in the past three years. My focus is now on driving value from these investments, along with continuing to pursue new opportunities within our existing businesses.

One of the many ways we are able to drive value creation from within our business is through the evolving One Toll program. We are continuing to develop this initiative in many areas of the business and we are already starting to see some excellent results.

Our business units are working more closely together to align our service offerings and present Toll in an exciting, refreshing and importantly more cohesive way, adding tens of millions of dollars to our revenue.

As part of the first phase of the One Toll program, we are well along the path of having one consistent visual identity for the business. So whether you see one of our signature green trucks in Sydney, Singapore or Shanghai, you'll know it's a Toll truck and so will our customers and employees.

We have also been working on some other key areas as part of One Toll, including our culture and values, and our approach to safety. As I reported at the AGM last year, a key measure of our success will be not just what we achieve, but how we achieve it. I want Toll to be an organisation that is known for its integrity, for listening to its people and one that is seen as an employer of choice.

Refining our culture and values

One of the challenges in acquiring companies, is that you also acquire the values and belief systems of that business. As part of One Toll, having one collective set of values and a true single Toll culture is a priority.

I believe there is a significant benefit to the company in embedding a single Toll culture that brings together our many strengths, and exemplifies safety, ethical behaviour and high performance. This will support our aim to drive more value from our existing business and provide opportunities for cross-organisational engagement.

In June I asked our employees to help shape the future of Toll by sharing their thoughts about our current culture and values. I also asked them to help us understand what is important to them about working here, and how they see the future of Toll.

Pleasingly over 2,500 employees from all our key sites globally participated in this process by either attending a focus group, completing an online survey or taking part in a one on one interview.

I was delighted with the openness and the enthusiasm for participating in a study of this nature. To me it further demonstrated the commitment our people have to making Toll an even more successful organisation.

The biggest theme that emerged from the survey was that the current Toll culture is based on relationships; employees value the people they work with and enjoy working together as one winning team. Treating colleagues and other stakeholders with respect and trust is key to this successful culture.

When asked what a future Toll would look like, our employees were keen for there to be more integration and communication between Toll businesses and divisions. They can see the value of working as part of the wider Toll Group, and want to be given the tools and support to make the most of these cross-company opportunities. This reaffirmed the path we are on with One Toll.

We have used all of this feedback from our employees to develop a common set of values for the Group and importantly the behaviours we expect will show that we really are living by those values.

I look forward to sharing our new values and the next steps of this strategy with you at the AGM.

"Through the One Toll initiative our business units are working more closely together to align our service offerings and present Toll in an exciting, refreshing and importantly more cohesive way, adding tens of millions of dollars to our revenue."

Brian Kruger
Managing Director


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Reaffirming our united focus on safety

While we have made great advances in our safety performance over recent times, we still have work to do. Despite continuing to reduce our annual Lost Time Injury Frequency Rate (LTIFR), and seeing fewer accidents in the workplace, injuries and fatalities are still occurring at Toll. This is not good enough.

The launch of our global **Think safe. Act safe. Be safe.** strategy later this year is aimed at driving our safety culture more deeply into the business so that all of us, wherever we are, understand the role we play in making Toll a safer place. Acting safely is not a choice; it is a fundamental responsibility of all of our people.

Through **Think safe. Act safe. Be safe.** we will continue to educate and encourage our people to understand that behaving safely is the only way to behave at Toll.

The following safety principles will underpin our strategy:

- Everyone is responsible for acting safely, without risk to themselves or others. This is a condition of employment.
- Management at all levels is responsible and accountable for workplace health and safety.
- Training is provided so everyone knows how to work safely.
- Consultation and engagement with all our stakeholders is fundamental to improving safety performance.

We are training our managers to be safety leaders, creating frameworks to manage safety better and launching programs to drive improved performance. We will become even more accountable for our actions and together, these measures will ensure that the message of safety is a core Toll value that we all live and breathe.

I am confident that these two important programs, together with the other key One Toll initiatives that we are progressing, will support our objective of extracting more value from our existing businesses.

Review of operations

Overall Group performance

Toll produced a sound underlying result overall despite challenging market conditions throughout 2012. Toll's business diversity has supported current earnings while allowing the Group to continue to pursue its longer term growth strategies. A feature of this result is the strong operating cash flow, highlighting the disciplined approach taken to working capital management.

Sales revenue for the year ending 30 June 2012 was up six per cent on the previous year to $8.7 billion, with total operating profit (EBIT) and net profit after tax (before non-recurring items) both down six per cent to $411 million and $274 million respectively.

This year's result contained a number of non-recurring items totalling $203 million after tax ($215 million before tax). These non-cash items relate to the impairment of assets in Toll Global Express Japan (Footwork Express) and properties in Australia, which were offset slightly by acquisition related earnout provision reversals.

Our **Think safe. Act safe. Be safe.** strategy is aimed at driving our safety culture more deeply into the business so that all of us understand the role we play in making Toll a safer place. Acting safely is not a choice; it is a fundamental responsibility of all of our people. Through **Think safe. Act safe. Be safe.** we will continue to educate and encourage our people to understand that behaving safely is the only way to behave at Toll.

Toll Global Resources

Our specialised resources division, Toll Global Resources, was able to continue to grow its offering to the mining and energy sectors and saw strong revenue and new contract wins as a result.

- Toll Mining Services improved both revenue and EBITA with the Mitchell Corp acquisition contributing for a full year. The acquisition provided a strong base for Toll Mining Services to leverage the Western Australian resources market securing new opportunities with Apache, FMG, Shell, Orica and Dyno, whilst also expanding its operations at BC Iron.
- Toll Remote Logistics' result was a reduction on the prior year. Notwithstanding this, the business successfully mobilised and established a fuel supply contract in the Democratic Republic of Congo.
- Toll Energy continued to build on last year's outstanding performance assisted by continued growth in the Gorgon project equipment requirements and staffing, which increased from 235 to 280 people, and is expected to continue to grow in the coming year. Toll Energy also commenced work during the year on two contracts in support of the upstream construction for the GLNG and QGC projects.
- Toll Marine Logistics Australia commenced green field operations in Gladstone in the early part of the financial year after securing two Queensland LNG project contracts towards the end of last financial year.
- Toll Marine Logistics Asia continued to be affected by weakening market conditions and vessel oversupply in Indonesia leading to lower utilisation and lower overall earnings. As previously announced this business is currently the subject of a strategic review.
- The TOPS redevelopment is progressing well towards completion in the coming year, with increasing occupancy in completed new buildings and increased wharf capacity supporting earnings growth.

Toll Global Logistics

Toll Global Logistics retained key customers and achieved new customer wins while also seeing the benefits of a recovery in earnings from its automotive logistics business.

- Customised Solutions reported encouraging organic growth. New business wins included Newell Rubbermaid, Target Layby, Madman, Independent Liquor Group and HLW. Two new key operating facilities are being developed; the innovative Adidas Melbourne facility, and Optus Yennora facility which will bring together multiple Optus businesses into one site.
- Automotive services in Australia saw a strong recovery in both revenue and earnings growth. Volume growth was observed from existing customers and key contracts with Ford and Toyota were renewed. The sale of the Australian finished vehicle distribution service to PrixCar (a 50% Toll JV) was completed in July 2012.
- South & South East Asia grew revenue through key contract wins during the year, including Tesco (Thailand) and Coca Cola (India). Additional business commenced with key customers Yamaha (Thailand), P&G (Vietnam) and the Tata Steel transport operations in India were fully implemented.
- North Asia revenue was down due to the loss of key customer contracts and volume pressure on our key customers' products. Given ongoing cost pressures, cost management and continuous improvement initiatives remain a key focus area.
- Contract Logistics in Australia had another solid year despite margin pressures in the weak manufacturing sector. Volume growth was observed from key accounts and contract wins.

Toll Global Forwarding

The Toll Global Forwarding division continued to face challenging markets but has made good progress on internal productivity initiatives.

- Global market conditions were very challenging throughout the fiscal year. Key retail markets in the USA, UK and Australia remained soft, and customers moved volume from airfreight to oceanfreight.
- Oceanfreight volumes grew 3% year on year to 484,000 TEUs but the corresponding gross profit was down 4%, impacted by major freight cost increases in the second half year as the ocean freight carriers tried to recover their significant losses.
- Airfreight volumes were down 2% to 119,000 tonnes with the corresponding gross profit down 4% reflecting completion of a major military contract and the weaker airfreight market. These declines were partially offset by a full year impact of the SAT Albatros acquisition, strong growth in developing markets in South East Asia and India, and encouraging growth in the perishables sector.
- Supply chain management gross profit grew strongly, most of which came from the US domestic operation with new business wins and facility upgrades along with the restructuring of supply chain activities in the UK.
- As there were no major acquisitions in the year, the focus was on strengthening the base and capability of the business. This included systems standardisation, increasing product capability, productivity improvements and building sales teams.

Toll Global Express

Toll Global Express continued to deliver strong returns from its Australian businesses despite soft markets in some areas, and also launched its new B2C parcel delivery service to help capitalise on the growing 'e-tail' purchases market. A strategic review of the Japan express business continues.

- Toll IPEC recorded revenue growth in all significant regions of operation. Growth was driven by expansion into non-traditional markets with customer wins in the Resources, IT and Agriculture sectors. Toll IPEC also achieved strong revenue growth in the WA region, which was partly offset by the impact of market conditions in the discretionary retail sector.
- Revenue from the Toll Priority express parcel and document service was consistent year on year, as new contract wins compensated for lower volumes from some existing customers. Toll Secure, Toll Priority's cash in transit and cash processing business has gained Westpac as a cornerstone customer through investing in industry leading technology and a differentiated service model.
- During the second half of the financial year, Toll launched its B2C offering in the market and has won a number of traditional and online retailers as key customers. Toll expects to increase market share in this expanding segment through the compelling offering of Toll's delivery network, and innovative solutions for customers and consumers.
- Economic conditions in Japan continued to prove challenging. After a small increase post-Earthquake/Tsunami, Toll Global Express Japan has not seen activity levels improve, with industrial production and consumer spending levels remaining subdued. A full strategic review of the business has commenced.

Toll Domestic Forwarding

Toll Domestic Forwarding managed to produce a solid underlying result despite flat industry-wide volumes. Recovery in its Tasmanian shipping business was largely offset by losses in its Australian refrigerated interstate linehaul and warehousing operations, which were sold in July.

- Toll Intermodal (formerly the SPD and QRX business units) was impacted by margin pressure from the competitive environment partially offset by cost control activities. The redevelopment of key sites including Kewdale and Moolabin in Brisbane will deliver operational improvements and significant cost savings.
- Toll New Zealand had good revenue and earnings growth as a result of the Northern Southland acquisition in October 2011, customer wins and organic growth from existing customers. Operating earnings benefitted from improved gross margins.
- Toll ANL Bass Strait Shipping increased revenue, operating earnings and margins as a result of organic growth, new business wins and the withdrawal of competitor capacity on the Bass Strait route.
- Toll Tasmania saw flat revenues compared to the prior year. Operating earnings were impacted throughout the year as a result of lower volumes of northbound freight.
- Toll Refrigerated was adversely impacted by continued margin pressure within its interstate linehaul and warehousing segments. The business also experienced higher linehaul costs as a result of increased subcontractor rates. After completion of a detailed strategic review the refrigerated linehaul and warehousing operations were divested effective 31 July 2012.

Toll Specialised & Domestic Freight

A strong result for Toll Specialised and Domestic Freight division, with growth in revenue and earnings generated by increased resource sector activity, contract wins and cost improvement programs.

- Toll NQX performed well due mainly to strong activity in the resources sector in Queensland. Increased activity is expected to continue in the resources sector and the Queensland LNG developments will also provide further opportunities.
- Toll Express volumes were overall lower as a direct result of shedding lower yielding freight from the business. This volume reduction was offset by an increase in yield on the balance of the revenue base and has resulted in improved margins.
- Implementation of IT system improvements continued for both Toll NQX and Toll Express and will result in a differentiated service offering for customers within the less than full load freight sector.
- Toll Liquids improved due to a continued focus on improving individual contract performance and the benefit of restructure activity in prior periods. Toll Liquids was successful in winning the Woolworths fuel distribution work in Victoria which commenced in July 2011.
- The Toll Transitions result includes the full 12 month benefit of the expanded Australian Defence relocations contract.

"Toll expects the highly competitive environment of recent times to continue, so will continue to focus on productivity initiatives to ensure that the company remains competitive."

Outlook

While we do not expect external conditions to get any easier in the short to medium term, we are seeing no signs of any further deterioration, at least at this early stage of the year.

Toll expects the highly competitive environment of recent times to continue, so will continue to focus on productivity initiatives to ensure that the company remains competitive. Against this macro backdrop, Toll has a number of exciting organic growth opportunities such as the growing exposure to the resources sector and the online retail logistics market, while new contract wins during the 2012 financial year will contribute to earnings growth.

In addition, our balance sheet remains very strong, enabling us to continue to invest in maintaining the strength of our existing business, while also supporting investment in exciting new growth opportunities.

Brian Kruger

Annual Financial Report

For the year ended 30 June 2012

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Directors' Report
for the year ended 30 June 2012

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 and its interest in associated and joint ventures ("the Group"), for the year ended 30 June 2012 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:

Ray Horsburgh AM (Chairman)
Director since 2004

Paul Little AO (Managing Director)
Director since 1986
(retired on 31 December 2011)

Harry Boon
Director since 2006

Mark Smith
Director since 2007

Barry Cusack
Director since 2007

Frank Ford
Director since 2008

Nicola Wakefield Evans
Director since 2011

Brian Kruger (Managing Director)
Director from 1 January 2012

Principal activities

The principal activities of the Group during the year consisted of:

- Less than full load express and economy freight forwarding service using all modes of transport
- Full load road and rail freight forwarding service
- Temperature controlled transport service for full load and less than full load clients
- Warehousing and distribution of bulk dry and refrigerated goods
- Wharf cartage, container handling and storage
- Contract distribution services
- Time sensitive parcel freight distribution services
- Specialised international forwarding services
- Removals and relocation brokerage service
- Vehicle transport and distribution
- Bulk liquid transportation
- Supply base management and operation
- Operation of specialist defence logistics projects, and
- Shipping linehaul operations.

Consolidated result

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

	2012 $M	2011 $M
Net profit attributable to shareholders of the Company	64.6	281.4

Earnings per share		
Basic earnings per share	9.0c	39.8c
Diluted earnings per share	9.0c	39.8c

Review of operations

Toll Group sales revenue was $8.7 billion for the year ended 30 June 2012, up 6% on the prior year. Total operating profit (EBIT) before non-recurring items was $411 million, down 6%. Net profit after tax (before non-recurring items) was $274 million, down 6%.

Summary profit table

	2012 $M	2011 $M	% change
Sales revenue	8,707	8,225	+5.9
Total operating EBIT (before non-recurring items)*	410.8	436.4**	-5.9
Net profit after tax (before non-recurring items)	274.2	291.1	-5.8
Net profit after tax (after non-recurring items)	70.9	294.8	-75.9
Operating cash flow	673.4	628.6	+7.1
Earnings per share (before PPA and non-recurring items)	41.4	44.6	-7.2
Final dividend per share	13.5	13.5	
Full year dividends per share	25.0	25.0	

* EBIT includes profit from associates and PPA amortisation, but before non-recurring items.
** Prior year EBIT includes net one-off gains in Toll Express Japan of approximately $25 million.

Toll has produced a sound result overall (before non-recurring items), in line with our May guidance, despite challenging market conditions throughout 2012. Toll's business diversity has supported current earnings while allowing the Group to continue to pursue its longer term growth strategies. A feature of this result is the strong operating cash flow, highlighting the disciplined approach taken to working capital management.

This result contains a number of non-recurring items totalling $203 million after tax ($215 million before tax). These non-cash items (detailed later in this review) relate to the impairment of assets in Toll Express Japan (Footwork Express) and properties in Australia, which were offset slightly by acquisition related earnout provision reversals.

Toll Global Resources generated strong growth over the prior year particularly in the domestic businesses, Toll Energy and Toll Mining, offset in part by the under-performance of both the Asian Marine business and completion of a significant fuel distribution contract in Toll Remote Logistics, as reported in the first half. The Mitchells acquisition has been successfully integrated and opportunities are being leveraged in the Western Australian mining sector. Growth opportunities arising from both the mining and oil and gas sectors are very encouraging with a number of key contract wins to support long term earnings growth. The Marine Asia business experienced difficult trading conditions during the year with increasing vessel oversupply in the Indonesian marine freight market impacting charter prices, combined with poor vessel utilisation negatively impacting earnings. The Toll Offshore Petroleum Supply Base (TOPS) in Singapore is progressing well and is on track to be completed during the 2013 financial year.

Toll Global Logistics saw revenue growth in its traditional markets especially the Singapore Government Business Group, Customised Solutions and Australia Automotive Logistics. Growth was supported by the retention of key customers and new customer wins in a number of geographies.

Toll Global Forwarding faced challenging market conditions throughout the year, putting pressure on revenue and earnings. Volumes were impacted by the industry wide shift of customers from airfreight to oceanfreight. While still targeting bolt-on acquisitions to assist scale and service offering, a key focus has been on internal productivity and systems integration.

The domestic operations of Toll Global Express continued to generate strong returns in what was a challenging operating environment, driven primarily by weakness in the consumer discretionary market. The business focussed on continued expansion into stronger performing sectors and regions, including business to consumer (B2C) and cash logistics. Toll Global Express Japan (Footwork Express) had a very difficult year in a flat market. A full strategic review of Toll Global Express Japan has been commenced.

Toll Domestic Forwarding performed well in a difficult market, with increased revenue from customer wins, an improvement in the Bass Strait shipping business and an acquisition in New Zealand. The key drag on earnings were the losses incurred in the linehaul and warehousing operations of Toll Refrigerated, which were sold in July 2012.

Toll Specialised and Domestic Freight had an excellent year due mainly to organic growth, new customer wins, and implementation of cost improvement programmes and yield management initiatives. While volumes were mixed, there was a strong increase in those parts of the business exposed to the resources sector.

Overall, the Group generated operating cash flow of $673 million, and invested $479 million in capital expenditure, including $56 million on the TOPS redevelopment in Singapore. The balance sheet remains strong with net debt to net debt plus equity at 29.3% ensuring sufficient balance sheet capacity to fund planned growth initiatives.

A final fully franked dividend of 13.5 cents per share will be paid to shareholders on 22 October 2012.

Looking forward, while Toll does not expect external conditions to get any easier in the short to medium term, it is seeing no signs of any further deterioration, at least at this early stage of the year. Toll does expect the highly competitive environment of recent times to continue, so will continue to focus on productivity initiatives to ensure that the Company remains competitive. Against this macro backdrop, Toll has a number of exciting organic growth opportunities such as the growing exposure to the resources sector and the on-line retail logistics market, while new contract wins during the 2012 financial year will contribute to earnings growth.

Sales and profit summary

	Earnings		Sales revenue	
	12 months to June 2012 $M	12 months to June 2011 $M	12 months to June 2012 $M	12 months to June 2011 $M
Toll Global Resources	103.0	88.6	1,106.8	784.2
Toll Global Logistics	92.6	90.5	1,419.7	1,357.3
Toll Global Forwarding	20.6	33.9	1,450.6	1,635.0
Toll Global Express Australia	136.6	147.0	1,509.9	1,410.1
Toll Global Express Japan (Footwork Express)	(5.4)	22.9*	724.0	730.1
Toll Global Express	131.2	169.9	2,233.9	2,140.2
Toll Domestic Forwarding	56.7	61.3	1,150.9	1,097.1
Toll Specialised & Domestic Freight	87.7	72.1	1,322.0	1,201.1
Total divisions	491.8	516.3	8,683.9	8,214.9
Corporate/other	(52.4)	(51.1)	23.3	9.6
Total EBITA/revenue	439.4	465.2	8,707.2	8,224.5
Total PPA amortisation	(28.6)	(28.8)		
Total EBIT (before non-recurring items)	**410.8**	**436.4**		
Net finance costs	(37.0)	(35.4)		
Net profit before tax	373.8	401.0		
Income tax expense	(99.6)	(109.9)		
Reported NPAT pre non-recurring items	274.2	291.1		
Non-recurring items (net of tax)	(203.3)	3.7		
Net profit after tax	**70.9**	**294.8**		
Non-controlling interests	(6.3)	(13.4)		
NPAT attributable to shareholders	64.6	281.4		

*Prior year EBIT includes net one-off gains in Toll Express Japan of approximately $25 million.

Divisional operating review

Toll Global Resources

	2012 $M	2011 $M	% change
Sales revenue	1,106.8	784.2	+41.1
EBITDA (excluding associate earnings)	168.4	125.1	+34.6
EBITA (including associate earnings)	103.0	88.5	+16.4
EBITA margin (excluding associate earnings)	9.2%	10.9%	-1.7%
Average capital employed ($ million)	1,011	798	+26.7
Return on capital employed	9.8%	10.6%	-0.8%

- Toll Global Resources generated strong double digit growth on the prior year driven by Toll Energy, Toll Mining and the full year results of the Mitchells acquisition. The Toll Remote Logistics and Toll Marine Logistics businesses were behind on prior year driven by project wind-downs/completions and unfavourable market conditions impacting asset utilisation. The TOPS redevelopment continues in line with plan.
- Toll Mining Services improved both revenue and EBITA with the Mitchell Corp acquisition contributing for a full year. The acquisition provided a strong base for Toll Mining Services to leverage the Western Australian resources market securing new opportunities with Apache, FMG, Shell, Orica and Dyno, whilst also expanding its operations at BC Iron. On the East coast of Australia, Toll Mining Services continued to invest in new equipment and technology and has significantly grown its operations at the Wesfarmers' Curragh Mine and its Orica operations in NSW.
- Toll Remote Logistics result was a reduction on the prior year. Notwithstanding this, the business successfully mobilised and established a fuel supply contract in the Democratic Republic of Congo. The overall decline in earnings was driven by a number of African projects supporting exploration developments which were completed during the year. A reduction in activity with the Australian Defence Force contract in Timor, in line with an expected decrease in troop numbers, is also expected over the coming year.
- Toll Energy continued to build on last year's outstanding performance assisted by continued growth in the Gorgon project equipment requirements and staffing, which increased from 235 to 280 people, and is expected to continue to grow in the coming year. Toll Energy also commenced work during the year on two contracts in support of the upstream construction for the GLNG and QGC projects.
- Toll Marine Logistics Australia commenced green field operations in Gladstone in the early part of the financial year after securing two Queensland LNG project contracts towards the end of last financial year. Both of these operations incurred a number of one-off establishment costs during the 2012 financial year. Operations relating to a third Gladstone contract commenced in May 2012.
- Toll Marine Logistics Asia continued to be affected by weakening market conditions and vessel oversupply in Indonesia leading to lower utilisation and lower overall earnings. As previously announced this business is currently the subject of a strategic review.
- TOPS revenue and EBITA was ahead of last year after normalising the prior year contribution of the divested investment in Shenzhen Chiwan. The TOPS redevelopment is progressing well towards completion in the coming year, with increasing occupancy in completed new buildings and increased wharf capacity supporting earnings growth.

Toll Global Logistics

	2012 $M	2011 $M	% change
Sales revenue	1,419.7	1,357.3	+4.6
EBITDA (excluding associate earnings)	136.0	130.5	+4.2
EBITA (including associate earnings)	92.6	90.5	+2.3
EBITA margin (excluding associate earnings)	6.2%	6.3%	-0.1%
Average capital employed ($ million)	802	827	-3.0
Return on capital employed	10.1%	9.5%	+0.6%

- Toll Contract Logistics in Australia had another solid year despite margin pressures in the weak manufacturing sector. Volume growth was observed from key accounts and new contract wins. Ongoing investment in IT will further increase the business's capability planning and operating efficiency, providing additional value-add to customers.
- Toll Customised Solutions reported encouraging organic growth. New business wins included Newell Rubbermaid, Target Layby, Madman, Independent Liquor Group and HLW. Key customer contracts were also renewed for Coles National Distribution Centre (Victoria), Coles Express, Orica and Marplex. Two new key operating facilities are being developed; the innovative Adidas Melbourne facility, and Optus Yennora facility which will bring together multiple Optus businesses into one site.
- Automotive Logistics Services in Australia saw a strong recovery in both revenue and earnings growth. Volume growth was observed from existing customers Komatsu and GM Holden and new wins from Boart Longyear, Mazda, KIA and Hankook Tyres. Key contracts with Ford and Toyota were renewed and additional work was granted by existing customer GM Holden. The sale of the Australian finished vehicle distribution service to PrixCar (a 50% Toll JV) was completed in July 2012. The sale generated proceeds of $88.4 million and a pre-tax gain of approximately $44 million which will be recognised in the 2013 financial year.
- The Singapore Government and Defence Logistics (GBG) business continued to maintain strong results. There were a number of key contracts retendered and retained.
- South & South East Asia grew revenue through key contract wins during the year, including Tesco (Thailand) and Coca Cola (India). Additional business commenced with key customers Yamaha (Thailand), P&G (Vietnam) and the Tata Steel transport operations in India were fully implemented.
- Singapore & Malaysia grew revenue due to the improved performance in the feeder vessel and freight management business. New account wins in Singapore were DFI (Dairy Farm International), P&G Prestige and Ikea. Successful contract renewals were negotiated with PT Kaltim Prima Coal and the P&G Perfume Plant. The combination of the Singapore & Malaysia businesses implemented last year has delivered synergies and improved leverage on cross border opportunities.
- North Asia revenue was down due to the loss of key customer contracts and volume pressure on our key customers' products. Given ongoing cost pressures, cost management and continuous improvement initiatives remain a key focus area.

Toll Global Forwarding

	2012 $M	2011 $M	% change
Sales revenue	1,450.6	1,635.0	-11.3
Gross profit margin	20.4%	19.4%	+1.0%
EBITDA (excluding associate earnings)	29.8	40.2	-25.9
EBITA (including associate earnings)	20.6	33.9	-39.2
EBITA margin (excluding associate earnings)	1.1%	1.8%	-0.7%
Average capital employed ($ million)	788	743	+6.1
Return on capital employed	1.6%	3.4%	-1.8%

- Global market conditions were very challenging throughout the fiscal year. Air and ocean freight carriers are incurring substantial losses on the back of excess capacity and generally weak demand in the market. At the same time, key retail markets in the USA, UK and Australia remained soft, and customers moved volume from airfreight to oceanfreight.
- Oceanfreight volumes grew 3% year on year to 484,000 TEUs but the corresponding gross profit was down 4%, impacted by major freight cost increases in the second half year as the ocean freight carriers tried to recover their significant losses.
- Airfreight volumes were down 2% to 119,000 tonnes with the corresponding gross profit down 4% reflecting completion of a major military contract and the weaker airfreight market. These declines were partially offset by a full year impact of the SAT Albatros acquisition, strong growth in developing markets in South East Asia and India, and encouraging growth in the perishables sector.
- Sales revenue declined 11% due to lower average carrier costs coupled with the decline in airfreight volumes. The gross profit margin of 20.5% was in line with global peers and compared to 19.4% in the prior year. Gross profit quality showed positive improvement despite the highly competitive market conditions. This is due to declining carrier rates, improved buying capabilities arising from the centralised procurement team and relatively stronger growth of higher margin USA supply chain gross profit.
- Supply chain management gross profit grew strongly, most of which came from the US domestic operation with new business wins and facility upgrades along with the restructuring of supply chain activities in the UK.
- New contract wins during the financial year, included both new business and increased services from existing accounts in USA from Sears, Under Armour, J.Moret, Big Lots, Marc Jacobs and American Eagle Outfitters. Contract wins in Europe and the Middle East included Ecco, Levahrt and Aurora. In Australia and New Zealand contract wins included Cotton On, Apparel Group, Pumpkin Patch, The Just Group, Spotlight, Sebel Furniture and Adidas. Important non-retail business was also secured such as Motorola, Caterpillar and Shantui.
- South East Asia and India experienced double digit revenue growth albeit on a relatively low base. Capabilities have improved with the creation of shipment hubs in Hong Kong and Singapore. With the implementation of the Freight Management System in China and Hong Kong, processes are now standardised and streamlined.
- In North America, the rollout of the new Freight Management System was completed in USA and Canada on time and on budget. The major upgrade of facilities in California has helped to drive up supply chain profits.
- Europe and Middle East saw two small acquisitions this year in Germany and in Turkey. In the UK operations and systems integration has been completed and staff numbers have been reduced. A major airfreight project for the US military from the UK to the Middle East was also completed during the year.
- As there were no major acquisitions in the year, the focus was on strengthening the base and capability of the business. This included systems standardisation, increasing product capability, productivity improvements and building sales teams to complete management capability.
- Toll Global Forwarding continues to look for attractive acquisitions to improve scale and deliver improved returns. The business will remain disciplined in this process, ensuring that any proposed acquisition fits appropriately with growth strategies.

Toll Global Express

	2012 $M	2011 $M	% change
Sales revenue (excluding Japan)	1,509.9	1,410.1	+7.1
Japan sales revenue	724.0	730.1	-0.8
Total sales revenue	2,233.9	2,140.2	+4.4
EBITDA (excluding Japan)	158.3	166.3	-4.8
Japan EBITDA	7.0	36.0	-80.6
Total EBITDA (excluding associate earnings)	165.3	202.3	-18.3
EBITA (excluding Japan)	136.6	147.0	-7.1
Japan EBITA	(5.4)	22.9*	-123.6
Total EBITA (including associate earnings)	131.2	169.9	-22.8
EBITA margin (excluding Japan and associate earnings)	8.9%	10.2%	-1.3%
EBITA margin (excluding associate earnings)	5.8%	7.8%	-2.0%
Average capital employed (excluding Japan) ($ million)	277	266	+4.1
Return on capital employed (excluding Japan)	48.4%	54.3%	-5.9%

* Prior year includes net one-off gains of approximately $25 million.

- The domestic operations of Toll Global Express saw strong revenue growth (after excluding the impact of fuel surcharges) in what was a difficult operating environment. Some key market segments and regions were subdued in FY12, with the notables being the consumer discretionary segment, and the Victorian and New South Wales regions. All operating businesses continued expansion into better performing sectors of the economy, and all reported solid revenue increases in the Western Australia and Queensland regions. EBITA performance in the domestic operations was lower due to the challenge in passing through cost increases in the current market conditions, start-up costs associated with revenue initiatives and increased depreciation associated with recent IT investments.

- Toll IPEC recorded revenue growth in all significant regions of operation. Growth was driven by expansion into non-traditional markets with customers wins in the Resources, IT and Agriculture sectors. Toll IPEC also achieved strong revenue growth in the WA region, which was partly offset by the impact of market conditions in the discretionary retail sector. Margins decreased slightly due to the impact of additional cost increases from linehaul suppliers.

- Revenue from the Toll Priority express parcel and document service was consistent year on year, as revenue wins compensated lower volumes from some existing customers. Toll Priority's aviation business Toll Air Express recorded earnings improvement from strong air freight and charter revenue and an increase in Aviation Engineering work through securing a number of large tenders. Toll Secure, Toll Priority's cash in transit and cash processing business has gained Westpac as a cornerstone customer through investing in industry leading technology and a differentiated service model, which will position the business for growth over coming periods.

- Toll Fast recorded revenue growth from large contracted service customers, and magazine and news distribution services.

- During the second half of the financial year, Toll launched its B2C offering in the market and has won a number of traditional and online retailers as cornerstone customers. Toll expects to increase market share in this expanding segment through the compelling offering of Toll's delivery network, and innovative solutions for customers and consumers.

- Economic conditions in Japan continued to prove challenging. After a small increase post-Earthquake/Tsunami, Toll Global Express Japan has not seen activity levels improve, with industrial production and consumer spending levels remaining subdued. A full strategic review of the business has commenced.

Toll Domestic Forwarding

	2012 $M	2011 $M	% change
Sales revenue	1,150.9	1,097.1	+4.9
EBITDA (excluding associate earnings)	89.0	91.5	-2.7
EBITA (including associate earnings)	56.7	61.3	-7.5
EBITA margin (excluding associate earnings)	4.9%	5.6%	-0.7%
Average capital employed ($ million)	278	265	+4.9
Return on capital employed	20.3%	23.0%	-2.7%

- Toll Domestic Forwarding revenue increased, (after excluding the impact of fuel surcharges) despite weak economic conditions benefitting from the Northern Southland acquisition in New Zealand, the full year impact of McLaughlin Freightlines and a recovery in Toll Shipping. Industry wide volumes have remained flat continuing to fuel aggressive competition in the sector leading to some margin decline. Excluding the loss from Toll Refrigerated business, overall earnings would have shown positive growth.
- Toll Intermodal (formerly the SPD and QRX business units) was impacted by margin pressure from the competitive environment partially offset by cost control activities. The redevelopment of key sites including Kewdale and Moolabin in Brisbane will deliver operational improvements and significant cost savings.
- Toll New Zealand had good revenue and earnings growth as a result of the Northern Southland acquisition in October 2011, customer wins and organic growth from existing customers. Operating earnings benefitted from improved gross margins.
- Toll ANL Bass Strait Shipping increased revenue, operating earnings and margins as a result of organic growth, new business wins and the withdrawal of competitor capacity on the Bass Strait route. Logistics margins increased through improved equipment utilisation and reduced operating costs.
- Toll Tasmania saw flat revenues compared to the prior year. Operating earnings were impacted throughout the year as a result of lower volumes of northbound freight.
- Toll Refrigerated was adversely impacted by continued margin pressure within its interstate linehaul and warehousing segments. The business also experienced higher linehaul costs as a result of increased subcontractor rates. After completion of a detailed strategic review the refrigerated linehaul and warehousing operations were divested effective 31 July 2012.

Toll Specialised and Domestic Freight

	2012 $M	2011 $M	% change
Sales revenue	1,322.0	1,201.1	+10.1
EBITDA (excluding associate earnings)	125.6	103.1	+21.8
EBITA (including associate earnings)	87.7	72.1	+21.6
EBITA margin (excluding associate earnings)	6.6%	6.0%	+0.6%
Average capital employed ($ million)	220	196	+12.2
Return on capital employed	39.9%	36.9%	+3.0%

- Toll Specialised and Domestic Freight performed strongly due mainly to good organic revenue growth (after excluding the impact of fuel surcharges) with new customer wins, implementation of cost improvement and yield management initiatives. Volumes overall were mixed, however there was a strong increase in those parts of the business exposed to the resources sector. Investment in depots, fleet and IT continue and will support future organic growth and margin improvement.
- Toll NQX performed well due mainly to strong activity in the resources sector in Queensland. Increased activity is expected to continue in the resources sector and the Queensland LNG developments will also provide further opportunities. The business was successful in renewing several major customer contracts during the course of the year, including Caterpillar.
- Toll Express volumes were overall lower as a direct result of shedding lower yielding freight from the business. This volume reduction was offset by an increase in yield on the balance of the revenue base and has resulted in improved margins. The margin was further improved through cost saving initiatives and synergy benefits from the Concord Park acquisition. Revenue growth was boosted by new contract wins such as Coles in Western Australia (commenced September 2011) and exposure to the resources sector in Western Australia.
- Implementation of IT system improvements continued for both Toll NQX and Toll Express and will result in a differentiated service offering for customers within the less than full load freight sector.
- Toll Liquids improved due to a continued focus on improving individual contract performance and the benefit of restructure activity in prior periods. Toll Liquids was successful in winning the Woolworths fuel distribution work in Victoria which commenced in July 2011. Contract renewals were also secured for United and Origin.
- The Toll Transitions result includes the full twelve month benefit of the expanded Australian Defence relocations contract.

Additional financial information

Cash flow

Cash flow generated from operations was up 7% on the prior year due to continued focus on working capital management. Investment cash flows were significantly down in the year due to no material acquisitions. Tax payments were higher due to a lower instalment rate in 2011 and some tax refunds in that year. Dividends are higher due to the suspension of the dividend reinvestment plan.

	2012 $M	2011 $M	% change
Net operating cash flows	673	629	+7.0
Capital expenditure	(479)	(507)	-5.5
Investments	(15)	(326)	-95.4
Sale of PPE & investments	29	136	-78.7
Net cash flow before financing and tax	208	(68)	
Interest	(27)	(31)	-12.9
Tax	(99)	(77)	+28.6
Dividends	(159)	(115)	+38.3
Cash flow before movements in net debt	**(77)**	**(291)**	**+73.5**

Capital expenditure

	2012 $M	2011 $M
Toll Global Resources	180	175
Toll Global Logistics	64	57
Toll Global Forwarding	17	28
Toll Global Express	48	149
Toll Domestic Forwarding	48	23
Toll Specialised & Domestic Freight	76	56
Corporate	46	19
Total	**479**	**507**

The major item of capital expenditure during the year related to Toll Global Resource's Singapore Supply Base (TOPS) development (A$56 million). Total expenditure on the TOPS project to date is SGD252 million.

Tax

After adjusting for non-recurring items, the normalised effective tax rate is in line with last year at 27%.

Net debt

	2012 $M	2011 $M
Total debt	1,708	1,516
Cash	569	496
Net debt	1,139	1,020
Net debt/(Net debt & equity)	29.3%	26.7%

Toll continues to prudently manage its balance sheet with sufficient liquidity and flexibility to fund capital investment and organic growth as well as strategic acquisitions. The average tenure of debt is now 2.3 years.

Interest costs

Net interest costs of $37.0 million increased slightly (4.5%) over the prior year due to an increase in net debt.

Non-recurring items

As originally announced during May, Toll has impaired the carrying value of Toll Global Express Japan assets and Corporate Property assets. Despite progress on reducing costs and improving productivity, the continuation of extremely difficult market conditions and the low likelihood of near term recovery in the Japanese economy supported the decision to impair the assets of Toll Global Express Japan and to undertake a full strategic review of the business.

Resulting from Toll's annual review of property carrying values, some Corporate property assets were impaired, including a major property at Villawood in Sydney which was influenced by the loss of a major customer and the Federal Government's decision to support development of a Government owned freight hub at Moorebank in south-western Sydney.

	Post-tax impact $M
Toll Global Express Japan	
– Goodwill	135
– Freehold land	26
– Intangible assets	7
Total impairment	168
Australian properties	50
Total impairments	**218**
Write back of earn-out and other provisions	(15)
Total non-recurring items	**203**

Dividend and Dividend Reinvestment Plan

The Toll Board has decided to continue to suspend the Company's Dividend Reinvestment Plan.

Total dividends for the year remained stable at 25.0 cents per share, fully franked. The final dividend of 13.5 cents per share is payable on 22nd October 2012. The books record date is 24th September 2012.

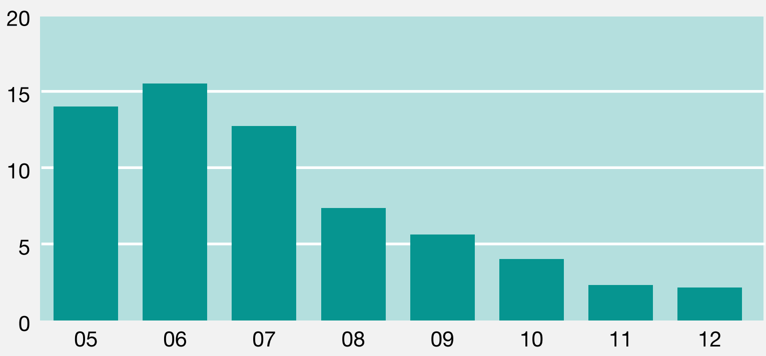
Safety and our people

Safety is a core value at Toll and something we are constantly striving to improve throughout the Group. Toll's commitment to health and safety is demonstrated by its LTIFR Performance which over the last 5 years has improved by over 80% culminating in a result of 2.13 at the end of the 2012 financial year.

Notwithstanding this, the Toll Board and Executive initiated a major review of our health and safety strategy resulting in what will be some fundamental changes to the approach in how Toll manages safety. The key tenet of the approach is to develop a "One Toll Safety Culture and Commitment", in recognition of the need to drive further improvement across the Toll Group and leverage the capability and knowledge within Toll businesses.

By taking a more strategic approach across the Group, Toll not only expects this approach will create safer workplaces, but it expects to reap other strategic advantages that will benefit the business as a whole.

Lost Time Injury Frequency Rate (LTIFR)
(Number of lost time injuries per million man hours worked)



Year (June)

The new safety strategy is now being rolled out. Toll recognises that leadership is critical to its success, as leadership will drive all the other operational initiatives within the strategy. As such, Toll's key health and safety priorities for the coming year include:

- developing a Group-wide safety leadership program to help implement the safety strategy
- creating a suite of Group safety training modules to support our safety goals
- focusing on incident reporting and investigation
- defining risk management processes, and introducing OH&S risk networks for key Group risks
- revamping and realigning our safety management standards to reflect the strategy
- reviewing and improving our approach to contractor safety management.

Environment

As a large logistics company, Toll is focussed on minimising our environmental impacts across a number of key environmental aspects.

The Australian Government Clean Energy Legislation has introduced a carbon price mechanism and placed increased emphasis on energy efficiency and greater use of clean energy. From 1 July 2012, this will directly apply a cost to carbon emissions produced from off-road mining, marine, air and rail activities and indirectly from increased electricity charges in facility operations along with other embedded carbon costs. On-road operations will be exempt from carbon pricing until at least July 2014.

While Toll does not expect carbon pricing to have a material financial impact on Toll in the current financial year, we continue to focus on introducing programs to reduce the intensity of Greenhouse gas emissions.

All of Toll's Australian business units have adopted the Smarter Green Program and have developed plans to improve energy efficiency and reduce emissions. There are 160 improvement projects underway. This program will be progressively rolled out to overseas operations leveraging the insights and know how gained in Australian operations to reduce our carbon intensity.

Reductions will be achieved through a combination of fleet upgrades, better fleet utilisation, improvements in driver behaviour, and gains in the energy efficiency of facilities along with a range of business unit specific abatement initiatives.

In November 2011, Toll joined the Global Carbon Disclosure Project's Australian Leaders Board – ranking second in the industrial sector based on the Company's understanding of the business issues relating to a range of environmental assessments.

Dividends

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

	Cents per share	Total $M	Franked/ unfranked	Payment date
Dividends provided or paid by the Company during the year				
Ordinary shares				
2012				
2011 Final dividend	13.5	95.9	Franked	10/10/2011
2012 Interim dividend	11.5	82.5	Franked	12/04/2012
2011				
2010 Final dividend	13.5	93.9	Franked	27/10/2010
2011 Interim dividend	11.5	80.4	Franked	01/04/2011

Dividends paid or determined by the Company after year end				
Final dividend	13.5	96.8	Franked	22/10/2012

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the financial year.

Financial reporting

The Managing Director and the Chief Financial Officer have declared in writing to the Board that the Group's financial reports are founded on a sound system of risk management, and internal compliance and control which implements the policies adopted by the Board.

Monthly actual results are reported against budgets by each Division. If required, revised forecasts are prepared during the financial year.

Events subsequent to balance date

Dividends

The Directors have determined a final dividend of 13.5 cents per share.

Divestments

During July 2012, Toll sold its automotive finished vehicle distribution business in the Global Logistics Division and Australian interstate linehaul and warehousing operations of its Toll Refrigerated business in the Domestic Forwarding Division for a total consideration of $135.2 million.

The carrying value of the business assets and liabilities have been classified as held for sale as at 30 June 2012.

Likely developments and expected results of operations

Information as to likely developments in the operations of the Group and 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 likely to result in unreasonable prejudice to the Group.

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

Information on Directors

Director	Experience and Qualifications	Special Responsibilities*
 **Ray Horsburgh AM** B.Chem Eng, Hon D Univ, FAICD FIE AUST Independent Non-Executive Director	Director since 24 November 2004. Appointed Chairman from 14 September 2007. Extensive management experience in the glass and steel industries, mergers and acquisitions, managing businesses overseas especially in the SE Asian countries and building businesses in mainland China. Former Managing Director of Smorgon Steel Group Limited from 1998 to 30 June 2007. Chairman of Calibre Global Limited. Non-Executive Director of CSR Limited and Traffic Technologies Limited. Former Chairman and Director of the Essendon Football Club and Non-Executive Director of National Can Industries Limited.	Chairman of the Board of Directors. Chairman of the Nomination and Corporate Governance Committee.
 **Paul Little AO** FAICD, FCIT Managing Director (retired on 31 December 2011)	Managing Director from 1986 to 31 December 2011. Extensive management experience in the logistics industry.	Former member of the Nomination and Corporate Governance Committee.
 **Brian Kruger** Managing Director (from 1 January 2012)	Managing Director since 1 January 2012. CFO from 1 July 2009. Extensive experience in senior corporate finance and management roles, including with BHP Billiton Limited, BlueScope Steel Limited and previously a partner at Greenstone Partners, a corporate advisory firm.	Member of the Nomination and Corporate Governance Committee.
 **Harry Boon** LLB (Hons), B Com (Melb) Independent Non-Executive Director	Director since 1 November 2006. Extensive experience in global marketing and sales, large scale manufacturing operations, and product development. Chairman of Tatts Group Limited and PaperlinX Limited. Former Chief Executive Officer and Managing Director of Ansell Limited, Non-Executive Director of Funtastic Limited and Hastie Group Limited, and Chairman of Gale Pacific Limited.	Chairman of the Remuneration and Executive Succession Planning Committee. Member of the Nomination and Corporate Governance Committee. Member of the Occupational Health and Safety and Environmental Committee.

Director	Experience and Qualifications	Special Responsibilities*
 **Mark Smith** Dip, Business (Marketing) Monash, FAMI, CPM, FAIM, MAICD Independent Non-Executive Director	Director since 1 July 2007. Extensive experience in the FMCG Industry, including general management roles and senior marketing roles globally with Cadbury Schweppes, and senior roles including marketing with Unilever and Uncle Toby's. Non-Executive Director of GUD Holdings Limited since May 2009. Managing Director of Cadbury Schweppes Australia and New Zealand from 2003 to 2007, and a Member of the Asia Pacific Regional Board. Former Managing Director of Confectionery ANZ and prior to that, three years as Director of Marketing for Cadbury Trebor Basset in the UK and senior positions in Cadbury Schweppes North American and Australian operations. Former Non-Executive Chairman of Manassen Foods Group. Former Chairman of the Confectionery Manufacturers of Australasia (CMA) and former Member of the Board of the Australian Food and Grocery Council (AFGC).	Chairman of the Audit and Financial Risk Committee until 30 November 2011. Member of the Audit and Financial Risk Committee from 1 December 2011. Member of the Nomination and Corporate Governance Committee. Member of the Occupational Health and Safety and Environmental Committee.
 **Barry Cusack** BE(Hons), MEng Sci, FTSE, FAusIMM, FAIM, MAICD Independent Non-Executive Director	Director since 1 October 2007. In an executive career of 40 years in the minerals industry with the Rio Tinto Group, Barry Cusack held positions of Managing Director of Dampier Salt, Hismelt Corporation, Hamersley Iron Operations and Rio Tinto Australia and was Chairman of Rio Tinto Asia and Rio Tinto Shipping. Deputy Chairman of MacMahon Holdings Limited. Formerly Director and Chairman of Brockman Resources Limited. Past President of the Minerals Council of Australia from 2001 to 2003.	Chairman of the Occupational Health and Safety and Environment Committee. Member of the Nomination and Corporate Governance Committee. Member of the Remuneration and Executive Succession Planning Committee.
 **Frank Ford** M.Tax(Melb), B.Bus(Acc), FCA Independent Non-Executive Director	Director since 14 January 2008. Former Managing Partner Deloitte Victoria after a long and successful career as a professional advisor spanning some 35 years. During that period, Mr Ford was also a member of the Deloitte Global Board, Deloitte Global Governance Committee and the Deloitte National Management Committee. Director of Citigroup Pty Limited and Tarrawarra Museum of Art Limited. Former Non-Executive Director of Manassen Foods Group.	Member of the Audit and Financial Risk Committee to 30 November 2011. Chairman of the Audit and Financial Risk Committee from 1 December 2011. Member of the Nomination and Corporate Governance Committee. Member of the Remuneration and Executive Succession Planning Committee.
 **Nicola Wakefield Evans** BJuris/BLaw (UNSW) Independent Non-Executive Director	Director since 10 May 2011. Qualified lawyer in Australia, Hong Kong and the United Kingdom. Extensive experience in advising some of the world's largest and most successful companies in Australia, China, Asia and internationally. Rated as one of Australia's leading M&A and equity capital markets lawyers. Nominated as one of the world's leading lawyers in Hong Kong and Asia. Current partner in the Sydney M&A Group of King & Wood Mallesons. Former Managing Partner, Practice (Sydney) and Managing Partner, International (Hong Kong) at Mallesons Stephen Jaques (now King & Wood Mallesons).	Member of the Audit and Financial Risk Committee. Member of the Nomination and Corporate Governance Committee. Member of the Occupational Health and Safety and Environmental Committee.

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

Company Secretary

Bernard McInerney (AICS, CPA, AICD, B Bus Acc) has held the position of Company Secretary since April 1994. Mr McInerney has extensive experience in corporate governance, legal and regulatory matters, business acquisitions and accounting and financial management within the logistics industry over the past 24 years. Director of Virgin Blue Holdings Limited from September 2006 to August 2008.

Directors' interests

The relevant interest of each Director in the shares, or options issued by the Company, as notified by the Directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at 24 August 2012 is as follows:

	Ordinary Shares	Options over Ordinary Shares	Rights Restricted
Paul Little*	37,535,935	2,959,589	–
Brian Kruger	36,581	1,966,502	32,895
Ray Horsburgh	86,501	–	–
Harry Boon	19,985	–	–
Mark Smith	38,982	–	–
Barry Cusack	49,630	–	–
Frank Ford	30,000	–	–
Nicola Wakefield Evans	4,000	–	–

* This is the relevant interest as at the date Mr Little retired from the Company, 31 December 2011.

Meetings of Directors

The following table sets out the number of meetings of the Company's Directors (including meetings of committees) held during the year ended 30 June 2012 and the number of meetings attended by each Director in their capacity as members in the period in which they held office during the financial year.

	Directors' Meetings		Audit & Financial Risk Committee Meetings		Remuneration & Executive Succession Planning Committee Meetings		Nomination & Corporate Governance Committee Meetings		Occupational Health & Safety & Environmental Committee Meetings	
Director	**No. of meetings**		**No. of meetings**		**No. of meetings**		**No. of meetings**		**No. of meetings**	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Ray Horsburgh*	15	16	8	8	5	5	2	2	3	3
Paul Little	7	8	–	–	–	–	–	1	–	–
Brian Kruger	7	8	–	–	–	–	1	1	–	–
Harry Boon	15	16	–	–	5	5	2	2	3	3
Mark Smith	16	16	8	8	–	–	2	2	3	3
Barry Cusack	16	16	–	–	5	5	2	2	3	3
Frank Ford	16	16	8	8	5	5	2	2	–	–
Nicola Wakefield Evans	16	16	7	7	–	–	2	2	3	3

* Ray Horsburgh joins all Committee meetings either as a member or ex-officio.

The above includes matters that were dealt with by circular resolution and ratified at the next Board Meeting.

Remuneration report – audited

The Directors of Toll Holdings Limited present the Remuneration Report prepared in accordance with section 300A of the Corporations Act 2001 for the year ended 30 June 2012. This Remuneration Report forms part of the Directors' Report. The information provided in this report has been audited as required by section 308(3C) of the Corporations Act.

Overview of remuneration

The Board is committed to disclosing Toll's remuneration arrangements clearly and transparently. This section outlines the key remuneration decisions made during the 2011/12 financial year ("FY12"). It also discloses the details of remuneration entitlements, opportunities and the value of grants made to Toll's senior executives in that period.

This overview should be read with the full Remuneration Report that follows, which discloses Toll's remuneration framework according to statutory obligations and accounting standards.

The Remuneration and Executive Succession Planning Committee (or Remuneration Committee) met on five occasions in FY12 to review and determine Toll's remuneration policy and the matters explained below.

Remuneration initiatives

We remain focused on continuous improvement of our remuneration arrangements. Priorities for FY12 were as follows:

- We created transitional plans for Paul Little's retirement at the end of 2011 and Brian Kruger's appointment as Managing Director from 1 January 2012 (Managing Director elect from 1 September 2011).
- We introduced a deferral component to the Short Term Incentive (STI) remuneration for the new Managing Director and the Chief Financial Officer on appointment to their respective roles.
- We continued to implement the People Performance and Growth framework, explained further in the Remuneration Report.
- We changed the Long Term Incentive Plan to let participants choose to receive their equity as performance options, as performance rights or as a combination of both. This change gives participants greater control over the type of equity they receive and, by including performance hurdles, ensures that the incentives remain aligned with shareholder interests.
- We continued to focus on understanding and implementing legislative changes.
- We continued our ongoing commitment to clearly disclosing our remuneration strategy and framework in this Remuneration Report.

Appointments/movements

- During FY12, Toll's long-serving Managing Director, Paul Little, transitioned to retirement and ceased employment with Toll on 31 December 2011.
- In 2011, the Board undertook an extensive global search for a suitable successor. After considering a number of high-calibre external and internal candidates, Brian Kruger, Toll Group's CFO, was appointed to the position of Managing Director-Elect effective 1 September 2011, and then as Managing Director effective 1 January 2012.
- Grant Devonport, formerly the Divisional CFO for Toll Global Resources, was appointed as Brian Kruger's successor to the Toll Group CFO role with effect from 1 November 2011.
- Stephen Stanley, Corporate Development Director, ceased employment with Toll on 1 July 2012.

Changes to long-term incentives

In FY12, changes were made to the type of equity instruments granted under Toll's Long Term Incentive (LTI) Plan.

Previously, grants were awarded in the form of options. But in FY12, eligible participants were given the choice to receive equity in the form of options, rights, or a combination of half options and half rights.

The allocation value, or "price", paid by the participant for each right is much higher than the "price" of options, since rights are more likely than options to gain value by the end of the performance period. This means that fewer rights than options are granted for a given allocation value.

This change in Toll's approach was largely a response to the changed taxation treatment of equity grants in Australia. Positive feedback was received from participants, who appreciated being able to choose a combination of both options and rights.

Irrespective of the type of equity participants choose, all grants remain subject to the same two individual performance hurdles that Toll previously applied to grants:

- relevant Earnings Per Share post-amortisation (EPS)
- relative Total Shareholder Return against the ASX 100 (relative TSR).

Participation in the Executive LTI Plan was offered to approximately 120 executives globally, including only those executives who directly influence long-term shareholder returns.

To motivate high-performing employees at other levels, and to further align remuneration with shareholder expectations, Toll also operates a High Performance Recognition (HPR) Plan.

Under this plan, selected employees can receive rights that are subject to a two-year time-based restriction. This equity program is administered under the current LTI plan rules, and allocations were made to just over 40 participants in FY12.

Participants in the LTI Plan are not eligible to participate in the HPR Plan. No members of KMP participate in the HPR Plan.

Governance

The Remuneration Committee focuses on issues of remuneration governance. This year, it:

- assessed external remuneration trends, received advice from independent experts, and consulted with corporate governance advisers
- reviewed the remuneration framework and its application within Toll
- assessed remuneration, incentive payments and performance reviews for the Managing Director and other key executives
- ensured the key performance indicators and the way we measure and reward our executives were aligned with Toll's corporate strategy.

Remuneration opportunity

The statutory remuneration table in section 7 of this Remuneration Report provides a breakdown of Toll's senior executive remuneration, set out in accordance with statutory obligations and accounting standards. It reflects the accounting values, i.e. the accounting expense charged to the profit and loss statement of comprehensive income in relation to the Managing Director and senior executive remuneration.

Whereas the table in section 7 reflects remuneration which is expensed by the Company, the table on page 33 shows the remuneration opportunity for the Managing Director and senior executives during FY12, including the fixed remuneration as at 30 June 2012 and the at risk remuneration, being the STI target opportunity and the LTI grant allocation value for FY12. These figures reflect the remuneration package that is communicated to the senior executives. All amounts are shown in Australian dollars (AUD).

Looking ahead to 2012/2013 (FY13)

The Directors believe that Toll's remuneration policies appropriately address key issues emerging from the current economic, social and political climate, and support the creation of long-term value for shareholders and the broader community.

We continue to improve the alignment between Toll's strategy and our remuneration framework as a means to grow shareholder value and motivate our people.

Summary of Executive Remuneration Opportunity in FY12

	Fixed Remuneration	At Risk Remuneration			
	as at 30 June 2012 $'000	STI Target Opportunity for FY12 $'000	LTI Allocation Value for FY12[4] $'000	Term of agreement	Contracted notice periods
Managing Director					
Brian Kruger	1,700	1,400	1,400	No fixed term – rolling	6 months by employee/12 months by company (Termination payment based on Fixed Remuneration)
Executives					
Hugh Cushing[2]	780	350	400	No fixed term – rolling	6 months by employee/12 months by company (Termination payment based on Fixed Remuneration)
Grant Devonport	725	375	343	No fixed term – rolling	6 months by employee/12 months by company (Termination payment based on Fixed Remuneration)
Paul Ebsworth	650	300	250	No fixed term – rolling	6 months by employee/12 months by company (Termination payment based on Fixed Remuneration)
Mal Grimmond	650	300	250	No fixed term – rolling	6 months by employee/12 months by company (Termination payment based on Fixed Remuneration)
Wayne Hunt[2,3]	680	410	400	No fixed term – rolling	6 months by employee/12 months by company (Termination payment based on Fixed Remuneration)
David Jackson	800	450	400	No fixed term – rolling	6 months by employee/12 months by company (Termination payment based on Fixed Remuneration)
Bernard McInerney[1]	680	290	300	Shareholder approval 28 May 2007. Fixed term ended April 2010, contract now rolling.	6 months by employee/18 months by company (Termination payment based on TER)
Shane O'Neill	670	350	350	No fixed term – rolling	6 months by employee/12 months by company (Termination payment based on Fixed Remuneration)
Stephen Stanley[1]	840	540	433	Shareholder approval 28 May 2007. Fixed term ended April 2010, contract now rolling.	6 months by employee/18 months by company (Termination payment based on TER)
Former Managing Director					
Paul Little[5]	2,510	1,255	–	Shareholder approval 28 May 2007. Fixed term ended April 2010, contract was rolling.	12 months notice + 6 months Total Employment Remuneration (TER) payment if notice given by employee or the company.

1. Contracts were approved for five key executives at the extraordinary general meeting on 28 May 2007 at the time of the Asciano de-merger. For the executives contracted under this deed (two remaining) the terms of the contracts continue to apply.
2. Mr Hugh Cushing and Mr Wayne Hunt continue to serve in overseas jurisdictions as long-term expatriates and receive certain allowances in addition to their fixed remuneration, STI and LTI. The actual remuneration paid as disclosed in the statutory remuneration tables includes the impact of foreign exchange rates and non-monetary benefits paid in relation to the overseas assignments.
3. Mr Wayne Hunt finalised his Executive Service Agreement (ESA) in the period following year end but prior to the sign off of the Directors' Report.
4. This represents the value of the LTI at the date of grant (that is, the senior executive's long term incentive opportunity). However, the LTI is subject to performance conditions and, if those conditions are not met, the executive will receive no value from this grant.
5. Paul Little's fixed remuneration shown above was the annualised amount at the time of his cessation of employment. Only half of this amount was actually paid for the six months served to end December 2011.

Full remuneration report

This report contains 12 sections:

1. Key Management Personnel

Toll's key management personnel (KMP) for FY12 are listed below. The KMP were Toll's Non-Executive Directors, the Managing Director(s) and the senior executives who had authority and responsibility for planning, directing and controlling the activities of Toll for the year ended 30 June 2012 (senior executives).

	Position	Comments
Non-Executive Directors		
Ray Horsburgh	Chairman and Non-Executive Director	
Harry Boon	Non-Executive Director	
Barry Cusack	Non-Executive Director	
Frank Ford	Non-Executive Director	
Mark Smith	Non-Executive Director	
Nicola Wakefield Evans	Non-Executive Director	
Managing Director		
Brian Kruger	Chief Financial Officer	Up to 31 August 2011
	Managing Director Elect	1 September – 31 December 2011
	Managing Director	1 January 2012
Executives		
Hugh Cushing	Toll Global Forwarding, CEO	
Grant Devonport	Chief Financial Officer	Appointed 1 November 2011
Paul Ebsworth	Toll Domestic Forwarding, Divisional Director	
Mal Grimmond	Toll Specialist and Domestic Freight, Divisional Director	
Wayne Hunt	Toll Global Logistics, President and CEO	
David Jackson	Toll Global Resources, CEO	
Bernard McInerney	Company Secretary	
Shane O'Neill	Toll Global Express, Divisional Director	
Stephen Stanley	Corporate Development, Director	Retires 1 July 2012
Former Managing Director		
Paul Little	Managing Director	Retired 31 December 2011

2. Remuneration philosophy and strategy

We continue to adapt our remuneration framework to the changing external environment, as well as our growth and performance goals and our desire to recognise the contributions of our people.

It is our philosophy that providing a market-competitive remuneration structure will motivate our people to continuously create shareholder value.

Our strategic People, Performance and Growth framework supports that philosophy. The framework is designed to drive a high-performance culture through methods that are clear and easily understood by both our shareholders and our people.

To implement this strategy, we have set Key Result Areas (KRAs) for individual performance for our executive staff and their senior managers so that our people are focused on what matters most to the business and our shareholders.

The Key Result Areas in our People, Performance and Growth framework include:

- Strategy and capability: shaping our future, achieving our ambitions for growth and market leadership, and developing and managing the resources and assets we need in order to perform for customers and shareholders
- Growth and innovation: driving future business growth through markets, customers, and innovation in services and technologies
- Operational excellence: achieving superior standards of operational efficiency, customer service delivery, and sustainable safety and environmental performance
- Maximising profitability and return on capital: producing quality revenues and managing Toll's cost base to deliver strong, sustainable returns on invested capital
- Putting the customer first: working together as one team for our customers.

These KRAs were rolled out globally for our executives and senior management from 1 July 2010.

While this report discusses the year ended 30 June 2012, it also looks at the future focus of our remuneration framework. We believe its continued evolution is critical to attracting, developing and retaining the right people. This is especially true as global standards for performance management become essential to achieving the interests of all Toll's stakeholders.

3. Executive remuneration framework

We are constantly working to make our remuneration structures clearer, more transparent, and applicable to all our people.

Toll supports performance-oriented remuneration. We believe that motivating individuals to improve performance, as well as to learn and grow, is critical to Toll's success.

The executive remuneration framework we originally implemented in FY10 was reviewed again in FY12. We determined that our remuneration framework continues to reflect market best practice and meet our stakeholders' needs for simplicity, and remains aligned with shareholder value. It consists of both fixed and at risk remuneration, based on three elements:

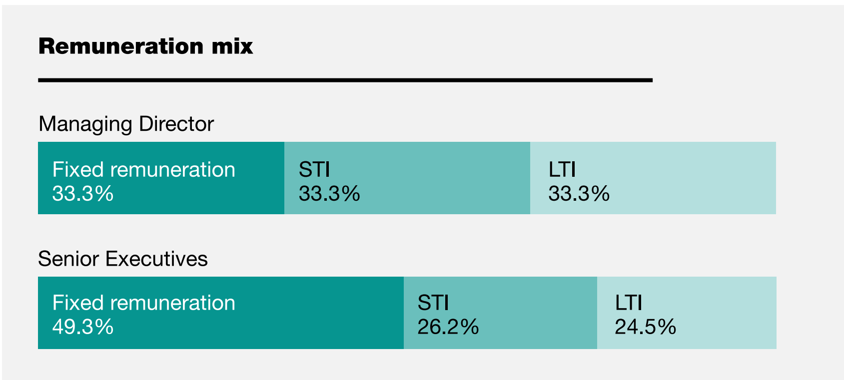
	Objective	Performance conditions
Fixed remuneration	Reflects the market value of the role and the incumbent's skills, experience and performance.	Reviewed annually after an individual performance review, external benchmarking and internal peer relativity assessments. Performance is measured against the five Key Result Areas and their annual performance objectives.
Short-term incentive (STI) – at risk	Incentive for the achievement of stretch performance budgets and goals for the year.	For the year ended 30 June 2012, incentives were based on: • net profit after tax • earnings before interest and tax • return on capital employed • safety • other key strategic initiatives. The STI metrics were assessed at group, divisional and individual levels (as applicable to each role). See the STI section on page 37 for more information.
Long-term incentive (LTI) – at risk	Incentive for long-term shareholder value creation; assists in the retention of key talent.	For the year ended 30 June 2012, the performance options and/or performance rights granted were subject to performance targets based on two independently tested hurdles: 1 relevant EPS (post-amortisation) 2 relative total shareholder return. See the LTI section on page 38 for more information.

Remuneration mixes

Our remuneration mixes (i.e. fixed remuneration, STI target opportunity and the LTI grant allocation value) for the senior executives are shown opposite. These have been calibrated to support Toll's performance-based remuneration structure, and to closely link performance with Group strategic objectives and the creation of shareholder value.

Generally, each role's remuneration mix allows the executive to earn in excess of the market median should they outperform expectations, and if LTI performance measures are met.

The actual average current remuneration mixes for executives are shown opposite, based on the 30 June 2012 remuneration levels, are as follows:



Fixed remuneration determination

Fixed remuneration

An executive's fixed remuneration includes:

- their cash salary
- benefits the executive has chosen to receive instead of salary, including any fringe benefit tax. Common items include salary sacrificing for superannuation or a motor vehicle
- compulsory superannuation.

Fixed remuneration is paid for the executive's everyday work. It recognises the requirements of their role and their demonstration of Toll's values. For the top two executive levels, Toll generally benchmarks remuneration against other ASX 100 companies from information provided by independent remuneration advisers.

Toll targets the midpoint, or median, of the role's relevant peer group to arrive at fixed remuneration figures. Actual fixed remuneration is set against a range around the midpoint. This allows Toll to remunerate individuals appropriately for their performance, relevant experience and capabilities.

Ordinarily, recommendations for senior executive fixed remuneration levels are made by the Managing Director, and are considered by the Remuneration Committee or the Board.

Short-term incentive (STI) – at risk remuneration

Toll's STI is one of two 'at-risk' remuneration components. It rewards performance against pre-determined measures, both financial and non-financial and which vary by role type (e.g. Managing Director, Business Operation Leader or Corporate Executive).

STI may be awarded to executives based on their annual performance as measured and evaluated under Toll's performance management system. STI hurdles are set each year to take account of current business plans and conditions. STI objectives are aligned with shareholder expectations and sustainable value creation.

Historically, all STI payments were paid in cash (or as salary sacrificed superannuation contributions). However, for the newly appointed Managing Director and Chief Financial Officer, 25% of any earned STI payment will be deferred into equity (in the form of restricted rights) for a 12 month period, with the balance of the STI paid in cash. STI deferral is being introduced more broadly across the senior executive team for FY13.

The Remuneration Committee, Managing Director and senior executives ensure all relevant STI metrics are aligned with the Company's strategic objectives.

A breakdown of the Managing Director's STI metrics appears on page 42. The key STI metrics applied to other KMP in FY12 were:

- Group Net Profit After Tax ("NPAT")
- Group and Divisional Return on Capital Employed ("ROCE")
- Divisional Earnings Before Interest and Tax ("EBIT")
- Group and Divisional Safety measures (LTIFR reductions)
- other non-financial measures such as strategic initiatives or specific asset and people capability projects that are required to be undertaken.

NPAT, ROCE and EBIT were selected as key STI metrics because they are directly linked to the financial performance of Toll. LTIFR reduction was selected because workplace safety is one of Toll's core values. Other non-financial measures were selected because of their strategic importance to Toll. The Board assessed whether the key STI metrics had been achieved on the basis of the audited financial results for FY12 and management's reports to the Board. This method of assessment was chosen as, in the Board's view, the audited financial results and management's reports are appropriately reliable and verifiable.

Actual STI payments for FY12 are significantly below target levels. The Group financial targets (NPAT and ROCE) were not met in FY12 and, accordingly, as can be seen in section 7 of this Remuneration Report, the portion of each KMP's STI scorecard relating to these targets was not awarded. Divisional financial results (against the relevant EBIT and ROCE targets) and performance against strategic objectives were individually set and individual achievement is reflected in the differing level of payments awarded to KMP. Achievement of the LTIFR target reductions occurred in nearly all areas. The actual STI payments for FY12 ranged between 33% and 90% of the total opportunity with an average payment of 46.6%. Further details of the percentage of the overall STI opportunity which each KMP received and forfeited is shown in section 8 of this Remuneration Report.

The Board approves the Managing Director's specific performance objectives, which are set with reference to Board-approved corporate objectives, plans and budgets. The Managing Director approves the senior executive's performance objectives in the same way.

At the end of the annual performance period, performance evaluations are conducted, and proposed incentive payments are reviewed and approved by the Remuneration Committee and by the Board for the Managing Director. The Remuneration Committee notes and ratifies the information as approved by the Managing Director for other senior executives.

Financial metrics had the following payout scale for FY12:

Performance as a percentage of target	Reward as a percentage of target
<90% (threshold)	0%
90% – 100%*	Board discretion
100% (target)	100%
>100% (exceptional performance)	Board discretion (max 125%)

* In prior periods a straight line reward applied between 90% and 100% of performance as a percentage of target

Targets are set at a deliberately high level, so the achievement of 125% of target would require exceptional performance.

Non-financial metrics are capped at the target performance level. Exceptional performance on non-financial metrics does not affect STI reward percentages but feeds into talent and succession planning considerations.

In August 2012, the Board measured the performance of the Managing Director and each of the Executives against their STI hurdles and determined their award outcomes. See tables in sections 7 and 8 of this report for details.

For FY13, financial and non-financial measures will again be set to align individuals' contributions and focuses to Toll's Group, Divisional and individual or business unit financial and strategic priorities.

- For Divisional Directors, the non-financial remuneration components will generally be a maximum of 30% of the STI targets.
- For Corporate Executives, a maximum of 50% of the targets will be non-financial metrics. The higher non-financial component for Corporate Executives is intended to enable the business to focus on strategic initiatives that will drive Toll's future growth.

Long-term incentive (LTI) – at risk remuneration

Toll's LTI is the second 'at-risk' remuneration component. It supports the business strategy by aligning executive remuneration with Toll's long-term performance.

The LTI rewards sustainable long-term performance, aligns executive remuneration with shareholder value creation, and helps us retain talent.

The LTI is equity-based. In FY12, that equity was provided through the shareholder-approved Senior Executive Option and Rights Plan (SEORP) in the form of performance options and/or performance rights.

Performance options must be purchased by the executive after "vesting" (that is, once all performance hurdles are met and approved by the Board), and thus have an "exercise price". This price is based on the full market value of a share at the time the Board approves the grant, adjusted for several factors (for details, see "Equity valuations" on page 47).

There is no future price to exercise performance rights. For this reason, the allocation value, or "issue price", determined for each right is significantly higher than the allocation value for each option.

LTI participants may elect to receive 100% performance options, 100% performance rights, or a combination of 50% performance options and 50% performance rights. The Board-approved LTI dollar value awarded to each participant, called the "grant value", is divided by the relevant allocation value to determine the number of options and/or rights the executive will receive.

Each performance option or performance right gives the holder the right to acquire a fully paid ordinary share in the company for a specified price, provided that performance hurdles are met during a given period (usually between three and five years). Performance options and performance rights are granted at no up-front cost to the executive.

Toll grants performance options and/or performance rights to nominated executives on a regular basis, usually once each year. In the case of the Managing Director, grants are subject to shareholder approval. This process gives the Board a regular opportunity to set new targets and reconsider the choice of instruments, hurdles, targets and vesting used as incentives. It ensures the LTI continues to satisfy shareholder expectations and motivate executives.

The Board believes that performance options and/or performance rights are an appropriate incentive for senior executives because they so strongly align executives' performance with shareholders' interests.

Dual performance hurdles were applied to all FY12 LTI grants. Those hurdles were:

1. Relevant Earnings Per Share (Relevant EPS)
2. Relative Total Shareholder Return (Relative TSR).

Toll continues to review and assess performance hurdles to make sure they are in line with both shareholder and broader stakeholder expectations.

The key terms and conditions of the FY12 LTI performance option grant are described below.

<table>
<tr><th></th><th>Relative TSR (50% of $ allocation)</th><th>Relevant EPS (50% of $ allocation)</th></tr>
<tr><td>Grant date</td><td colspan="2">28 September 2011</td></tr>
<tr><td>Instrument</td><td colspan="2">Performance options and/or performance rights (a right to an ordinary share subject to performance conditions)</td></tr>
<tr><td>Exercise price</td><td colspan="2">Options – $4.70 (volume-weighted average price of ordinary company shares traded on the ASX for five days up to and including the grant date)
Rights – Nil</td></tr>
<tr><td>Performance period</td><td>Three years from 1 July 2011, with no retests.</td><td>Three years from 1 July 2011, with retests in years four and five based on the cumulative four-year or five-year compound growth from 1 July 2011.</td></tr>
<tr><td>Performance hurdle</td><td>Toll's Total Shareholder Return performance relative to entities within the S&P/ASX 100 comparator group, ("Relative TSR") for 50% of the allocation.</td><td>Cumulative compound growth above a specified target in fully diluted earnings per share (post-amortisation) for ongoing business operations excluding abnormal items ("Relevant EPS") for 50% of the allocation.</td></tr>
<tr><td>Shareholder approval</td><td colspan="2">Shareholders approved grants under the Senior Executive Option and Right Plan at Toll's 2009 AGM</td></tr>
<tr><td>Reason for hurdle</td><td>The Board considers a hurdle measured against the S&P/ASX 100 is important. This is where Toll competes for shareholder capital, so performance against this peer group is critical in adding to shareholder value.</td><td>Aligns the objectives of the company and various stakeholders, as there is a strong correlation between profit improvement and shareholder value.</td></tr>
<tr><td>Performance conditions (what needs to be achieved for vesting to occur)</td><td><table><tr><th>Company's TSR ranking in the comparator group</th><th>% that vest (subject to Board approval)</th></tr><tr><td>Up to 50th percentile</td><td>Nil</td></tr><tr><td>50th percentile up to the 75th percentile</td><td>Progressive/ pro rata vesting from 50% to 100%</td></tr><tr><td>75th percentile or better</td><td>100%</td></tr></table></td><td><table><tr><th>Relevant EPS growth over the period</th><th>% that vest (subject to Board approval)</th></tr><tr><td>Up to 10% p.a. growth</td><td>Nil</td></tr><tr><td>10% p.a. up to 15% p.a. growth</td><td>Progressive/pro rata vesting from 50% to 100%</td></tr><tr><td>15% p.a. growth or better</td><td>100%</td></tr></table></td></tr>
<tr><td>Measurement date(s)</td><td>30 June 2014</td><td>30 June 2014, 30 June 2015, 30 June 2016</td></tr>
<tr><td>Method for assessing performance</td><td colspan="2">At the appropriate time, Relative TSR and Relevant EPS are measured to determine the proposed vesting percentages, which are then considered and approved by Board resolution.
As part of this process, the Board considers (among other things) the company's audited financial results and independent assessment of Relative TSR and Relevant EPS calculations. This method has been selected because the Board believes that independent assessment of Toll's performance against the hurdles is appropriate.</td></tr>
<tr><td>Vesting dates (subject to Board approval)</td><td>28 September 2014</td><td>28 September 2014, 28 September 2015, August/September 2016</td></tr>
<tr><td>Lapsing and forfeiture</td><td colspan="2">Performance options and performance rights lapse if performance hurdles are not achieved or they expire. If a participant ceases employment with the Toll Group in special circumstances (for example, death, permanent disablement or on being given notice by the company), unless the Board determines otherwise, unvested performance options and performance rights will continue on foot, subject to their performance conditions (except that the service condition will cease to apply). If the participant resigns or is dismissed, unless the Board determines otherwise, unvested performance options and performance rights will lapse when the executive's employment with the Toll Group ceases.</td></tr>
<tr><td>Expiry date</td><td colspan="2">27 September 2016</td></tr>
</table>

High Performance Recognition and Retention Plan

In FY10, participation in the LTI was reduced to approximately 120 executives globally. As part of this change, the Board approved the High Performance Recognition and Retention Plan.

This plan enables employees who are continually evaluated as high performers to receive a grant of restricted rights. These rights are issued under the SEORP Rules and are subject to a service condition. Their grant requires approval first from the Managing Director, and then from the Board.

The value of the allocations made under this plan reflects the employee's job and remuneration level. The plan was introduced in FY11, and approximately 40 employees received restricted rights in FY12.

Engagement of remuneration consultants

The Committee formalised a process for directly engaging remuneration consultants to provide remuneration recommendations for KMP. The process was designed to ensure Toll's compliance with the new requirements under the Corporations Act.

In FY12, the Committee reviewed market practice and market remuneration levels in order to determine the competitiveness of Toll's remuneration practices. These comparisons were undertaken using available market data, for example, fee and remuneration data disclosed in ASX company annual reports. As a result, no remuneration recommendations for KMP were sought directly from remuneration consultants during the year.

Policies on equity remuneration

Short-term trading

Directors and senior executives are not permitted to engage in the short-term trading of Toll securities.

An example of short-term trading would be buying securities with a view to selling them within 12 months, or selling securities with a view to repurchasing them within 12 months.

Selling shares immediately after acquiring them through the conversion of a security (e.g. an option or right under Toll's LTI plan) is not regarded as short-term trading. The policy requires Directors and senior executives to seek guidance from the Company Secretary if they are ever in doubt.

Risk-limiting products on unvested entitlements

Directors and senior executives are not permitted to engage in transactions or arrangements with risk-limiting products that operate to limit the economic risk of unvested entitlements to Toll securities (e.g. hedging arrangements in relation to unvested options, rights or restricted shares).

Toll enforces its policies through disciplinary action. Each year, we also require executives to confirm that they have not entered into any hedging arrangements.

4. Toll's performance

Toll links remuneration with company performance. We have set key performance measures that drive our business and connect individuals' day-to-day work with shareholder wealth creation. Some of the measures that have linked company performance with remuneration over the past five years are set out below. Further details on how remuneration outcomes for FY12 were aligned with some of these measures are detailed in the relevant STI and LTI sections below.

	Share performance			Earnings		Safety
Financial year	Closing share price [3] $	Dividend p/share cents	Relevant EPS [1,2] cents	EBIT [1,2] $M	NPAT [2] $M	LTIFR
2011/12	3.98	25	41.5	411	71	2.13
2010/11	4.85	25	44.6	465	295	2.31
2009/10	5.48	25	45.1	435	284	4.02
2008/09	6.25	25	48.0	466	283	5.52
2007/08	6.02	25	42.7	429	254	7.35

1. Pre-amortisation for continuing operations and excluding non-recurring items. This is an adjustment to the financial statement measure.
2. Calculated in accordance with relevant AASB requirements.
3. The closing share price as at 2006/07 was $14.49 – this does not include the additional equity value received as part of the Asciano de-merger.

5. Managing Director remuneration

Key responsibilities of the Managing Director are to drive shareholder value, deliver Toll's strategy, and engage and drive internal capabilities. Growth, operational excellence, asset and people capabilities are essential.

Former Managing Director – Paul Little

Paul Little retired on 31 December 2011. In July 2011 his fixed remuneration was increased by 4% to $2.51 million per annum and his STI target opportunity similarly increased to $2.51 million per annum. Both remuneration components were only payable pro rata until 31 December 2011. Notwithstanding Paul Little's contractual entitlement to an LTI grant each year, no such grant was made in either FY11 or FY12.

Paul Little's pro-rata STI target of $1.255 million was based on the following measures for FY12:

Targets	Allocation	Outcome	Comments
Net Profit After Tax (NPAT)	35%	0%	Target not met
Group Return on Capital Employed (ROCE)	15%	0%	Target not met
Safety (Lost Time Injury Frequency Rate reduction)	10%	5%	Threshold reduction achieved
Strategic Objectives relating to: • transition to retirement, including managing the transition of key external stakeholders and customer relationships.	40%	40%	Fully achieved
Total	**100%**	**45%**	

On measuring performance based on these hurdles, the Board determined that Paul Little's actual STI for FY12 was $565,000.

As advised to the ASX at the time, Paul Little received a lump sum payment equivalent to six month's fixed remuneration of $1.255 million on the cessation of his employment with Toll. A further lump sum amount of $250,000 was paid as consideration for certain post-employment restrictions which were agreed with Paul Little. In addition, statutory annual and long service leave accruals were paid out in accordance with the terms of his Executive Service Deed (ESD).

Current Managing Director – Brian Kruger

Brian Kruger, former CFO, was appointed to the position of Managing Director-Elect effective 1 September 2011, and then Managing Director effective 1 January 2012. The following remuneration package was agreed for his appointment as Managing Director with effect from 1 January 2012:

- Fixed remuneration: $1.7 million per annum
- At-risk variable annual reward comprised of:
  - Short term incentive (STI) target of $1.7 million per annum
  - Long term incentive (LTI) of $1.7 million per annum

As this appointment took effect midway through FY12, the Board approved transitional remuneration arrangements to apply for the FY12 year. These arrangements reflected Brian Kruger's different roles during this period.

Fixed remuneration

For the period prior to his appointment as Managing Director (1 July to 31 December 2011) Brian Kruger's fixed remuneration remained unchanged from FY11 at $930,000 per annum. On appointment as Managing Director, his fixed remuneration was increased to $1.7 million per annum, to be paid on a pro-rata basis for the half-year commencing 1 January 2012.

Short term incentive

For FY12 Brian Kruger's short term incentive target opportunity was $1.4 million – calculated as a blend of his previous and new STI target opportunities and the different roles he held during the period. Brian Kruger's pro-rata STI target of $1.4 million was based on the following measures for FY12:

Targets	Allocation	Outcome	Comments
Net Profit After Tax (NPAT)	40%	0%	Target not met
Group Return on Capital Employed (ROCE)	20%	0%	Target not met
Safety (Lost Time Injury Frequency Rate reduction)	10%	5%	Threshold reduction achieved
Strategic Objectives relating to: • taking up the responsibilities of his new role, including a strategic review of existing operations and structure, and • development of new business opportunities, including on-line retail services offerings.	30%	30%	Fully achieved
Total	**100%**	**35%**	

On measuring Brian Kruger's performance against these hurdles, the Board determined that his actual STI award for FY12 was $490,000. Of this amount, 25% or $122,500 will be deferred into equity, restricted for a year (to be issued, subject to shareholder approval, in October or November 2012), with the balance to be paid in cash in October 2012.

Long term incentive

For FY12, Brian Kruger received an LTI award on 28 September 2011 in accordance with the Company's SEORP rules. The allocation value of this award was set at the same transitional level as the STI opportunity, that is, $1.4 million.

Special allocation of deferred shares

As previously advised to the ASX, Toll made a special allocation of deferred equity valued at $150,000 to Brian Kruger in September 2011. This was designed to recognise his promotion to the position of Managing Director-Elect from 1 September 2011, the additional responsibilities this position entailed, and the fact that his fixed remuneration for the six-month period prior to his becoming Managing Director remained unchanged from FY11. This equity is restricted until 1 January 2013.

6. Service contracts

Toll continues to update the standard terms of employment for executives to reflect relevant market practice, regulatory changes and advisory body commentary. All Executive Service Agreements and Deeds (ESAs) provide minimum notice periods for both the executive and Toll. Toll maintains discretion to pay out the required notice period.

The ESAs contain a range of terms and conditions, including the contracted notice periods and terms of contracts, as explained on page 33 and in the table below. Variations to these terms result from the different times at which the ESA is entered into with each executive.

All of the contracts remain in place until they are terminated. The basis and circumstances for termination payments described in the ESAs for Bernard McInerney and Stephen Stanley received shareholder approval at the extraordinary General Meeting on 28 May 2007. New ESAs have now been entered into with all other executives.

Details of service contracts

Executive	Terms and conditions
Bernard McInerney, Stephen Stanley [1]	Notice periods are six months for the employee and 18 months for the company. Should the executive work through the notice period, no additional termination payments are required. If the executive is not required to work through all or part of the notice period, a payment equivalent to the balance of the notice period is payable in lieu. This payment is calculated with regard to the executive's Total Employment Reward (TER) including both fixed and variable components. Where the company gives the executive notice, or the executive resigns and agrees a planned transition to retirement, any unvested options or rights will, subject to regulatory compliance and Board approval, remain alive and remain subject to performance hurdles and exercise requirements. The payout of any annual or long service leave will be in line with contractual requirements based on TER. Any STI component relating to the financial year at the time of cessation will be based on the executive's actual performance during that financial year, and if that is not determinable, on historical achieved STI performance measured over the preceding three-year period. These termination payments will not apply if the company terminates the executive's services due to an event of summary dismissal. The Executive Service Deed incorporates confidentiality and non-compete clauses to protect the interests of the company and the requirement to obtain salary continuance insurance in the event of illness or involuntary incapacity for periods of more than six months.
Hugh Cushing, Grant Devonport, Paul Ebsworth, Mal Grimmond, Wayne Hunt, David Jackson, Brian Kruger, Shane O'Neill	Notice periods are six months for the employee and twelve months for the company. Should the executive work through the notice period, no additional termination payments are required. The payout of any annual or long service leave will be in line with contractual requirements (based on Fixed Remuneration). Termination without notice is possible for serious neglect of duty, serious misconduct or breach of employment conditions. Brian Kruger's new contract as Managing Director also provides for him to treat his employment as having been terminated by Toll if there is a fundamental change to his role that he has not consented to.

1. In determining the required notice periods and termination payments for all executives, the Board took into account the executive's service period before entering into the ESA, their contribution to the company's growth, shareholder and governance guidelines, the company's future objectives, and appropriate external advice. Having reviewed all these factors, the Board considered the terms of the ESAs to be both reasonable and appropriate.

7. Statutory remuneration table: Managing Director and executives

The table below shows specific remuneration details for key executives, as required by relevant accounting standards.

		Short-term benefits			Post-employment benefits				Equity-based benefits	
		Cash salary $'000	Non-monetary[1] $'000	Cash STI[2] $'000	Super $'000	Leave entitlements $'000	Other long-term benefits $'000	Termination benefits $'000	Options $'000	Total $'000
Managing Director										
Brian Kruger[3]	**2012**	1,299	–	368	16	–	–	–	927	2,610
	2011	915	–	793	15	–	–	–	433	2,156
Executives										
Hugh Cushing[4]	**2012**	931	198	146	–	–	–	–	237	1,512
	2011	783	236	191	–	–	–	–	277	1,487
Grant Devonport[3,5]	**2012**	478	–	93	25	–	–	–	97	693
Paul Ebsworth	**2012**	598	2	150	50	–	–	–	129	929
	2011	558	13	183	50	–	–	–	122	926
Mal Grimmond	**2012**	571	54	270	25	–	–	–	142	1,062
	2011	556	40	225	25	–	–	–	152	998
Wayne Hunt[6]	**2012**	683	212	277	–	–	–	–	381	1,553
	2011	649	174	406	–	–	–	–	388	1,617
David Jackson	**2012**	750	–	326	50	–	–	–	322	1,448
	2011	600	–	311	50	–	–	–	277	1,238
Bernard McInerney	**2012**	498	166	131	16	–	–	–	283	1,094
	2011	505	138	264	15	–	–	–	303	1,225
Shane O'Neill	**2012**	597	52	148	20	–	–	–	232	1,049
	2011	555	46	297	20	–	–	–	162	1,080
Stephen Stanley[7]	**2012**	790	–	180	50	–	–	–	471	1,491
	2011	758	–	509	50	–	–	–	489	1,806
Former Managing Director										
Paul Little[8]	**2012**	994	235	565	25	1,921	–	1,505	1,192	6,437
	2011	2,289	71	2,345	50	–	–	–	1,282	6,037
Total	**2012**	8,189	919	2,654	277	1,921	–	1,505	4,413	19,878
	2011	8,168	718	5,524	275	–	–	–	3,885	18,570

1 Non-monetary benefits includes: amounts which an executive elects to salary sacrifice for novated car lease or other expenses (excluding superannuation) and includes any relevant company taxes payable in respect of the salary sacrifice items; and allowances/expenses paid by the company for overseas-based executives - refer notes 4 and 6 below.

2 Short-term incentives: This reflects the cash STI amounts earned during FY12. The STI for FY12 was approved by the Board on 24 August 2012 and will be paid in October 2012. A minimum level of performance must be achieved before any STI is awarded. Therefore, the minimum potential value of the STI which was awarded in respect of FY12 was nil. The maximum potential value of STI may be higher than the targets shown on 'Remuneration Outcomes' depending if the result against a financial measure is considered 'exceptional'. If the Board considers the financial measure result exceptional the executive may earn up to 125% against the relevant financial measure.

3 The STI amount shown above represents only 75% of the total STI awarded for the FY12 year and the portion which will be paid as cash in October 2012. The remaining 25% of the STI awarded will be deferred into equity to be granted as rights, restricted for a 12 month period. The deferred component will be expensed in accordance with accounting treatment for share based payments and will be reflected in the future equity expense.

4 Hugh Cushing is an expatriate employee who leads the Toll Global Forwarding business out of Hong Kong. He received allowances for cost-of-living, travel and for a property which he retains in Melbourne for business travel purposes. Housing and motor vehicle expenses were also paid by Toll on his behalf. An average annual exchange rate of A$1=HK$8.0072 has been used to convert any foreign currency amounts. The expatriate benefits and currency fluctuations may result in the amounts disclosed for Mr Cushing being different to the figures which are benchmarked against the external market.

5 2012 remuneration relates to the period of service from date of commencement as KMP only, i.e. 1 November 2011, except for STI which relates to the full year's performance.

6 Wayne Hunt is an expatriate employee who leads the Toll Global Logistics business out of Singapore. He received expatriate allowances including housing and motor vehicle expenses that were paid by Toll on his behalf. An average annual exchange rate of A$1=S$1.3 has been used to convert any foreign currency amounts. The benefits and currency fluctuations may result in the amounts disclosed for Mr Hunt being different to the figures which are benchmarked against the external market.

7 Stephen Stanley ceased employment with Toll on 1 July 2012. The above data reflects his remuneration up until 30 June 2012. Payments for outstanding leave and the accelerated expensing of equity retained on cessation will be disclosed in FY13, i.e. the period to which the payments relate. No other termination benefit was paid to Stephen Stanley.

8 Paul Little's termination amount includes the separation amount of $1,255,000, together with the post-employment restriction amount of $250,000. No additional equity grants have been made to Paul Little in FY11 or FY12 - the equity based benefit for Paul Little includes the accelerated expensing of equity retained on cessation of his employment.

There are non-material variations between this table and the version originally released to the ASX on 27 August 2012. As disclosed to the ASX on 3 September 2012, incorrect allocations between cash salary, non-monetary remuneration and superannuation for some executives have been amended. Total remuneration disclosures remain unchanged.

8. Performance-related remuneration

This table shows the variable remuneration amounts as a percentage of each individual's total remuneration.

		Fixed remuneration (not directly linked to company performance) %	Value of actual STI as a % of TER %	% of STI target actually received %	% of STI forfeited %	Value of equity expense as a % of TER %	Total performance related remuneration %
Managing Director							
Brian Kruger	**2012**	48.1	17.9	35.0	65.0	34.0	51.9
	2011	43.1	36.8	97.9	2.1	20.1	56.9
Executives							
Hugh Cushing	**2012**	74.7	9.7	41.7	58.3	15.6	25.3
	2011	68.5	12.8	63.6	36.4	18.7	31.5
Grant Devonport	**2012**	69.5	17.1	33.0	67.0	13.4	30.5
Paul Ebsworth	**2012**	69.9	16.2	50.1	49.9	13.9	30.1
	2011	67.1	19.8	73.0	27.0	13.1	32.9
Mal Grimmond	**2012**	61.2	25.4	90.0	10.0	13.4	38.8
	2011	62.3	22.6	89.9	10.1	15.1	37.7
Wayne Hunt	**2012**	57.6	17.8	67.5	32.5	24.6	42.4
	2011	50.9	25.1	98.9	1.1	24.0	49.1
David Jackson	**2012**	55.3	22.5	72.5	27.5	22.2	44.7
	2011	52.5	25.1	88.9	11.1	22.4	47.5
Bernard McInerney	**2012**	62.2	11.9	45.0	55.0	25.9	37.8
	2011	53.7	21.6	97.9	2.1	24.7	46.3
Shane O'Neill	**2012**	63.8	14.1	42.2	57.8	22.1	36.2
	2011	57.5	27.5	98.9	1.1	15.0	42.5
Stephen Stanley	**2012**	56.3	12.1	33.3	66.7	31.6	43.7
	2011	44.7	28.2	97.9	2.1	27.1	55.3
Former Managing Director							
Paul Little [1]	**2012**	19.5	8.8	45.0	55.0	18.5	27.3
	2011	39.9	38.8	97.3	2.7	21.3	60.1

1. Paul Little's fixed and performance related pay amounts to 46.8% only. The remaining 53.2% is made up of leave entitlements and termination benefits.

The above figures reflect the full value of the STI awarded for FY12, i.e. the cash and deferred components for Brian Kruger and Grant Devonport, as well as the value of LTI options/rights and other equity grants.

9. Director and executive equity instruments

Equity holdings drive long-term shareholder value. Details of the equity grants Toll provided to executives in FY12 are detailed below.

	Type of equity [1]	Number granted	Grant date	First possible vesting date	Date of expiry	Exercise price $	Equity fair value at grant $ [2]
Managing Director							
Brian Kruger	Restricted Rights	32,895	28 September 2011	31 December 2012	27 September 2016	Nil	$4.33
	LTI Options – Tranche 1	339,806	28 September 2011	28 September 2014	27 September 2016	$4.70	$0.90
	LTI Rights – Tranche 1	115,512				Nil	$4.01
	LTI Options – Tranche 2	339,806				$4.70	$0.81
	LTI Rights – Tranche 2	115,512				Nil	$2.71
Executives							
Hugh Cushing	LTI Rights – Tranche 1	66,007	28 September 2011	28 September 2014	27 September 2016	Nil	$4.01
	LTI Rights – Tranche 2	66,007					$2.71
Grant Devonport	LTI Options – Tranche 1	166,505				$4.70	$0.90
	LTI Options – Tranche 2	166,505					$0.81
Paul Ebsworth	LTI Rights – Tranche 1	41,255	28 September 2011	28 September 2014	27 September 2016	Nil	$4.01
	LTI Rights – Tranche 2	41,254					$2.71
Mal Grimmond	LTI Rights – Tranche 1	41,255	28 September 2011	28 September 2014	27 September 2016	Nil	$4.01
	LTI Rights – Tranche 2	41,254					$2.71
Wayne Hunt	LTI Options – Tranche 1	97,088	28 September 2011	28 September 2014	27 September 2016	$4.70	$0.90
	LTI Rights – Tranche 1	33,004				Nil	$4.01
	LTI Options – Tranche 2	97,087				$4.70	$0.81
	LTI Rights – Tranche 2	33,003				Nil	$2.71
David Jackson	LTI Options – Tranche 1	97,088	28 September 2011	28 September 2014	27 September 2016	$4.70	$0.90
	LTI Rights – Tranche 1	33,004				Nil	$4.01
	LTI Options – Tranche 2	97,087				$4.70	$0.81
	LTI Rights – Tranche 2	33,003				Nil	$2.71
Bernard McInerney	LTI Options – Tranche 1	145,632	28 September 2011	28 September 2014	27 September 2016	$4.70	$0.90
	LTI Options – Tranche 2	145,631					$0.81
Shane O'Neill	LTI Options – Tranche 1	169,903	28 September 2011	28 September 2014	27 September 2016	$4.70	$0.90
	LTI Options – Tranche 2	169,903					$0.81
Stephen Stanley	LTI Options – Tranche 1	105,098	28 September 2011	28 September 2014	27 September 2016	$4.70	$0.90
	LTI Rights – Tranche 1	35,727				Nil	$4.01
	LTI Options – Tranche 2	105,097				$4.70	$0.81
	LTI Rights – Tranche 2	35,726				Nil	$2.71
Former Managing Director							
Paul Little	Nil	Nil					

1. Executives could elect to receive their grant as Options, Rights or a combination of both. The grants are split evenly into two tranches, with each tranche subject to different performance hurdles.
2. The estimated maximum value of the grant can be determined by multiplying the number of options granted by the fair value of the equity instruments. The minimum value of the grants, if the applicable performance conditions are not met, is nil.

All equity was granted during the financial year and no equity has been granted since the end of the financial year.

No ordinary shares were issued to KMP during or since the end of the financial year on the exercise of options granted under the SEORP.

Equity valuations

Toll engages an external expert, PricewaterhouseCoopers (PwC), to independently value the equities, taking into account factors such as performance conditions, share price volatility, life of the instrument, dividend yield, and the share price at grant date.

The following table provides valuation details for the equity instruments issued to KMP during the year.

Type of equity	First possible vesting date	Equity fair value $	Grant date	Exercise price $	Share closing price at valuation $	Toll expected volatility %	Equity term (years)	Expected dividend yield %	Risk free interest rate %	Vesting period (years)	Expected life (years)
LTI Options – Tranche 1 (EPS)	28 Sept 2014	$0.90	28 Sept 2011	$4.70	$4.53	35%	5	4.5%	3.14%	3.00 – 5.00	3.00 – 5.00
LTI Options – Tranche 2 (TSR)	28 Sept 2014	$0.81								3.00	3.00
LTI Rights – Tranche 1 (EPS)	28 Sept 2014	$4.01	28 Sept 2011	Nil	$4.53	35%	5	4.5%	3.11%	3.00 – 5.00	3.00 – 5.00
LTI Rights – Tranche 2 (TSR)	28 Sept 2014	$2.71								3.00	3.00
Restricted Rights	31 Dec 2012	$4.33	28 Sept 2011	Nil	$4.53	35%	5	4.5%	3.46%	1.25	1.25

Option and right holdings – movements in FY12

This table shows the numbers of options and rights over ordinary shares in the company that the Managing Director and senior executives held during the year.

	Balance as at 1 July 2011	Granted during the year as remuneration	Exercised during the year	Number changed, forfeited or lapsed during the year	Balance as at 30 June 2012	Vested and exercisable as at 30 June 2012	Balance as at date of report sign off
Managing Director							
Brian Kruger	1,022,971	943,531	–	–	1,966,502	–	1,966,502
Executives							
Hugh Cushing	642,624	132,014	–	–	774,638	–	774,638
Grant Devonport [1]	134,112	333,010	–	–	467,122	–	467,122
Paul Ebsworth	288,284	82,509	–	–	370,793	–	370,793
Mal Grimmond	352,464	82,509	–	–	434,973	–	434,973
Wayne Hunt	875,519	260,182	–	–	1,135,701	–	1,135,701
David Jackson	642,624	260,182	–	–	902,806	–	902,806
Bernard McInerney	699,230	291,263	–	–	990,493	–	990,493
Shane O'Neill	383,184	339,806	–	–	722,990	–	722,990
Stephen Stanley	1,126,508	281,648	–	–	1,408,156	–	1,408,156
Former Managing Director							
Paul Little [2]	2,959,589	–	–	–	2,959,589	–	n/a

1. Opening balance as at date of commencement as a KMP, i.e. 1 November 2011.
2. Final balance reflects balance as at date of cessation, i.e. 31 December 2011.

No options or rights were vested, exercised, lapsed or forfeited during FY12 by the Managing Director or the senior executives.

Share holdings – movements in FY12

This table shows the numbers of ordinary shares in the company that were held by the Managing Director and senior executives during the year.

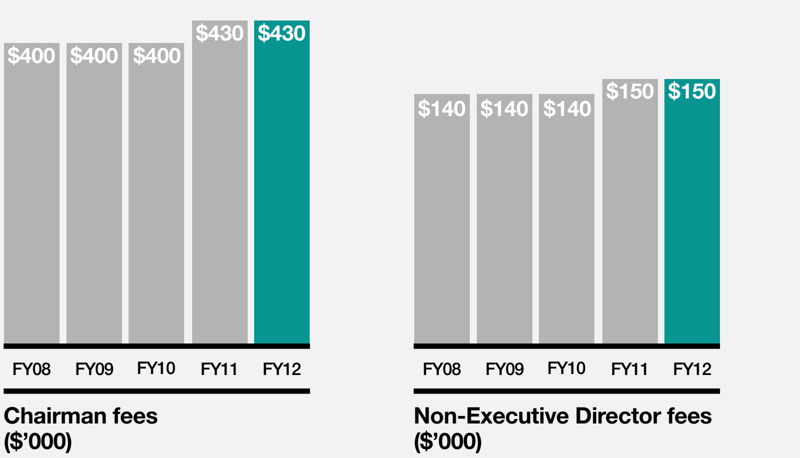
	Opening Balance as at 1 July 2011	Purchased	Dividend reinvestment	Sold	Other changes	Balance as at 30 June 2012	Balance as at date of report sign off
Managing Director							
Brian Kruger	36,581	–	–	–	–	36,581	36,581
Executives							
Hugh Cushing	77,600	–	–	–	–	77,600	77,600
Grant Devonport [1]	–	20,000	–	–	–	20,000	20,000
Paul Ebsworth	8,153	–	–	–	–	8,153	8,153
Mal Grimmond	12,981	–	–	–	–	12,981	12,981
Wayne Hunt	5,200	4,000	–	–	–	9,200	9,200
David Jackson	2,100	–	–	–	–	2,100	2,100
Bernard McInerney	362,452	–	–	–	–	362,452	362,452
Shane O'Neill	–	–	–	–	–	–	–
Stephen Stanley	578,373	–	17,996	–	–	596,369	596,369
Former Managing Director							
Paul Little [2]	37,535,935	–	–	–	–	37,535,935	n/a

1. Opening balance reflects balance as at date of commencement as a KMP, i.e. as at 1 November 2011.
2. Final balance reflects balance as at date of cessation, i.e. 31 December 2011.

10. Non-Executive Director remuneration framework

Toll's Non-Executive Directors' fees were not increased in FY08, FY09 or FY10. This freeze was lifted for FY11. For FY12, no adjustment was made to the base fee levels. However, both Chair and Member committee fees were increased to reflect the additional responsibilities and time commitments required for participation on the Committees.

Chairman and Non-Executive director fees FY08 to FY12



In FY12, Non-Executive Directors' fees, including superannuation, were based on the following schedule:

Board fees ($ per annum)	Chairman	Director/Member
Board	430,000[1]	150,000
Audit and Financial Risk Committee	45,000	25,000
Remuneration and Executive Succession Planning Committee	45,000	25,000
Occupational Health & Safety and Environmental Committee	45,000	25,000
Nomination and Governance Committee	Nil	Nil

1. The Chairman of the Board does not receive any additional payments for his role as chairman or member of any sub-committee.

Non-Executive Director remuneration consists of Directors' fees, including committee fees, and superannuation. As the Board has the principal responsibility for overseeing Toll's management and its long-term strategic direction, Non-Executive Director remuneration is not linked to the company's short-term financial performance. Further, Non-Executive Directors are not entitled to performance-based remuneration or participation in equity incentive plans. Toll does not operate a retirement benefits program for Non-Executive Directors.

An aggregate cap of $2 million per annum for Non-Executive Director fees was approved by shareholders at the 2011 AGM. All fees paid in relation to FY12 fell within the aggregate cap approved by shareholders.

Each year, the Board reviews the fees payable to Non-Executive Directors, considering:

- their individual Board responsibilities and obligations on Committees
- advice from specialist advisors about the fees paid by comparable organisations
- fees that are appropriate to attract and retain high quality Non-Executive Directors.

The Non-Executive Director Share Plan was terminated in FY10. Non-Executive Directors can now buy shares in Toll only in accordance with Toll's securities trading policy.

11. Remuneration and Executive Succession Planning Committee (Remuneration Committee)

Governance and transparency in the areas of remuneration and succession planning are the key focus of the Remuneration Committee.

The Remuneration Committee is a Board subcommittee. Its charter sets out its membership, responsibilities, authority and activities. Its terms of reference are described in the Corporate Governance Statement, and are available online at www.tollgroup.com.

The Remuneration Committee's key responsibilities, shown opposite, remain unchanged from last year. However, it has increased its focus on ensuring performance and reward alignment, and assessing and reviewing Toll's remuneration strategy.

At 30 June 2012, the Remuneration Committee members were Harry Boon (Chairman), Barry Cusack and Frank Ford, all of whom are independent Non-Executive Directors. The Board Chairman is an ex-officio of the Committee. Where appropriate, the Remuneration Committee also invites members of the management team to assist in its discussions (except those concerning managers' own remuneration). The Remuneration Committee may also take specialist remuneration advice during the year from external advisers.

Remuneration and Executive Succession Planning Committee focus

External remuneration consultants

Remuneration governance and framework

Remuneration framework changes, details, concepts and design require approval from Non-Executive Directors. Governance continues to be a major focus of the Committee.

Remuneration

- Monitors the Group's remuneration strategy and framework so that it continues to drive long-term growth and the success of the Group and its employees;
- Reviews and makes recommendations to the Board on Non-Executive Director fees;
- Reviews, determines and makes recommendations to the Board on the Managing Director's (Chief Executive Officer) remuneration and, where required or requested by the Board, considers the appropriateness of remuneration allowances and incentives for contracted senior management;
- Reviews and ratifies other Senior Executives' remuneration, including the remuneration of all first level reports to the Managing Director (Chief Executive Officer);
- Oversees compliance with statutory responsibilities relating to remuneration disclosure;
- Reviews policies and reporting responsibilities relating to employee share, option, rights and non-equity based plans; and
- Reviews senior executive, Director and Non-Executive Director retirement and termination payments (if any).

Succession planning

- Establishes and monitors executive succession planning;
- Oversees the executive succession planning framework.

Management input
(Strategy, Human Resources, Legal, Finance)

12. Statutory remuneration tables: Non-Executive Directors

The remuneration for Non-Executive Directors is detailed below.

		Short-term benefits		Post-employment benefits			
		Cash fees $'000	Non-monetary $'000	Super $'000	Other long-term benefits $'000	Termination benefits $'000	Total $'000
Non-Executive Directors							
Ray Horsburgh	**2012**	414	–	16	–	–	430
	2011	329	86	15	–	–	430
Harry Boon	**2012**	200	–	16	–	–	216
	2011	170	–	15	–	–	185
Barry Cusack	**2012**	197	–	16	–	–	213
	2011	147	–	18	–	–	165
Frank Ford	**2012**	194	–	16	–	–	210
	2011	156	–	14	–	–	170
Mark Smith	**2012**	188	–	16	–	–	204
	2011	165	–	25	–	–	190
Nicola Wakefield Evans [1]	**2012**	178	–	16	–	–	194
	2011	19	–	2	–	–	21
Total	**2012**	1,371	–	96	–	–	1,467
	2011	986	86	89	–	–	1,161

1. Nicola Wakefield Evans commenced on 10 May 2011. Fees for the period 10 May to 30 June 2011 were actually paid in the FY12 year, however, as the payment relates to FY11, the payment is shown in 2011 in the table above.

Share holdings of Non-Executive Directors

To ensure their independence and impartiality, Non-Executive Directors are not eligible to participate in any of the Group's incentive arrangements, including equity grants. The numbers of ordinary shares in the company that Non-Executive Directors held in this financial year are shown below.

Name	Opening balance as at 1 July 2011	Purchased	Dividend reinvestment	Sold	Other changes	Balance as at 30 June 2012	Balance as at date of report sign off
Non-Executive Directors							
Ray Horsburgh	47,725	38,776	–	–	–	86,501	86,501
Harry Boon	27,088	10,000	–	-17,103	–	19,985	19,985
Barry Cusack	48,221	–	1,409	–	–	49,630	49,630
Frank Ford	20,000	10,000	–	–	–	30,000	30,000
Mark Smith	26,282	12,700	–	–	–	38,982	38,982
Nicola Wakefield Evans	–	4,000	–	–	–	4,000	4,000

Insurance of officers

During or since the end of the year, the Group paid a premium in respect of a contract insuring each of the Directors' of the Company, the Company Secretary and executives of the Company against liabilities that are permitted to be covered by Section 199B of the Corporations Act 2001. It is a condition of the insurance contract that its limits of indemnity, the nature of the liability and the amount of the premium not be disclosed.

Indemnification of officers

The Company has agreed to indemnify the Directors and Secretaries of the Company, and its controlled entities, and its nominated Directors and Secretaries of the related body corporate, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors or Secretaries, 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 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the financial report, and Directors' report have been rounded off to the nearest decimal of a million dollars, unless otherwise stated. All monetary amounts in the remuneration report have been rounded to the nearest thousand dollars (as required under ASIC CO 98/100).

Non audit services

During the year KPMG, the Company's auditor has performed certain other services in addition to its statutory duties.

The Board has considered the non audit services provided during the year by the auditor and, in accordance with a resolution of the Audit and Financial Risk Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Auditor's remuneration

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for statutory audit and other services are also disclosed.

	2012 $'000	2011 $'000
Audit services		
Auditors of the Company – audit and review of financial reports		
KPMG Australia	2,436	2,293
Overseas KPMG firms	2,974	2,148
Other auditors – audit and review of financial reports (non-KPMG firms)	444	323
	5,854	4,764
Other services		
Taxation services		
KPMG Australia	534	449
Overseas KPMG firms	318	175
Other assurance services		
KPMG Australia	10	–
Overseas KPMG firms	117	12
Other services		
KPMG Australia	22	23
Overseas KPMG firms	45	26
Related practices of KPMG – other	–	14
	1,046	699

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The Lead Auditor's Independence Declaration is set out on the following page 54 and forms part of the Directors' Report for the year ended 30 June 2012.

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.

R Horsburgh
Director

B Kruger
Director

Dated at Melbourne this 27th day of August 2012

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Toll Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

M. Bisetto

Maurice Bisetto
Partner

Melbourne
27 August 2012

Corporate Governance Statement
for the year ended 30 June 2012

Toll's Corporate Governance Statement explains the key aspects of the Group's corporate governance framework. It also highlights how these aspects have changed during the reporting period.

The Board is committed to the highest standards in corporate governance and believes that this plays a major role in the Group's success.

As at the date of the Annual Report, the Group's governance practices comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 2nd Edition (ASX Principles and Recommendations).

Information about the Group's governance framework and the policies and charters referred to in this statement can be found on our website at www.tollgroup.com/about_corporategovern.html.

Board of Directors

The Toll Board currently has seven members. No new Board appointments were made during the reporting period. For more information on each Director (including their experience, expertise, qualifications, term of office and independent status) see the Directors' Report on page 28.

The Board is chaired by an independent, Non-Executive Director, and the roles of Chairman and Managing Director are kept separate. The Managing Director is the only Executive Director on the Board. All the other Directors are independent, Non-Executive Directors.

Role of the Board

The Board's role is to operate and guide the Toll Group. It does this primarily by supporting management to achieve the Group's goals.

The Board is committed to sustaining long-term business growth in ways that embrace Toll's responsibilities to the communities in which it operates. The Board believes that the twin goals of profitability and corporate citizenship benefit all our stakeholders.

The Board operates under a Charter which sets out its roles and key responsibilities including:

- Strategy: The Board is responsible for the Group's performance against strategic and business plans. The Board also oversees capital expenditures, acquisitions and divestments.
- Risk management: The Board ensures that processes are in place to identify and manage key risks to the Toll business.
- Reporting and disclosure: The Board ensures that procedures are in place to meet the Group's continuous disclosure obligations, and that the Group complies with all of its financial and other reporting requirements.
- Management and performance: The Board is responsible for evaluating the Managing Director's performance and approving the remuneration framework and criteria for senior executives. It must also review its own performance each year.
- Corporate governance: The Board is ultimately responsible for setting, reviewing and ensuring compliance with the Group's values and governance framework, including establishing and observing ethical standards.

The Board has established a number of Board Committees, which are described on pages 57 to 58.

Role of the Chairman

The Chairman leads the Board in meeting its responsibilities to the Group's stakeholders.

The Chairman does this by:

- ensuring that the Board receives accurate, timely and clear information
- briefing Toll's Directors on issues that arise at Board meetings
- making sure the Board is able to discuss and analyse matters effectively
- promoting collaboration between Board members and between the Board and Group management.

Delegation to Managing Director and management

The Board delegates the day-to-day running of the business to the Managing Director and his management team, including the practical implementation of strategies, plans and budgets agreed by the Board and its Committees.

The management team reports back to the Board regularly, so that the Directors have the information they need to discharge their duties and meet their responsibilities to the business.

To ensure the day-to-day business of the Group is operating effectively, the performance of management and key staff is regularly reviewed. The Board and senior management, as appropriate for their respective reports, sets objectives for each key staff member, and works with those individuals to establish personal development programs. Each individual's performance is then assessed against their goals and plans.

Performance evaluations for management and key staff were completed during the reporting period. For more information on the review process, see the Remuneration Report on pages 31 to 51.

Review of Board and Board Committee performance

Each year, the Chairman initiates performance reviews of the Board, its Committees and individual Directors. These reviews may be conducted internally or externally. They form the basis of the continuous improvement of the Board and its activities, as well as the Board's succession plans. They also help ensure that the Board always holds an appropriate mix of skills and experience.

Performance reviews of the Board, its Committees and individual Directors were conducted during the reporting period. During each reporting period, each Director completes a detailed questionnaire developed by the Nomination and Corporate Governance Committee. The questionnaires are collated for, and evaluated by the Chairman, who then reports to the Board and discusses the reviews with each Director individually.

Board composition

The Board currently has seven members, including six independent Non-Executive Directors and the Managing Director.

Each Director brings different skills and professional services expertise to the Board. The Board seeks to achieve a mix of skills and diversity that includes international, corporate management, and operational experience, as well as a deep understanding of the industry in which Toll operates, and the safety, environmental and community challenges Toll faces.

The Nomination and Corporate Governance Committee works with the Board to assess the Directors' combined skills and ensure the Board has the expertise to meet both its responsibilities to stakeholders and its strategic objectives.

The Board is also aware of the need for diversity among its Directors, and, with the Nomination and Corporate Governance Committee, closely assesses diversity criteria when considering Board candidates.

This year, the Board has adopted measurable objectives for achieving diversity across the Group, as explained on page 59. The Board's policy for the nomination, selection and appointment of Directors can be found on the Group's website at www.tollgroup.com/about_corporategovern.html.

A summary of the breadth and depth of Director experience and skills appears below.

For more information on each Director, see the Directors' Report on page 28.

Experience and skills	Number of directors
International business	7
Industrial/manufacturing	6
Mining resource industries	3
Professional Services	2
Finance and Banking	4
Equity, Capital Markets, Mergers and Acquisitions	6
Transport & Logistics	3
Governance	7
Regulatory compliance	7
Human Resources Management	7
Business Development	4
OH&S/Risk management	7
Marketing	6
CEO, CFO or COO experience	7
Retail FMCG	2
Geographic experience	
Australia & New Zealand	7
Asia	5
Europe	1
United Kingdom	2
United States of America	4

Independence of Directors

The Board Charter sets clear guidelines for assessing the independence of Directors.

The Charter recommends that the Board be composed of a majority of independent Non-Executive Directors, including an independent Non-Executive Chairman. Toll requires that all Directors, independent or otherwise, act in the best interests of the Group and exercise independent and unfettered judgment.

During the reporting period, none of the Non-Executive Directors had any relationship that could materially interfere, or be perceived to materially interfere, with their independent and unfettered judgment.

During the reporting period, the Board considered the circumstances of each Director and determined that all Non-Executive Directors were independent as described in box 2.1 of the ASX Principles and Recommendations.

The Corporations Act 2001, and the Company's Constitution, require Directors to advise the Board of any interest they have that has the potential to conflict with the interests of the Group, including any development that may impact their perceived or actual independence.

Procedures are in place for Toll's Directors to disclose actual and potential conflicts of interest. The Board also considers a range of quantitative and qualitative measures to assess members' independence and further safeguard Board independence.

Independent advice, induction and training

Toll has procedures and policies in place to assist Directors in fulfilling their responsibilities to the business.

As Directors join the Board, they undertake a comprehensive induction program, which includes information on Toll's key strategies, objectives and values, as well as its governance framework and expansive global operations. New Directors also meet with key senior managers in the business.

We strive to continue to improve induction processes so that Directors are able to appreciate the diversity, breadth and complexity of the Group as early in their tenure as possible.

The Board also receives ongoing training as required, including in relation to recent legislative and regulatory changes and developments in corporate governance. All Directors have ongoing access to information on Toll's operations and to the Group's senior managers through Board presentations and site visits.

Each Director, at any time, is able to seek independent professional advice on any business-related matter at the expense of the Group.

Tenure and retirement

The Board is ultimately appointed by Toll shareholders.

If a Director is appointed to a casual vacancy by the Board during the year, they must stand for election at the next general meeting of members.

At least once every three years, each Director (except the Managing Director) must retire. If they are available and eligible, they can stand for re-election at that time.

Before the Board recommends the re-election of any Director, it considers the recommendations of the Nomination and Corporate Governance Committee, the strategic direction of the Group and the mix of skills and experience held by the Board at the time.

Board Committees

The Board has created four Board Committees to help in fulfilling its key responsibilities:

- Nomination and Corporate Governance Committee
- Occupational Health & Safety and Environmental Committee
- Audit and Financial Risk Committee
- Remuneration and Executive Succession Planning Committee.

Each Committee has its own Charter, and these are reviewed and updated as needed. At any time, the Board can address items within a Committee's Charter at Board level.

Committees are able to seek information from any officer or employee of the Group and from independent advisors as required. The Committees report to the Board and make recommendations on relevant matters in the first Board meeting following each Committee meeting.

The roles and responsibilities of each Board Committee are detailed below. Details of Committee membership and meeting attendance can be found in the Directors' Report on page 30.

Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee is responsible for the composition, independence and operation of the Board.

The responsibilities of the Committee include:

- reviewing the size and composition of the Board and its Committees
- advising the Board on the desired mix of Director skills and competencies
- establishing criteria for Board member selection, and ensuring that these criteria are used to recommend the appointment, re-election and tenure of Directors
- developing and reviewing Board succession plans so that an appropriate balance of skills and experience is maintained, and advising the Board on succession matters
- identifying potential Board candidates in accordance with Group requirements for independence, skills, diversity and experience
- ensuring that the induction program for new Directors is effective
- establishing procedures for the review of Board and Director performance
- ensuring that the Group's corporate governance framework meets the recommendations of the ASX Corporate Governance Principles, and creating and reviewing compliance policies and procedures in line with those recommendations, and
- creating diversity policies and objectives, and establishing processes for monitoring Group progress toward them.

This Committee must have at least three Directors, a majority being Non-Executive Directors, and must be chaired by an independent Non-Executive Director.

The Committee meets as needed, and has met 2 times during the reporting period.

Occupational Health & Safety and Environmental Committee

The Occupational Health & Safety and Environmental Committee was established during the reporting period to support the management structure and to ensure the business meets its regulatory and legal obligations.

This Committee focuses on safety in the workplace and on protecting the environment in which the business operates.

The responsibilities of the Committee include:

- monitoring and ensuring the Group's compliance with Occupational Health & Safety (OH&S) and environmental laws
- establishing and tracking measurable workplace health, safety and environment objectives
- identifying and monitoring key OH&S and environmental risks
- reviewing management reports on OH&S and environment performance and issues
- overseeing any investigation of a major OH&S or environment incident, and
- reporting to the Board and making recommendations on the Group's OH&S and environment policies and procedures, legal compliance and energy efficiency initiatives.

This Committee must have at least three Directors, the majority being Non-Executive Directors, and it must be chaired by an independent Non-Executive Director who is not the Board Chairman.

The Committee met three times during the reporting period.

Among the industry developments considered by the Committee in the reporting period were the Federal Government's Model Work Health and Safety Laws.

These laws impose a positive duty on company officers, including its directors, to exercise due diligence in ensuring compliance under the Act.

These laws have already been implemented in some, but not all, states and territories of Australia as part of the Federal Government's OHS harmonisation initiative.

Toll's OH&S and Environmental Committee has worked closely with the Board to ensure the Group's OH&S strategy supports its Directors in complying with these laws in all the jurisdictions in which it operates.

Remuneration and Executive Succession Planning Committee

The Remuneration and Executive Succession Planning Committee focuses on ensuring that Toll's remuneration levels are set competitively and at levels that attract and retain qualified and experienced Directors and senior executives. The Committee also makes recommendations on policies for staff salary reviews generally. The structure and mix of remuneration for Non-Executive Directors differs from that of executive Directors and senior executives. Non-Executive Directors do not receive any retirement benefits (other than superannuation).

Details on the remuneration of the Managing Director, the Non-Executive Directors and the Group's key management personnel are set out in the Remuneration Report on pages 31 to 51.

The responsibilities of the Committee include:

- reviewing and making recommendations to the Board on the Group's remuneration strategy and framework
- reviewing and making recommendations to the Board on Managing Director and senior executive remuneration allowances, incentives and termination payments
- reviewing and making recommendations to the Board on Non-Executive Directors' fees
- ensuring Toll complies with requirements for the disclosure of remuneration arrangements
- reviewing policies on employee share, rights, units and option plans
- establishing and monitoring executive succession plans
- engaging with stakeholders on remuneration policies and practices
- advising the Board on gender-related remuneration issues and recommending strategies to address any identified pay gaps, and
- where independent advice is required to set remuneration for key management personnel, approving and engaging remuneration consultants.

This Committee must be made up only of Non-Executive Directors, and must be chaired by an independent Non-Executive Director.

The Committee meets as needed, and has met five times during the reporting period.

Audit and Financial Risk Committee

The Audit and Financial Risk Committee oversees all matters that relate to the financial affairs of the Group, including the external audit.

The responsibilities of the Committee include:

- ensuring compliance with the Group's auditor independence policy and reviewing the annual audit plan
- overseeing the preparation of half-year and full-year financial statements
- reviewing and, where appropriate, recommending changes to Toll's accounting policies
- reviewing the effectiveness of internal audit and cross-divisional reviews
- managing the process of identifying and managing audit and financial risks
- monitoring risks to business continuity, disaster recovery, reputation, currency exposure and interest rate exposure
- assessing the performance of internal control risk management, and
- recommending to the Board the selection, appointment, rotation, re-appointment or replacement and compensation of, the external auditor.

Toll's Auditor Independence Policy can be found on the Group's website at www.tollgroup.com/about_corporategovern.html.

The Audit and Financial Risk Committee has also developed processes for the review of management reports on various aspects of the Group. These processes allow Toll to maintain high standards for its audit and risk management functions.

Through these processes, relevant managers make declarations on aspects of risk and financial management. These declarations include statements on the operation of, and business compliance with, a sound system of risk management and internal controls. This system is further explained in the section, Risk management, on page 60.

This Committee must be made up of only Non-Executive Directors and consist of at least three members. A majority of the Directors must be independent. The Committee must also be chaired by an independent Non-Executive Director who is not the Board Chairman.

The Committee's members are all financially literate and are suitably experienced to undertake their duties on this Committee.

The Committee met six times during the reporting period.

Diversity

Toll believes that a diverse workforce is a key competitive advantage. The Group's success is a reflection of the quality and skills of our richly varied talent base.

Diversity recognises and values the contributions of people with varying capabilities, experience and perspectives, including gender, age, ethnicity and religious and cultural backgrounds.

Toll's commitment to attracting and retaining team members with different abilities and experiences is reflected in our Equal Employment Opportunities and Diversity Policy. This policy supports our focus on:

- attracting a wide range of applicants and recruiting the best person for the job, regardless of cultural and ethnic backgrounds, sexuality, disability or family circumstances, as a means to enrich our talent pipeline
- a workplace that is free from bullying, discrimination, harassment, vilification, victimisation and violence, and
- employee awareness of their rights and responsibilities in respect of diversity and equal opportunity practices.

The Reconciliation Action Plan we are developing also demonstrates this philosophy. It sets out our plans to support reconciliation by providing indigenous Australians with employment opportunities. For more information on the Plan, see the Corporate Social Responsibility Report on page 69.

Toll has implemented a range of initiatives to foster diversity by creating a working environment that is fair and flexible, promotes personal and professional growth, and that benefit from the capabilities of its richly diverse workforce.

Our diversity strategy underpins all of these initiatives.

Diversity objectives

Toll's diversity strategy currently sets out three measurable objectives for gender diversity within the business:

Measurable objective selected for FY12 and beyond	Progress towards achieving objective
Provide at least two female candidates for each senior management vacancy.	Objective introduced during the reporting period. For senior executive vacancies during the year, the objective was 67% achieved
Annually improve the percentage of female representation in senior management roles.	Objective met. The percentage of female representation in senior management roles grew from 8.3% to 11.4% during the period
By 2015, achieve pay equity by job group, job family and by performance level.	Phase 1 completed with all roles classified into job groups and job family to enable appropriate structures to be implemented based on individual performance level.

We will continue to build on our diversity fact base profile across the Group including seeking feedback from staff on their perceptions and opinions on diversity.

Our diversity strategy identifies several actions for the coming year:

- Increase diversity awareness for our senior management.
- Design and develop a diversity e-learning module.
- Further build on our diversity plans for actions to be addressed from 2014.

Toll is dedicated to increasing the representation of women in the business, particularly at senior management and Board levels.

The Toll Board has seven members, including one female Director, Ms. Nicola Wakefield Evans; Nicola is a member of the Audit and Financial Risk, Nomination and Corporate Governance and Occupational Health & Safety and Environmental Committees.

The Leadership @ Toll program, which assists development in people management and leadership capabilities, had a female participation rate of 28% during the reporting period.

The table below shows the gender diversity of the Group as at 30 June 2012.

	% Female	% Male
Board	14	86
Senior Executive	11	89
Group	23	77

Overall, female participation in Toll's workforce increased by 3% during the reporting period.

Supporting diversity

Toll understands that to sustain the rich diversity of staff in a way that adds long-term value to the business, we must operate in ways that support team members' individual needs.

Where possible and appropriate, we provide flexible working arrangements to support employees in special circumstances, help our staff achieve a reasonable work/life balance, meet family commitments, and assist in managing an individual's personal challenges. Among the options, Toll offers job sharing, part-time work, flexible start and finish times, as well as work-from-home and telecommuting arrangements.

We also support staff in fulfilling their career aspirations. The Group's size and complexity provide strong opportunities for promotion and transfer. These are supported by various training, mentoring and career guidance initiatives.

These initiatives help us to retain and enrich the talent pool we have, and ensure that the breadth and depth of our skill base continues to grow.

More information on our work with diversity, leadership and talent development can be found in the Corporate Social Responsibility Report on page 64.

Ethical and responsible decision making

Toll is committed to ethical business practices.

The Group has developed policies to ensure our compliance with legal obligations and to address certain stakeholder expectations. Beyond this, the business has an expectation that all Directors, managers and employees will act with integrity and objectivity at all times.

Toll's Code of Conduct sets out our obligations in relation to Toll's Disclosure Hotline, fair trading, insider trading, equal opportunity, health and safety, the environment, pirated software, gifts and favours, conflicts of interest, expenses and claims, confidentiality, and more.

This code is currently being updated to ensure that it is easily understood by all our stakeholders.

Toll's Ethical Conduct Policy further reflects the Group's commitment to the highest standards of integrity, honesty and accountability.

This policy is currently under review in light of recent changes to anti-bribery legislation in the United Kingdom. The review will ensure that the Group's internal governance requirements meet our values, our customers' interests and appropriate regulatory obligations.

All Group employees are encouraged to report unacceptable behaviour to their nominated supervisors at first instance. Toll operates an Australian based Disclosure Hotline, which allows employees to anonymously report unethical behaviour through an independent third party. We are currently evaluating the regulatory requirements in other key jurisdictions in which we operate prior to determining if this service should be expanded.

Toll also has a separate Code of Conduct for Directors and Senior Executives, based on a code prepared by the Australian Institute of Company Directors.

The Code of Conduct for Directors and Senior Executives and the Codes of Conduct with Stakeholders are available on the Toll website at www.tollgroup.com/about_corporategovern.html.

Securities trading policy

Toll's Securities Trading Policy guides all Directors and employees who deal in Toll securities. This policy, which has recently been revised, is now easier to understand, and meets the requirements identified in ASX Listing Rule 12.12.

Directors, executives and employees are prohibited from trading in the Group's securities, related financial products and derivatives whenever they are aware of price sensitive information that is not generally available.

Under the Securities Trading Policy, a combination of trading windows and blackout periods is used. Trading for Directors and senior executives is generally restricted to:

- the six-week period commencing on the second full trading day following the release of the half-year results
- the six-week period commencing on the second full trading day following the release of the full-year results
- the six-week period commencing on the second full trading day following the Annual General Meeting
- the offer period specified in any disclosure document (e.g. a prospectus) issued by Toll, and
- any other period the Board determines, if the Board is satisfied that all price-sensitive information has been released to the market.

Outside these periods, trading may only occur with the appropriate prior written approval. Notwithstanding this, approval will not be given during the following specific blackout periods (unless exceptional circumstances apply):

- from close of trading on 31 December until the commencement of the trading window on the second full trading day following the release of the half-year results
- from close of trading on 30 June until the commencement of the trading window on the second full trading day following the release of the full-year results
- during the four-week period prior to the Annual General Meeting, and
- any other period the Board determines.

Directors, the Managing Director, senior management and other employees who receive equity-based payments as part of their remuneration, are prohibited from entering into "hedging" or other arrangements which effectively limit the economic risk of unvested entitlements that they may hold under any of Toll's incentive plans (such as the Senior Executive Option and Rights Plan).

Risk management

Effective risk management is essential to Toll's success and is an integral part of our culture.

While we need to accept a level of risk in achieving our goals, sound risk management helps us to make the most of each business opportunity.

Toll's approach to risk management assists us in identifying risks early and addressing them in ways that manage uncertainties, minimize potential hazards, and maximize opportunities for the good of all our stakeholders.

The Group reviews its risks on an ongoing basis. We use Toll's risk management framework, explained in detail below, to balance risks and rewards, and to build risk management into our day-to-day work.

The strength of this framework rests on the Group's mix of formal policies, procedures, reports and analysis, and informal controls such as informed judgment, ethics and specific accountabilities. Its implementation is overseen by the Board and its Committees.

Toll's Risk Management Policy and Internal Compliance and Control System are set out in the Risk Management Policy Statement on the Group's website at www.tollgroup.com/about_corporategovern.html. An overview of the risk framework is given below.

Risk management accountability framework

The key components of Toll's risk management, governance and accountability framework are pictured below.

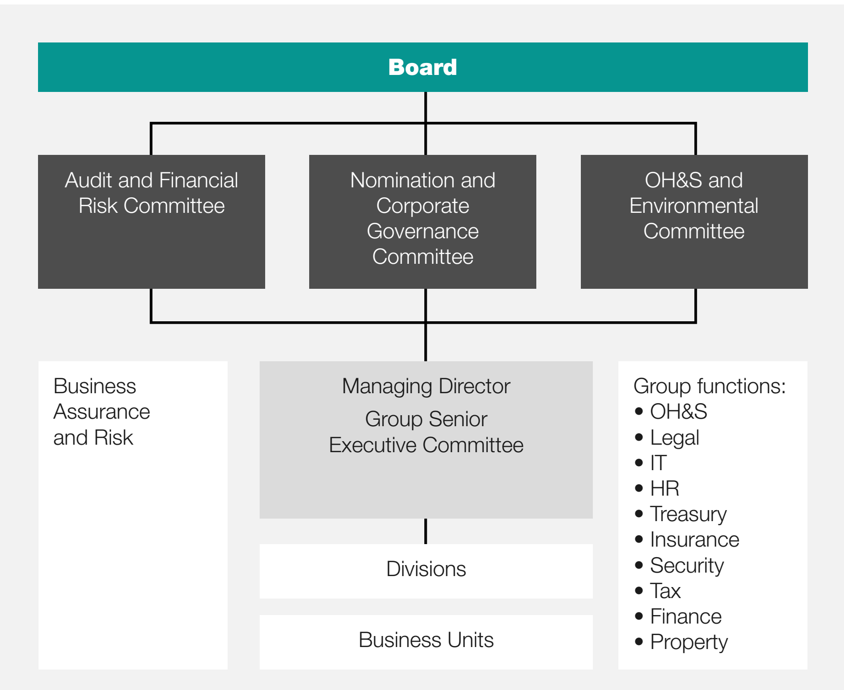
The Board, through its Audit and Financial Risk Committee and OH&S and Environmental Committee, oversees the establishment, implementation and ongoing review of the Group's risk management and internal compliance and control system. The internal control system covers strategic, financial, operational and compliance risks. The Audit and Financial Risk Committee also approves the annual program of Business Assurance and Internal Audit reviews, and reviews regular reports on the program's progress at each Committee meeting.

The Nomination and Corporate Governance Committee reviews corporate governance practices and relevant Group policies as needed.

The OH&S and Environmental Committee monitors the Group's compliance with relevant OH&S and environmental laws, as well as tracks measurable workplace health, safety and environment objectives, the impact of changes in OH&S and environmental legislation, and the potential for any liabilities arising from any OH&S or environmental issues.

The Managing Director is responsible for the design and implementation of the risk management policy and the internal compliance and control system, while Divisional Directors are responsible for risk management within their divisions.

The Group Senior Executive Committee, comprised of the Managing Director, Divisional Directors, Company Secretary and other senior executives, identifies, evaluates and monitors Toll's key business risks. The Committee is responsible for ensuring our mitigation strategies are effective and comply with the relevant regulations. A detailed risk report is also incorporated into the Board papers at each scheduled Board meeting throughout the year.



To promote accountability, Divisional Directors delegate day-to-day responsibility for risk management, compliance and control to business unit General Managers. These managers are guided by the principles and parameters set out by the Audit and Financial Risk Committee and Occupational Health & Safety and Environmental Committee.

The Business Unit General Managers, Divisional Directors and selected executives are required to give detailed risk management and governance declarations annually.

Specialist risk and OH&S managers support the business units to establish and monitor risk management and compliance processes, and build awareness within those areas.

Together, the Business Assurance and Risk function and the Health, Safety and Environment function, support Group-wide risk management and compliance activities. These functions have joint or individual responsibility for:

- developing policies and procedures that act to manage and mitigate risks
- ensuring regular reporting to senior management and the Board on matters of OH&S, security, environment, dangerous goods and hazards, crisis management, business interruption and insurable risks
- independently evaluating selected risk management and internal compliance and control systems
- helping to evaluate and monitor the effectiveness of Group and divisional business risk analysis programs, and manage the Group's material business risks as reported to the Board
- evaluating and implementing appropriate risk financing strategies, to ensure insurable risks are adequately managed and business contingency plans exist
- consulting with other Group functions as needed.

This framework helps us manage a number of risks, including:

- Financial and reporting risks: including the integrity of financial reports, independence of the external auditor and maintenance of financial records.
- Business and operations risks: such as Occupational Health & Safety, business continuity, information systems and technology, human capital and the environment.
- Regulatory and compliance risks: including compliance with regulatory guidelines, relevant legislation and continuous disclosure requirements.
- Strategic risks: such as customer and supplier relationships, transport industry consolidation and global expansion.
- All material, price-sensitive changes to the Group's business risk profile are disclosed to stakeholders in accordance with the Group's Continuous Disclosure Policy.

Further details of how some of these risks are managed are included in the Corporate Social Responsibility Report on page 64, and in the Corporate Governance section of the Group's website at www.tollgroup.com/about_corporategovern.html.

Reporting to the Board on Risk Management for this reporting period

Business risk reporting

During the reporting period, the Board received and was satisfied with management's report on the Group's material business risks and the effectiveness of the Group's management of these risks.

As explained above, Toll's integrated risk management programs aim to ensure risks are identified, assessed and appropriately managed, and include regular reports to the Group Senior Executive Committee and the Board.

The Audit and Financial Risk Committee is responsible for reviewing the effectiveness of the Group's risk management and internal control system.

Financial risk reporting

The Board has received and considered the annual declaration from the Managing Director and Chief Financial Officer, which states that in their opinion:

(i) the Company's financial records have been properly maintained, and

(ii) the financial statements and notes for the year ended 30 June 2012 present a true and fair view of the financial position and performance of the Group, and are in accordance with relevant accounting standards.

The Managing Director and Chief Financial Officer also provided a statement to the Board that, to the best of their knowledge and belief:

- the declarations above regarding the integrity of the financial reports are founded on a sound system of risk management and internal compliance and control in relation to financial reporting risks which implements the financial and governance policies adopted by the Board
- the Group's risk management and internal compliance and control systems relating to financial reporting risks for the year ended 30 June 2012 were operating effectively in all material respects, in relation to financial reporting risks
- nothing has come to their attention since 30 June 2012 that would indicate any material change to the statements made in (i), and (ii) above, and
- majority-owned entities and those entities under Toll management control are included for the purposes of this statement.

The declarations and statements by the Managing Director and Chief Financial Officer are supported by the risk management framework detailed above.

Continuous disclosure

Toll has policies and procedures in place which are intended to ensure that it complies with its continuous disclosure obligations and immediately releases price-sensitive information to the Australian Securities Exchange (ASX).

Toll's continuous disclosure policy outlines responsibilities and sets out the process for the approval of ASX announcements, including where Board approval is required in respect of announcements that relate to certain significant matters. The policy also outlines the role of the Continuous Disclosure Committee.

The Continuous Disclosure Committee (consisting of the Managing Director, Chief Financial Officer and Company Secretary or their delegates) is responsible for monitoring potentially disclosable information provided by management and overseeing systems to ensure that material information is identified and reported to the ASX as required.

Toll has implemented several practices internally to keep the Continuous Disclosure Committee informed about potentially disclosable matters and to reinforce the importance of its continuous disclosure obligations.

During the year, Toll's continuous disclosure policy and processes were reviewed by the Board and the Group Senior Executive Committee to ensure that information is able to flow easily and swiftly from Group business units to senior management and the Board.

The Group's Continuous Disclosure Policy is available on the Toll website at www.tollgroup.com/about_corporategovern.html.

Communicating with shareholders

The Board is committed to keeping shareholders fully informed about important information that affects the Group. Toll's Shareholder Communication Policy can be found on the Group's website at www.tollgroup.com/about_corporategovern.html.

Information is communicated to shareholders in a number of ways.

ASX announcements

All matters that must be disclosed under the ASX Listing Rules are announced to the ASX in line with Toll's Continuous Disclosure Policy. Under the policy, the Board and Group management are responsible for complying with the disclosure requirements of the ASX Listing Rules.

The Annual Report

The Annual Report is distributed to shareholders who have asked for a printed copy. It is also available electronically on the Group's website at www.tollgroup.com/investor.html.

The Annual General Meeting

Shareholders are encouraged to attend the Group's Annual General Meeting.

The AGM is an opportunity for shareholders to hear the Managing Director and Chairman provide updates on Group performance, ask questions of the Board and vote on the various resolutions affecting the business.

Shareholders are also given an opportunity to ask questions of the Group's auditors regarding the conduct of the audit and preparation and content of the auditor's report.

The Group's website

The Group's website at www.tollgroup.com is regularly updated. The following information can be found in the Shareholder section:

- latest Annual General Meeting dates, proxy voting results, notices of meeting and explanatory material, as well as transcripts of the Chairman's and the Managing Director's addresses
- Annual Reports for the past ten years, and presentations made to the market about annual results
- corporate announcements
- information on significant developments
- Toll Today quarterly newsletters
- a diary of events of interest to shareholders, and
- the live share price of the Company's ordinary shares trading on the ASX, delayed by approximately 20 minutes.

Toll appreciates the need for easy access to information and is well advanced on its website redevelopment project.

Relating to stakeholders

Toll values openness and transparency in its relationships with stakeholders.

Policies

The Group has developed policies that explain what people can expect when they interact with Toll, and where appropriate, what Toll expects of them. Detailed summaries of these policies are available on the Group website at www.tollgroup.com/policies.html, including:

- Code of Practice
- Equal Employment Opportunities and Diversity Policy
- Ethical Conduct Policy
- Compliance Policy
- Occupational Health and Safety Policy
- Environment Policy
- Energy Policy
- Personal Information Management Statement
- Health Information Management Statement
- General Terms and Conditions – Toll Website
- Drugs and Alcohol Policy
- Rehabilitation Policy
- Driver Health Policy
- Dangerous Goods Policy
- Securities Trading Policy
- Margin Lending Policy.

Information on the following matters is also available on the website, at www.tollgroup.com/about_corporategovern.html:

- Board Charter
- Terms of Reference of Board Committees
- Procedure for the Selection and Appointment of New Directors
- Securities Trading Policy
- Ethical Conduct Policy
- Code of Conduct for Directors and Senior Executives
- Auditor Independence Policy
- Continuous Disclosure
- Communication with Shareholders
- Risk Management Policy Statement
- Performance Evaluation Process for Board and Key Executives
- Codes of Conduct with Stakeholders.

Communication

Among the primary tools Toll uses to communicate with stakeholders is the Group website, at www.tollgroup.com.

As noted above, the website is currently being redeveloped to support our One Toll initiative.

The website redevelopment project aims to enhance communication and collaboration between the Group and its stakeholders by refining Toll's online representation into a single presence. Representatives from across the global business are contributing to the project, which aims to launch the new site in 2013.

Stakeholders can follow the project's progress through updates published in Toll Today and under Shareholder News on the Group website at www.tollgroup.com/investor.html.

Logistics is a key component of global commerce. It connects service providers, suppliers, sellers and buyers around the globe, and represents around fourteen per cent of the global GDP.

The role of logistics within local communities is equally far-reaching. Logistics is a critical activity in developing and sustaining societies, so it is important that Toll, as a major global logistics business, is sustainable itself.

Toll provides its vast array of services to customers in order to deliver profits to sustain its operations and provide returns to shareholders.

Toll's use of human and natural resources in meeting the needs of its stakeholders impacts the people we work with, the communities we work in, and the planet we inhabit.

By attending to the implications of those impacts, we attend to our responsibilities as a global corporate citizen.

Corporate social responsibility

Corporate social responsibility entails elements that sustain the life of an organisation in the long term. For Toll, these elements include:

- Our values, people and culture
- Our leaders and future leaders
- Our approach to safety
- Our community
- Our environment
- Our stakeholders.

Each of these elements is important on its own, but in concert they form the basis of a truly sustainable business.

This Corporate Social Responsibility Report aims to show how Toll's activities within the realms of its values, people, community, environment and stakeholders underpin the business' sustainability.

Sustainability is strategically important in helping Toll to:

- Boost support from customers, staff and shareholders by providing increasingly sustainable services
- Increase awareness of the Toll brand, and ensure that communities value Toll's presence and contributions
- Foster innovation in the development of our services and business models
- Reduce costs by driving operational efficiencies
- Grow our market share through superior service
- Help secure our collective future by aligning profits with the creation of sustainable progress in the long term.

Our values

Toll's values underpin our ability to provide quality, trustworthy, reliable and flexible service. They also reflect our belief that business success is not measured purely in financial terms. The way the Group goes about achieving its goals is as important as the goals themselves. As such, our values have driven us to manage, operate and expand the business sustainably, and with integrity and respect.

The One Toll initiative introduced in 2011, and continued through this reporting period, prompted a review and update of our values. So in June, Toll engaged more than 2600 (five per cent) of our employees in focus groups, online surveys, and General Management interviews.

This research helped us, firstly, to get a clear picture of the organisation's current culture. It also allowed us to understand our peoples' views for the Group's future culture—including the values that they believe will help Toll fulfil its potential in the long term.

That information has allowed us to refine the values that support the Group's traditions of outstanding performance and solid ethics. These refreshed values will be announced by our Managing Director, Brian Kruger, later this year. They will also be published to the website at www.tollgroup.com.

Our people

Toll's continued success is the direct result of the quality of our people.

The Group is committed to providing a safe, diverse, satisfying and fulfilling workplace where each individual can grow and excel.

As the Company's global footprint has grown, so has the diversity of our workforce. We now employ around 45,000 people in over 55 countries, and those employees come from all age brackets, races, cultures and walks of life.

Toll is inclusive, collaborative, resilient and accepting of individual differences – a philosophy that has allowed our people to bring a real sense of family and community to our Group.

We celebrate their contributions and stories in Toll Today, our Group magazine, which is shared across the Group and translated into multiple languages. We also showcase our business, key employees, and achievements on our company intranet, and share the personal successes of our people in business unit newsletters, industry magazines and divisional updates.

Toll's people strategy relies heavily on the talents of our managers, and their ability to manage the business and lead their teams. So we have developed a range of tools and training to help them do that job well.

Our People, Performance and Growth framework has helped us to define clear expectations for accountability, performance standards and work outputs. It has allowed us to roll out a group-wide performance management model that clearly defines performance deliverables for each job group and job family.

That model is supported by two important new initiatives. The first is a specially developed online performance management tool that helps our people understand the performance standards for their roles, and focus their efforts in the areas that are most important for Toll's success.

We use this tool to track and review our performance and development goals. It also sparks valuable conversations that help our employees to excel in their careers.

The second initiative involves career development workshops, called Careers @ Toll. Two workshops have been created, and 70 people from across the Group have been trained to deliver them going forward to our employees.

These workshops are designed to embed a philosophy of learning and career growth into the business, and inspire our people to develop their skills, capabilities and careers with us over the long term. They will be rolled out across the business in the coming financial year.

Our culture

Toll's unique, hands-on culture has traditionally been anchored by five elements:

- Our "can do" attitude
- A "get on with it" approach to business
- Our responsiveness to different markets and cultures
- Our responsiveness to changing business conditions
- Care and respect for our people.

We are able to deliver the best logistics solutions for our customers' specific needs through teamwork—innovating together in our warehouses, our fleet management operations, and our freight and forwarding systems.

We continue to empower our people to make effective decisions, and this year has seen increased collaboration between businesses, divisions and functions. One Toll has inspired our people to share best practices, systems and processes that have made working with Toll easier for our staff, our customers and our suppliers.

Building our high-performing, ethical culture is an important part of Toll's journey to deliver to current and future stakeholders.

Our review of the Group's values was the first step in the Culture and Values initiative implemented by our Managing Director, Brian Kruger. The initiative reflects Brian's desire to truly engage with all our employees, and embed the One Toll culture into our business.

Our leaders

Toll's leaders are committed to building the business through our people strategy.

Our leaders:

- Care for their staff
- Behave with honesty, trust and a team mentality
- Always put safety first
- Behave ethically
- Comply with legislation and company policies
- Encourage our people to grow and develop
- Reward loyalty and performance
- Are passionate about helping stakeholders.

Our flagship Leadership @ Toll program develops individuals' management and leadership skills by providing information, changing attitudes and empowering our people to more effectively lead their teams. Close to 700 managers from across the Group have participated in the program to date. We continue to provide leadership coaching to our managers and leaders, and we have personal development plans in place for all senior managers.

Toll is particularly focused on building the strategic management capabilities of its leaders. For more than a decade, we have partnered with Macquarie University to run five-day residential Strategic Management programs for our leaders and future leaders.

Not only does this program build strategic thinking capabilities and deliver commercial projects to Toll, it also promotes collaboration within our global network. We aim to progressively enable all key operational and functional managers to undertake this program during their career at Toll, and 15 did so this year.

Our future leaders

Toll's future leadership depends on the strength of our talent pipeline, so we make every effort to retain and grow our talent base.

Careful succession planning and talent management initiatives are critical to the development of a high performing, ethical culture that is supported by relevant values, a diverse workforce and strong leaders.

We continuously work to identify and develop succession plans for key roles in the business. From there, we ensure that each succession candidate is exposed to the experiences and development opportunities they will need to excel if and when they move into those roles.

We constantly strive to provide all our people with exciting development opportunities through projects, secondments, workshops and participation in cross-business working parties and steering committees.

Finally, Toll's performance management system provides the feedback we need to ensure that our succession candidates, leaders and people at all levels of the business are performing in ways that will secure Toll's growth into the future.

Our approach to safety

Toll's people work daily in a variety of work environments and settings. Toll's core attitudes, behaviours and actions toward improving safety are second nature to our people, and are integral to the way we operate in all contexts around the world.

During this reporting period, Toll has maintained its strong record for workplace health and safety. Further, we have reviewed our approach to safety as a Group. This comprehensive review allowed us to identify the safety best practices that were already at work in Group businesses, and devise a strategy for applying them more broadly across the company.

The next step in our continuing safety journey is to bring together the learnings we have gained throughout the Group, to create a single-minded approach to safety under the global One Toll initiative.

Through this refreshed focus, we aim not just to create safer workplaces, but to reap other strategic advantages that will benefit the business as a whole.

Safety performance

During the reporting period, Toll's Lost Time Injury Frequency Rate (LTIFR) again improved. The LTIFR was 2.13 – an improvement of 8% on last year.

The ongoing improvement has been underpinned by a continuing focus on

- injury reduction
- injury management
- sound governance practices.

In terms of injury reduction, all businesses developed improvement plans and committed to improvement targets. Much of the focus continued on motor vehicle incidents and manual handling which are two of the significant causes of injury across the business. In terms of fleet safety and motor vehicle incidents, considerable emphasis has been placed on driver fatigue and fatigue management and we are pleased to say we are seeing some very encouraging results on the back of improvements to route planning, driver education and training and some innovative use of technology.

Manual handling is an issue across the whole industry requiring constant management attention. Many of our businesses have developed innovative approaches to training and engaging our people to create a constant awareness of the risk of manual handling which are showing encouraging results that are being monitored with a view to rolling out more broadly across the Group. Pleasingly, by years end we were also starting to see some positive signs in performance with our newer businesses in Japan, the UK and the North America.

Toll applies a very professional approach to injury management with an aim of getting injured workers back to work as soon as practicable. We have seen the many positive aspects this has on both the psychological and physiological aspects of injured workers and continue to improve our practices to ensure open communication and consultation between our trained site Return to Work Facilitators, medical service providers and injured workers.

Safety stewardship and governance is an important part of improving overall Health and Safety performance. In the last year the Toll Board took the significant step of and initiating a specific Occupations Health & Safety and Environmental Board subcommittee that oversees health and safety governance matters, including reviews of performance, significant safety incidents and site reviews. A big part of the stewardship process has been the roll out of safety training at both individual business unit and Group level.

At Group level the focus has been on continuing the roll out of the Dupont Executive training, piloting a new Global Safety Leadership Training program, Incident Investigation training and roll out of training associated with the introduction of new Australian Workplace Health and Safety (WHS) Harmonisation laws in some states. Our governance process is backed up by a comprehensive audit and compliance program involving OH&S audits by internal and external OH&S professionals and third party audits by regulators and customers. Outcomes of these audits are fed into our RISC (Risks, Incidents, Self Insurance, Claims) management systems, where corrective actions are monitored and followed up.

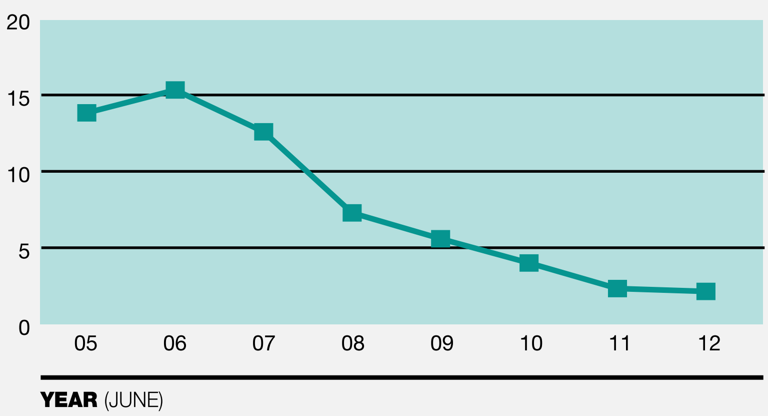
Despite all the improvements, unfortunately, during the 2012 reporting year, there were eight employee and contractor fatalities across the Group. Five of these occurred within Toll workplaces but occurred due to circumstances outside the control of the Group. Two of the work related fatalities involved motor vehicle incidents and the third related to an incident involving a contract surveyor who was conducting a tank inspection on one of our Marine Logistics barges in Indonesia.

In incidents involving a fatality, appropriate external and internal investigations are conducted; however, in some instances, the cause of such incidents can be indeterminable or take some time to conclude. Where root causes and contributing factors have been identified, key learning's are shared across the business.

Toll's ongoing commitment to workplace safety has served our business well and but the rollout of One Toll internally presented a rare opportunity to take our safety approach to the next level.

It is widely acknowledged that businesses that manage safety well tend to be well-managed businesses, and throughout the year, Toll has focused on developing a more strategic, global approach to safety.

Lost Time Injury Frequency Rate



As well as helping to further reduce our injury rates, this work is expected to deliver a range of benefits to the Group, including making the integration of newly acquired businesses easier, having more robust operating practices and processes, developing better leadership skills and ensuring higher levels of engagement with our workforce.

Research into the occupational health and safety and operational practices of our business revealed areas of best practice. Toll's challenge now is to adopt those best practices across the broader Group.

Our new global safety strategy is the first step in that process.

Our new safety strategy

At Toll, we believe that all injuries are preventable, and that no task is so important that it cannot be done safely. Everyone has the right to go home safely, and together with our employees and contractors, we can make that happen.

This vision is underpinned by a set of key safety principles:

- Each person is responsible for acting safely without risk to themselves or others. Working safely is a condition of all employment and engagement arrangements
- Management at all levels is responsible and accountable for workplace health and safety
- Providing training to work safely is essential
- Consultation and engagement with all who work in, or with our business, is fundamental to improving safety performance.

These principles are reflected in Toll's safety message:

Think safe. Act safe. Be safe.

To support the vision and principles, Toll has revamped its Health and Safety Management System to encompass three components:

- Governance structure
- Operational framework
- Performance measures.

The governance structure supports our people to share and adopt safety best practices. It also defines organisational responsibilities for driving the health and safety vision. The Board's new Occupational Health & Safety and Environmental subcommittee, profiled in the Corporate Governance Statement, helps to ensure these requirements are met.

The operational framework helps us implement the vision across Toll's operations. It drives the One Toll approach in defining a set of minimum health and safety standards for the whole business, but also allows customisation for different operating environments.

Finally, a broader suite of performance measures has been developed. These will not only focus on "lag" measures such as numbers of injuries, but will also emphasise the use of "lead" indicators to measure key inputs of the safety process. These new measures will be applied across the Group, to reinforce the operating behaviours our strategy requires.

The Health and Safety Management System provides essential support to Toll's strategic framework, depicted here.

With the support of the governance structure, operating framework and performance measures, our leaders can implement better safety through people, processes and facilities, as a means to continuously improve Toll's health and safety record.

In applying this strategic framework across the Group, we have needed to refine our approach to OH&S in a number of ways.

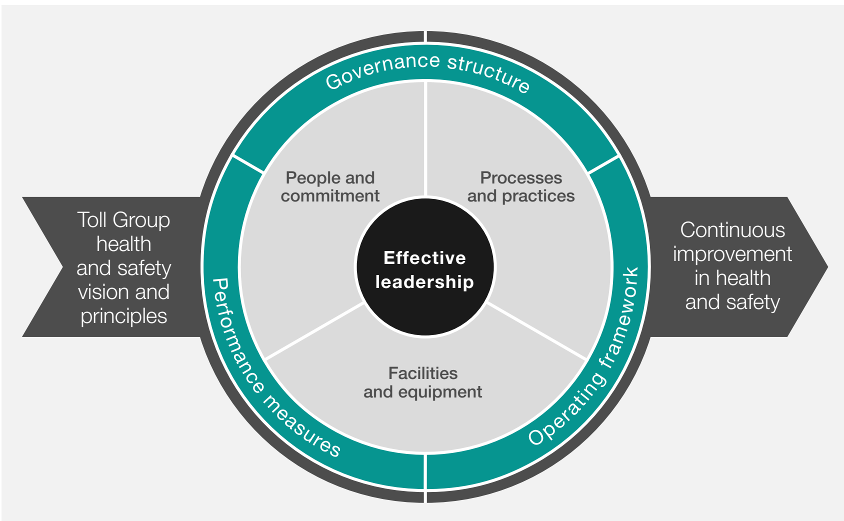
Our OH&S policy is being redeveloped to reflect the Group's new holistic safety principles. We are also establishing Group safety management standards to support the strategy at an operational level. Finally, we are simplifying Toll's corporate procedures to meet both the new safety management standards, and specific regulatory and client-specific requirements for safety.

To ensure that the strategy is effective for our business, we have established three categories of performance measures.

Lag indicators, such as Lost Time Injury Frequency Rate (LTIFR) and Total Recordable Injury Frequency Rate (TRIFR) will continue to be used at Group level.

Additional lead indicators will help Toll focus on risk and hazard management, along with employee engagement. They include Incident Reporting Rates and Safety Observation Participation Rates.

Finally, an audit program that ensures Group compliance with, and measures our performance against, the Toll Safety Management Standards will be developed and applied across all Group businesses. It is being designed to complement other, existing audit programs required by regulators, clients and industry.



Toll's new safety strategy is now being rolled out. We recognise that leadership training is critical to its success, as leadership will drive all the other operational initiatives within the strategy. As such, our key health and safety priorities for the coming year include:

- Developing a Group-wide safety leadership program to help implement the safety strategy
- Creating a suite of Group safety training modules to support our safety goals
- Focusing on incident reporting and investigation
- Defining risk management processes, and introducing OH&S risk networks for key Group risks
- Revamping and realigning our safety management standards to reflect the strategy
- Reviewing and improving our approach to contractor safety management.

Managing key safety risks

Toll's continued focus on health and safety has allowed us to identify a number of key safety risks to the business. They include fleet safety, on-site traffic management, contractor management and manual handling risks. As these examples show, our strategy is allowing us to pre-empt and tackle those risks on a case-by-case basis.

Where it is appropriate, we will share best practices across the Group and learn from each other's best preventative actions.

Fleet safety

Fatigue management is critical to fleet safety. We are trialling new state-of-the-art driver fatigue management systems that uses an in-vehicle driver fatigue detection system to alert drivers of imminent eye closure or micro-sleep events.

Implementing this technology has helped reduce exposure to the risk of driver fatigue and has allowed our onsite operations to optimise crews and rostering to further reduce the risk of fatigue.

Manual handling

Manual handling training is part of our ongoing effort to reduce the likelihood of our people being injured while handling freight and equipment.

During the last year we commissioned a trial with ergonomics specialists to assist us in delivering leading-edge knowledge and training on manual handling, office ergonomics and other tasks related to access and egress from vehicles, securing loads and wrapping pallets.

This training program effectively "trains the trainers" as a first step in embedding best practice to be implemented across all levels of the business.

Contractor management

Toll uses contractors in a range of functions, from seasonal warehouse staff and casual forklift drivers, to vehicle subcontractors. As such, contractor safety management is a critical aspect of our safety philosophy.

Among the initiatives we use to ensure contractor safety are specific training programs which are focused on vehicle speed management and driver fatigue reduction. GPS technology, combined with effective management systems, is helping us implement the same high safety standards for all drivers carrying goods on behalf of Toll.

Indeed, our commitment to safety has seen us take contractors on the safety journey with us. Through thorough induction and training programs, we aim to ensure that all contractors are aware of Toll's safety standards throughout their time with us. As with our employees, our contractors impact the safety of our business as a whole. As such, safety is an area in which we will not compromise.

A safer future

Toll continues its safety journey into the new reporting period. Our goals this year are to roll out the new safety strategy globally, and to embed our safety standards throughout all of the Group's operations.

By maintaining this commitment to our people, as well as to other stakeholders, Toll is well positioned to become an employer of choice in many of the jurisdictions in which we operate.

Our community

As a global corporate citizen, and a major employer in many locations, Toll recognises the importance of actively supporting the communities in which we operate.

Toll's continuing engagement with local communities through a range of not-for-profit events, sponsorships, ad hoc donations, and in-kind activities is a clear reflection of the value we place on our responsibilities within the global community.

First Step

Toll continues to provide the core financial, administrative and technology support for The First Step Program. Based in St Kilda, Australia, this not-for-profit organisation pioneers comprehensive, innovative and compassionate approaches to overcoming addiction issues.

First Step recognises that addiction is often only one issue that the clients of the program are dealing with, and that the collaborative treatment of overlapping issues is a key tool in achieving successful outcomes. As such, First Step provides a wide range of professional services:

- Addiction counselling and support
- Mental health care
- Legal services
- Hepatitis C clinic
- General health care
- Preparation for employment
- Family support
- Naltrexone and associated pharmacological treatments
- Social work.

Since Toll began working with First Step in 2004 the clinic has grown in staff size, clients cared for and the range of services provided. In the past eight years, the clinic has treated over 7,200 patients. In the last twelve months alone, close to 1,200 people have been assisted through this centre.

Interaction between The First Step Program and Toll's Second Step employment program has continued to develop under Brian Kruger's leadership.

Second Step

The Second Step supported employment program continues to offer employment opportunities for people whose ability to obtain or retain employment is compromised by a history of addiction or criminal behaviour.

Toll's Second Step program was started by Paul Little AO, who remains a passionate supporter, and Group support continues under the leadership of Brian Kruger.

The program now offers 35 positions a year throughout Australia in a variety of supported and mentored employment roles. The majority of second steppers are offered full-time positions at the end of their initial supported placement – a strong testimony to the program's success.

Second Step offers opportunities for people in all Australian states, and we have created a Second Step Coordinator position in Queensland and the Northern Territory. This role will be responsible for building relationships with key health care providers and local indigenous communities to help Toll offer more placements in the northern part of Australia.

The Second Step program is an important program for all at Toll and this was demonstrated when many Toll employees participated in the WhiteLion Bail Out event. WhiteLion is a partner program for Second Step, and helps us to provide support for the rehabilitation of youth offenders. Our employees raised money for the charity by taking part in the bail out: they were locked up in prison and had to raise the bail to secure their release. Toll staff raised thousands for the charity, and also further showed their support for the Second Step program.

To date, Toll has helped over 270 people maintain satisfying and rewarding employment through Second Step. Our hope is that our leading role in these initiatives will encourage other organisations to support individuals to deal with what would otherwise be insurmountable problems. To that end, we continue to speak with agencies and businesses who wish to engage in their own similar programs.

Toll's Indigenous Program

Toll's commitment to the Australian Indigenous Covenant last year laid strong foundations for us to develop a Reconciliation Action Plan and an Indigenous Engagement Program within our Australian operations.

Toll businesses have for some time worked with Australia's indigenous people and their communities to offer job and community development opportunities. But in July 2011, Toll signed up to the Australian Employment Covenant (AEC), formally committing 1,000 employment opportunities to indigenous people over the coming decade.

During the reporting period, we established a steering committee of senior executives who are charged with developing Toll's Reconciliation Action Plan, followed by an Indigenous Engagement Program. This strategy aims to ensure that Toll becomes an employer of choice for Aboriginal Australians and Torres Strait Islanders.

The steering committee has continued to work with an external consultancy, and with Reconciliation Australia, to develop the Reconciliation Action Plan that meets the needs of our business, our stakeholders and, most importantly, indigenous people.

We remain on track to publish the Reconciliation Action Plan in the early part of the coming financial year.

From this, we will create an Indigenous Employment Strategy that will position us to work successfully with the indigenous community to create sustainable employment opportunities for indigenous people in a supported workplace environment.

To support these projects, and provide more opportunities to indigenous suppliers across Australia, we have joined the Australian Indigenous Minority Supplier Council (AIMSC), and will be actively encouraging the inclusion of indigenous businesses in the tender process for Toll contracts.

Toll remains committed to working with all of our stakeholders—including staff, customers, shareholders, community, government agencies and others—to ensure our indigenous engagement strategy is good for business, good for indigenous people and good for society.

Other community programs

Toll's Community Policy actively supports and encourages our employees to make contributions to local community organisations and activities. That policy ultimately reflects a set of values that lies at the heart of our business.

Toll businesses make a vast range of community and charitable contributions within their local communities. While it is not possible to detail all of these, nor the supportive and devoted employees across the globe who donate countless hours of volunteer work to local initiatives, the following highlights provide a snapshot of the valued contributions they are making.

Sponsorships and Donations:

- Fisher House Foundation, USA
- Half the Sky Foundation, Hong Kong
- Building Homes for Heroes, USA
- Autism Speak, Canada
- Kops N Kids, Australia
- Sorrento Surf Life Saving Club, Australia
- Northern Territory Australian Football League, Australia
- Legacy, Australia
- Koru Care, New Zealand
- Ronald McDonald House, New Zealand
- Southern Stars – Kids Big Day Out, New Zealand
- Kidney Kids, New Zealand
- Cure Kids, New Zealand
- Life Education Trust, Australia
- Habitat for Humanity, India.

Community events and in-kind support:

- 2011 National Breast Cancer Foundation Pink Ribbon Day, Australia
- Dili City of Peace Marathon, East Timor
- East Timor Hearts Foundation, East Timor
- Bangkok flood relief, Thailand
- One People One Planet, New Zealand
- SIDS For Kids, Australia
- JDRF Jelly Baby Campaign, Australia
- TLC for Kids, Australia
- St Vincent DePaul Society, Australia
- Swags for Homeless, Australia
- Leukaemia Foundation, Australia
- Auckland City Mission, New Zealand
- Christchurch earthquake relief, New Zealand
- WhiteLion Bail Out, Australia
- The Banyan Transit Care Centre, India
- Australia's Biggest Morning Tea, Australia
- Angels For Children Trust, New Zealand.

Our environment

Continuing our Smarter Green journey

As a regional leader in the logistics and transport industry, Toll continues to focus on its journey to sustainability. By operating more sustainably, we can help meet the current needs of our communities without compromising the ability of future generations to meet their own needs.

Sustainability is among our key corporate social responsibilities, so we are tackling these issues directly across our operations. New knowledge and exciting technical innovations, driven by the need to address issues such as climate change and energy security, are enabling us to improve the way we operate and minimise our environmental impacts using smarter and more measured approaches.

In the short term, this means Toll is becoming greener, cleaner and smarter. We are achieving this by applying new technologies and practices that will reduce our consumption of non-renewable resources such as diesel, gas and fossil-fuel-generated electricity – and reduce their associated Greenhouse Gas (GHG) emissions.

In the longer term, we will move to renewable energy sources as they become viable, and minimise our emissions and other environmental impacts.

At the same time, we are keenly aware that Toll is a key component of our customers' and suppliers' supply chains. Our growth and global focus, combined with our ability to deliver integrated modal solutions, mean we have a significant role to play in helping customers to develop smarter, more sustainable outcomes that reduce their carbon footprints and other environmental impacts.

In Australia, Toll has been preparing for carbon pricing for some time, in order to present our customers with a selection of carbon intensity options ahead of the Federal Government's Clean Energy Legislation, which came into effect on 1 July 2012. The carbon price focuses all Australian businesses on improving energy efficiency and decreasing GHG emissions—Toll included. Toll does not expect carbon pricing to have a material impact on our financial performance in the coming year, as we will pass on significant impacts on our costs to customers.

Clearly, moving to more sustainable logistics and transport systems will be a journey for all of us. Smarter Green represents Toll's approach to addressing some of the key environmental risks and opportunities we face. Through Smarter Green, we are:

- setting targets to reduce our GHG intensities
- developing situation-specific initiatives to help improve our environmental performance across the business
- implementing key performance indicators to measure our progress
- keeping stakeholders informed of our journey towards sustainable logistics and transport.

Smarter Green's initiatives mean that Toll will be well placed to continue to grow and prosper in the future low-carbon, clean energy economy.

Our strategy

Smarter Green responds to the key impacts our operations have on the environment. These include the impact of climate change on our business, air quality, noise, traffic congestion and energy use.

This year, Toll focused in particular on the key issues of climate change and energy use. We have set important strategic foundations from which to manage these risks, and take advantage of the resulting opportunities:

1. Measure our energy use and GHG emissions.

Toll is progressively rolling out GHG and energy measurement procedures. These measure our absolute GHG emissions and energy use, as well as relative GHG intensities across the business. From these figures, we construct our Carbon Intensity Index, which measures annual emissions against those of our reference year (2010). The Carbon Intensity Index is an appropriate way to measure the carbon footprint of a complex, global business like ours. As the organisation expands in coming years, the intensity of our emissions, rather than an absolute emissions figure, will be the best measure of our work to reduce emissions.

2. Understand our opportunities to improve energy efficiency and reduce greenhouse gas emissions.

Toll's multi-modal business model means GHG emissions are generated by a range of sources, from small delivery vehicles to road linehaul, rail, shipping, air and facility operations. Not surprisingly, no one initiative will adequately address all of the climate change risks we face; rather, a set of targeted initiatives is required. Toll has identified a comprehensive range of improvement opportunities across the Group.

3. Set challenging, yet achievable targets.

Toll has set an emissions intensity reduction target for its Australian operations of 20 per cent by 2020 (against a reference year of 2010). We believe this is a challenging yet achievable target. Over time, we expect similarly challenging targets will be developed for Toll's overseas operations.

4. Report on our progress.

Toll's inaugural Environment Report is to be published later this year. It will focus specifically on the steps we are taking to mitigate our exposure to the impacts of climate change, and our exposure to fossil fuels. Some of these initiatives are explained below.

5. Roll out the strategy globally across Toll's operations.

The establishment of Toll's Occupational Health & Safety and Environmental Board Committee this year, as mentioned in the Corporate Governance Report, ensures that our environmental strategy is implemented across the Group, in line with the aims of the One Toll strategy.

Our developments with Smarter Green

During the reporting period, Toll has rolled out a range of Smarter Green initiatives across the Group. These projects pay particular attention to programs that can reduce both our own and our customers' GHG intensities.

The vast majority of our emissions are produced as a part of our logistic activities on behalf of our customers. Below are a number of examples that show how we've used Smarter Green to support customers in creating less GHG-intensive logistics solutions, and give them more choice.

Smarter Driving

Our experience shows that driver behaviour can significantly impact vehicle fuel economy and emissions. Toll's Smarter Driving education program decreases fuel consumption and has the potential to decrease emissions by up to 10%.

Working in conjunction with Toll Group Learning and Development, the Smarter Green Driver education program allows all Australia-based drivers to access training packages online. Emissions reductions have already been achieved through the program, which is currently being rolled out to support the Group's goal of lower GHG intensity.

Smarter Energy

The sector's reliance on fossil fuels such as diesel, and the long-term supply and demand outlook for these finite resources, have driven Toll to develop its Smarter Energy program. We are now actively researching and trialling a range of fuel options including biodiesel, compressed and liquefied natural gas, electric, wind and solar power. These options have the potential to reduce our emissions, and secure our access to the energy we need to run our road, sea and air fleets and facilities in the longer term.

Smarter Vehicles

We are working closely with our equipment suppliers and within various industry and Government programs, to trial and test both smarter vehicles and a range of alternative drive trains that we can use in place of the traditional combustion engine.

Smarter Fuel Efficiency

Toll has identified new and evolving technologies that can drive improved fleet fuel efficiency and reduce emissions. These include improved engine efficiency management systems, enhanced vehicle aerodynamics, the use of low-friction tyres, smarter maintenance regimes, the use of lightweight materials, idle-off devices, auxiliary power units and improved refrigeration in our road fleets. Similar opportunities are being investigated for application in our shipping and air fleets.

Smarter Planning

Toll has a significant opportunity to improve emissions through smarter logistics planning. This is possible through improving vehicle capacity and utilisation, network and route optimisation to reduce kilometres travelled; night-time freight movements to reduce congestion; and working with our customers to streamline their supply chains, including options to use our lower GHG transport modes in various configurations. Toll's ability to provide multimodal solutions, combined with our global reach, means that we are very well placed to be able to deliver the benefits of smarter planning to our customers.

Smarter Facilities

To help us drive down emissions and energy use in our facilities, we have developed an Environmentally Sustainable Design template for all new and retrofitted facilities. The template helps us to design facilities with regard to environmental conditions (natural light, building orientation, building materials), smart lighting and heating, energy management systems (mechanical and lighting), natural gas co-generation plants, alternative supplementary power sources (solar and wind power), water harvesting, and environmentally sustainable building fitout and furnishing materials.

The results

Toll's absolute Australian GHG emissions increased from 532,689 tonnes of CO_2-e in 2009-10 to 671,279 tonnes of CO_2-e in 2010-11 (26 per cent). The increase in Toll's emissions is largely due to the acquisitions of Mitchell and Concord Park businesses, and their associated emissions. It corresponds to an increased work task, and growth in Group revenues.

Increases in total emissions are unavoidable for a rapidly growing company like Toll. As mentioned, the relative GHG intensities of our operations, rather than absolute emissions, are the best gauge of whether our greenhouse performance is improving. Results for Toll's Australian Carbon Intensity Index will be available at the end of October 2012 and will be included in Toll's Environmental Report.

Toll's target is to reach a 20 per cent GHG intensity reduction by 2020. The FY11 reduction was achieved through fleet upgrades, improved utilisation, improvements in the energy efficiency of our facilities, and a range of abatement initiatives that were implemented across the Group.

During the last year, Toll issued a public report to the Carbon Disclosure Project (CDP) along with 72 other firms from the ASX top 100. The CDP ranked Toll second, with a score of 76 in the industrial sector, behind Qantas.

Scores above 70 are seen to indicate that the organisation has an understanding of business issues related to climate change, and is embedding action on climate change risks and opportunities into the core of its operations.

More detail on Toll's work in these areas can be found in the *Toll Environment Report focusing on Climate Change and Energy Risks.*

Stakeholders

Shareholders, employees, customers, suppliers, unions, governments and members of the public may all be affected by the Group's corporate presence to some extent. The Group believes in openness and transparency within its operations and its relationships with stakeholders.

We have maintained and continue to develop policies which promote this open and transparent objective. These policies set out what various groups of people may expect when they interact with the Group, and where appropriate, what the Group expects of them. Detailed summaries of the Group's policies are available on the Company's website at www.tollgroup.com under the menu selection About Toll – Company Policies, and embrace the following:

- Code of Practice
- Equal Employment Opportunity and Diversity Policy
- Ethical Conduct Policy
- Compliance Policy
- Occupational Health and Safety Policy
- Environment Policy
- Energy Policy
- Personal Information Management Statement
- Health Information Management Statement
- General Terms and Conditions – Toll Website
- Drugs and Alcohol Policy
- Rehabilitation Policy
- Driver Health Policy
- Dangerous Goods Policy
- Securities Trading Policy
- Margin Lending Policy.

In addition, information on the following matters is accessible under the About Toll – Corporate Governance section of the Group's website at www.tollgroup.com:

- Board Charter
- Terms of Reference of Board Committees
- Procedure for the Selection and Appointment of New Directors
- Securities Trading Policy
- Code of Conduct for Directors and Senior Executives
- Auditor Independence Policy
- Continuous Disclosure
- Communications with Shareholders
- Risk Management Policy Statement
- Performance Evaluation Process for Board and Key Executives
- Codes of Conduct with Stakeholders.

Consolidated statement of comprehensive income
for the year ended 30 June 2012

	Note	2012 $M	2011 $M
Revenue	5	8,707.2	8,224.5
Other income	6	32.8	39.3
Direct transport and logistics costs		(4,219.9)	(4,206.2)
Repairs and maintenance costs		(187.5)	(149.2)
Employee benefits expense		(2,446.9)	(2,166.5)
Fuel, oil and electricity costs		(393.5)	(315.7)
Occupancy and property costs		(431.2)	(402.4)
Depreciation and amortisation	7	(282.6)	(243.3)
Other operating costs		(368.7)	(350.3)
Results from operating activities		**409.7**	**430.2**
Impairment losses on intangible assets and property, plant and equipment	7	(226.5)	–
Finance income		12.0	13.9
Finance expenses	7	(49.0)	(49.3)
Net finance costs		**(37.0)**	**(35.4)**
Share of net profit of associates and joint ventures	33	12.2	16.0
Profit before income tax expense		**158.4**	**410.8**
Income tax expense	8	(87.5)	(116.0)
Profit for the year		**70.9**	**294.8**
Other comprehensive income			
Foreign exchange translation differences, net of hedges of net investments in foreign subsidiaries		37.5	(126.9)
Effective portion of changes in fair value of cash flow hedges		(4.5)	29.5
Defined benefit plan actuarial gains and losses		(0.5)	(0.3)
Other comprehensive income		–	(0.8)
Other comprehensive income/(loss) for the year, net of income tax		**32.5**	**(98.5)**
Total comprehensive income for the year		**103.4**	**196.3**
Profit attributable to:			
Owners of the Company		64.6	281.4
Non-controlling interests		6.3	13.4
Profit for the year		**70.9**	**294.8**
Total comprehensive income attributable to:			
Owners of the Company		97.0	184.0
Non-controlling interests		6.4	12.3
Total comprehensive income for the year		**103.4**	**196.3**
Earnings per share:			
Basic earnings per share (cents)	11	9.0	39.8
Diluted earnings per share (cents)	11	9.0	39.8

The notes on pages 81 to 148 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
for the year ended 30 June 2012

Attributable to the equity holders of the Company

	Note	Contributed equity $M	Treasury shares $M	Retained earnings $M
Balance at 1 July 2011		**2,946.3**	**(4.8)**	**(55.6)**
Total comprehensive income for the year				
Profit or loss		–	–	64.6
Other comprehensive income				
Foreign exchange translation differences, net of hedges of net investments in foreign controlled entities		–	–	–
Effective portion of changes in fair value of cash flow hedges		–	–	–
Defined benefit plan actuarial gains and losses		–	–	–
Total other comprehensive income		–	–	–
Total comprehensive income for the year		–	–	64.6
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Dividends to equity holders	12	–	–	(178.4)
Dividend reinvestment plan	26	30.4	–	–
Interest in dividends paid		–	–	–
Share option expense	7	–	–	–
Repayment of treasury shares		–	0.3	–
Total contributions by and distributions to owners		30.4	0.3	(178.4)
Changes in ownership interest in controlled entities that do not result in a loss of control				
Acquisition of non–controlling interests		–	–	(7.5)
Total transactions with owners		30.4	0.3	(185.9)
Balance at 30 June 2012		**2,976.7**	**(4.5)**	**(176.9)**

The notes on pages 81 to 148 are an integral part of these consolidated financial statements.

Foreign currency translation reserve $M	Share based payment reserve $M	Hedging reserve $M	Other reserve $M	Total $M	Non–controlling interests $M	Total equity $M
(165.0)	28.8	21.7	(2.8)	2,768.6	35.0	2,803.6
–	–	–	–	64.6	6.3	70.9
37.4	–	–	–	37.4	0.1	37.5
–	–	(4.5)	–	(4.5)	–	(4.5)
–	–	–	(0.5)	(0.5)	–	(0.5)
37.4	–	(4.5)	(0.5)	32.4	0.1	32.5
37.4	–	(4.5)	(0.5)	97.0	6.4	103.4
–	–	–	–	(178.4)	–	(178.4)
–	–	–	–	30.4	–	30.4
–	–	–	–	–	(19.5)	(19.5)
–	6.9	–	–	6.9	–	6.9
–	–	–	–	0.3	–	0.3
–	6.9	–	–	(140.8)	(19.5)	(160.3)
–	–	–	9.8	2.3	(2.6)	(0.3)
–	6.9	–	9.8	(138.5)	(22.1)	(160.6)
(127.6)	35.7	17.2	6.5	2,727.1	19.3	2,746.4

Consolidated statement of changes in equity
for the year ended 30 June 2012 (continued)

Attributable to the equity holders of the Company

	Note	Contributed equity $M	Treasury shares $M	Retained earnings $M
Balance at 1 July 2010		**2,901.9**	**(5.2)**	**(160.7)**
Total comprehensive income for the year				
Profit or loss		–	–	281.4
Other comprehensive income				
Foreign exchange translation differences, net of hedges of net investments in foreign controlled entities		–	–	–
Effective portion of changes in fair value of cash flow hedges		–	–	–
Defined benefit plan actuarial gains and losses		–	–	–
Other comprehensive income		–	–	–
Total other comprehensive income		–	–	–
Total comprehensive income for the year		–	–	281.4
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Dividends to equity holders	12	–	–	(176.1)
Dividend reinvestment plan		44.4	–	–
Interest in dividends paid		–	–	–
Share option expense	7	–	–	–
Repayment of treasury shares		–	0.4	–
Total contributions by and distributions to owners		44.4	0.4	(176.1)
Changes in ownership interest in controlled entities that do not result in a loss of control				
Acquisition of non–controlling interests		–	–	(0.2)
Total transactions with owners		44.4	0.4	(176.3)
Balance at 30 June 2011		**2,946.3**	**(4.8)**	**(55.6)**

The notes on pages 81 to 148 are an integral part of these consolidated financial statements.

	Foreign currency translation reserve $M	Share based payment reserve $M	Hedging reserve $M	Other reserve $M	Total $M	Non–controlling interests $M	Total equity $M
	(39.2)	**16.4**	**(7.8)**	**(1.7)**	**2,703.7**	**23.3**	**2,727.0**
	–	–	–	–	**281.4**	13.4	**294.8**
	(125.8)	–	–	–	**(125.8)**	(1.1)	**(126.9)**
	–	–	29.5	–	**29.5**	–	**29.5**
	–	–	–	(0.3)	**(0.3)**	–	**(0.3)**
	–	–	–	(0.8)	**(0.8)**	–	**(0.8)**
	(125.8)	–	29.5	(1.1)	**(97.4)**	(1.1)	**(98.5)**
	(125.8)	–	29.5	(1.1)	**184.0**	12.3	**196.3**
	–	–	–	–	**(176.1)**	–	**(176.1)**
	–	–	–	–	**44.4**	–	**44.4**
	–	–	–	–	**–**	(2.6)	**(2.6)**
	–	12.4	–	–	**12.4**	–	**12.4**
	–	–	–	–	**0.4**	–	**0.4**
	–	12.4	–	–	**(118.9)**	(2.6)	**(121.5)**
	–	–	–	–	**(0.2)**	2.0	**1.8**
	–	12.4	–	–	**(119.1)**	(0.6)	**(119.7)**
	(165.0)	**28.8**	**21.7**	**(2.8)**	**2,768.6**	**35.0**	**2,803.6**

Consolidated statement of financial position
for the year ended 30 June 2012

	Note	2012 $M	2011 $M
Current assets			
Cash and cash equivalents	13	569.1	496.5
Receivables	14	1,129.2	1,129.3
Inventories	15	53.3	48.4
Assets held for sale	9	88.2	0.6
Prepayments		63.8	65.5
Current tax receivable		4.2	1.7
Other financial assets	16	13.6	20.6
Total current assets		**1,921.4**	**1,762.6**
Non current assets			
Receivables	14	13.0	9.2
Investments accounted for using the equity method	17	121.9	111.7
Investments	18	4.7	6.1
Property, plant and equipment	19	2,010.7	1,973.0
Intangible assets	20	1,795.1	1,848.9
Deferred tax assets	8	149.7	115.3
Prepayments		4.7	2.6
Other financial assets	16	19.7	21.1
Total non current assets		**4,119.5**	**4,087.9**
Total assets		**6,040.9**	**5,850.5**
Current liabilities			
Payables	22	892.9	881.6
Interest bearing liabilities	23	288.5	920.6
Current tax liabilities		103.6	90.8
Provisions	24	349.8	312.3
Liabilities held for sale	9	18.2	–
Other liabilities	25	31.2	25.0
Total current liabilities		**1,684.2**	**2,230.3**
Non current liabilities			
Interest bearing liabilities	23	1,419.8	595.8
Deferred tax liabilities	8	22.7	22.1
Provisions	24	149.2	166.0
Other liabilities	25	18.6	32.7
Total non current liabilities		**1,610.3**	**816.6**
Total liabilities		**3,294.5**	**3,046.9**
Net assets		**2,746.4**	**2,803.6**
Equity			
Contributed equity	26	2,976.7	2,946.3
Treasury shares		(4.5)	(4.8)
Reserves		(68.2)	(117.3)
Retained earnings		(176.9)	(55.6)
Total equity attributable to equity holders of the Company		**2,727.1**	**2,768.6**
Non-controlling interests		19.3	35.0
Total equity		**2,746.4**	**2,803.6**

The notes on pages 81 to 148 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 30 June 2012

	Note	2012 $M	2011 $M
Cash flows from operating activities			
Cash receipts in the course of operations		9,346.9	8,848.7
Cash payments in the course of operations		(8,669.3)	(8,218.3)
Cash generated from operations		677.6	630.4
Restructure and integration costs paid		(4.2)	(1.9)
Interest received		12.0	13.9
Dividends received from associates		7.2	11.1
Dividends and distributions received from others		0.7	8.1
Interests and other costs of finance paid		(38.7)	(44.6)
Income taxes paid		(98.8)	(77.0)
Net cash inflow from operating activities	35	**555.8**	**540.0**
Cash flows from investing activities			
Payment for controlled entities and businesses (net of cash acquired)		(10.4)	(327.9)
Payment for acquisition of non-controlling interests		(4.5)	(0.4)
Payment for acquisition of property, plant and equipment		(478.6)	(506.5)
Proceeds from sale of property, plant and equipment		27.8	60.6
Proceeds from sale of associates and other investments		1.0	75.3
Proceeds from settlement of derivatives		11.3	–
(Advances)/repayments of loans to other entities		(1.4)	2.0
Net cash outflow from investing activities		**(454.8)**	**(696.9)**
Cash flows from financing activities			
Proceeds from borrowings		469.9	688.4
Repayment of borrowings		(372.9)	(468.8)
Dividends paid to ordinary shareholders		(147.8)	(131.5)
Dividends paid to non-controlling interests		(19.5)	(2.6)
Proceeds from share issue		0.2	0.2
Net cash (outflow)/inflow from financing activities		**(70.1)**	**85.7**
Net increase/(decrease) in cash and cash equivalents		**30.9**	**(71.2)**
Cash and cash equivalents at 1 July		468.3	564.8
Effects of exchange rate fluctuations on the balances of cash and cash equivalents held in foreign currencies		5.9	(25.3)
Cash and cash equivalents at 30 June	13	**505.1**	**468.3**

The notes on pages 81 to 148 are an integral part of these consolidated financial statements.

Index to the notes to the consolidated financial statements

1. Reporting entity

Toll Holdings Limited (the "Company") is a for-profit entity domiciled in Australia. The principal accounting policies which have been adopted in the preparation of this financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes the consolidated entity consisting of the Company and its subsidiaries (together referred to as the "Group"), and the Group's interest in associates and joint ventures.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the Group also complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial report was approved by the Board of Directors on 27 August 2012.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value.
- Available for sale financial assets are measured at fair value.
- Assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.
- Liabilities for cash settled share based payment arrangements are measured at fair value, based on market conditions.

The methods used to measure the fair values are discussed further in note 3.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Group. 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 decimal of a million dollars, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below:

Impairment of goodwill and intangibles with indefinite useful lives

The Group assesses whether goodwill and intangibles with indefinite useful lives are impaired at least annually in accordance with the accounting policy in note 3(i). These calculations involve an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated.

Workers compensation self-insurance and defined benefit provisions

Independent actuarial valuations are used to estimate the provision required for workers compensation where the Group is self insured and for defined benefit obligations.

Financial instruments

The Group enters into financial arrangements to manage exposures to interest rates and foreign currency risk. Financial instruments are recognised as financial assets and financial liabilities of the Group. The fair value of these financial assets and financial liabilities must be estimated for recognition and measurement disclosure purposes. These calculations require valuation techniques using various methods and assumptions.

Residual values

The estimate of the useful life and depreciable amount of aircraft requires the use of assumptions regarding the residual value of the aircraft at the estimated time of disposal. Residual value is estimated based on market estimates of future aircraft values and current expectations of the aircraft operations. As the market for aircraft is based on US dollars, residual value estimates are also affected by expectations of future movements in the US dollar against the Australian dollar.

Acquisition accounting

The Group's fair values of the assets and liabilities at acquisition are provisional and subject to review during the period up to twelve months from acquisition date. The provisional fair values are updated to reflect new information that provides better evidence of fair values at acquisition date.

Taxation

The Group's accounting policy for taxation requires management judgements as to the type of arrangements considered to be tax on income in contrast to operating costs. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the Consolidated Statement of Financial Position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses, and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future tax profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of taxable profits and repatriation of earnings depend on management's estimates of future cash flows. These judgements and assumptions are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and liabilities recognised on the Consolidated Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit charge to the Consolidated Statement of Comprehensive Income.

(e) Changes in accounting policies

The accounting policies applied by the Group in this report are the same as those applied in the Consolidated Annual Financial Report for the year ended 30 June 2011. There were no additional standards applicable to the Group with effect from 1 July 2011.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 per cent of the voting power of another entity. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, its carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

(iii) Joint ventures

Interests in joint ventures are accounted for in the consolidated financial statements using the equity method and are carried at cost in the Company's financial statements. Under the equity method, the share of the profits or losses are recognised in the Consolidated Statement of Comprehensive Income, and the share of movements in reserves is recognised in reserves in the Consolidated Statement of Financial Position.

(iv) Transactions eliminated on consolidation

Intra-Group balances and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity with adjustments made to the "Investments accounted for using the equity method" and "Share of net profit of associates and joint ventures" accounts.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised as the contributed assets are consumed or sold by the associates and jointly controlled entities or, if not consumed or sold by the associate or jointly controlled entity, when the Group's interest in such entities is disposed of.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised directly in equity.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at foreign exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions. Foreign currency differences are recognised directly in equity in the foreign currency translation reserve (FCTR) and released into the Consolidated Statement of Comprehensive Income upon disposal of the foreign entity.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the FCTR.

(iii) Hedge of net investment in foreign operation

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised directly in equity, in the FCTR, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is transferred to profit or loss as an adjustment to the profit or loss on disposal.

(c) Financial instruments

(i) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency, interest rate risk and fuel price exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the Consolidated Statement of Comprehensive Income as finance income or finance expense together with the gain or loss relating to the ineffective portion and changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

(ii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

(iii) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Consolidated Statement of Cash Flows.

Accounting for finance income and expenses is discussed in note 3(o)(iv).

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(i)(i)), and foreign exchange gains and losses on available-for-sale monetary items are recognised in equity in the available-for-sale reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Financial assets at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(d) Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading securities) is determined by reference to their quoted bid price at the reporting date. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date for financial instruments which are not traded in an active market. Quoted market prices or dealer quotes for similar instruments are used for long term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine the fair value for remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on the terms and maturity of each contract and using market rates at the measurement date. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The nominal value less estimated credit adjustments of receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar instruments.

The fair value of options is measured using the Binomial, Monte Carlo or Black Scholes method taking into account the terms and conditions upon which the options were granted. Service and non-market performance conditions attached to the option are not taken into account in determining fair value.

(e) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are capitalised.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in the Consolidated Statement of Comprehensive Income.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	10 – 50 years
Leasehold improvements	2.5 – 40 years
Plant and equipment:	
Aircraft and aeronautic related assets	5 – 10 years
Base and jetty improvements	Shorter of estimated useful life or lease term
Vessels	10 – 25 years
Rolling stock	5 – 30 years
Other plant and equipment	2 – 15 years
Leased plant and equipment	3 – 12 years

Depreciation methods and useful lives, as well as residual values, are reviewed at each reporting date.

Repairs and maintenance – owned and finance leased assets

Routine maintenance costs are written off to profit or loss as incurred. Major cyclical maintenance on owned aircraft and vessels are capitalised to the carrying value of the aircraft or vessel as incurred and amortised over the period to the next scheduled major maintenance. Any remaining carrying amount of the cost of the previous inspection is derecognised.

(f) Leased assets

Leases, the terms of which the Group assumes substantially all the risks and rewards of ownership, are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases which are not recognised on the Group's balance sheet.

(g) Intangible assets

(i) Goodwill

Business combinations

All business combinations are accounted for by applying the acquisition method. The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount of the identifiable assets acquired and liabilities assumed at acquisition date.

Negative goodwill arising on an acquisition is recognised directly in profit and loss.

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders, and therefore no goodwill is recognised as a result of such transactions. Previously, goodwill was recognised arising on the acquisition of a non-controlling interest in a subsidiary.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

Software and technology	3 – 10 years
Customer contracts and relationships	1 – 10 years
Other intangibles	5 years

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in-first-out principle, or the weighted average cost formula and includes all costs of purchase, production or conversion costs and other costs incurred in bringing them to their present location and condition. The cost of inventory may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventory. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Non current assets held for sale

Non current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, and employee benefit assets which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss. Once classified as held for sale, property, plant and equipment and intangible assets are no longer depreciated or amortised.

(k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(l) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefits expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan different from a defined contribution plan. The Group's net obligation in respect to defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary. The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income.

(iii) Long-term service benefits

The Group's net obligation in respect of long-term employee benefits, other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations.

(iv) Share-based payment transactions

The fair value of options at grant date is recognised as an employee expense with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

(v) Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(vi) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(vii) Treasury shares

In 1999, the Company introduced an Employee Share Ownership Plan (ESOP). This plan allows non-recourse, interest free loans to be provided to all employees as the Board may from time to time make offers to employees to acquire shares under the plan. If and when an issue is made to employees, it will be treated as an in-substance grant of options and expensed in the period because of the limited recourse nature of the loans. Since there is no vesting period, there is no recurring expense for this item.

The shares are acquired in the name of the employee and each employee authorises and appoints the Secretary of the Company to act on their behalf. Any dividends paid on the shares of the Company are used to repay the loan. If the employee leaves the employment of the Group, the loan balance must be paid in full or the shares will be sold and the proceeds applied to settle the loan balance.

Shares in the Company held under ESOP are classified and disclosed as Treasury Shares and deducted from equity.

(m) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, duties and taxes paid. Revenue is recognised from major categories as follows:

- Revenue from services provided is recognised following the provision of the service and/or in accordance with agreed contractual terms in the period in which the service is provided
- Charter hire of vessels is recognised when the service is provided
- Revenue from warehousing services is recognised over the period of the contract
- Other income from the disposal of property, plant and equipment is recognised when control of the property has passed to the buyer
- Income from dividends and distributions are recognised when they are declared, and
- Rental revenue is recognised on a straight line basis over the term of the lease.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is a continuing management involvement with the goods.

(n) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and that the Group will comply with all attached conditions. These grants are recognised as other income in profit or loss.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non current liabilities as deferred income and are credited to profit or loss on straight line basis over the expected lives of the related assets.

(o) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense and spread over the lease term.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Borrowing costs

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised are those incurred in relation to those borrowings, net of any interest earned on those borrowings. Where funds are borrowed for the acquisition of a qualifying asset, borrowing costs are capitalised using a weighted average capitalisation rate.

(iv) Finance income and expenses

Finance income comprises interest income on funds invested, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on reset preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All interest expense on borrowings is recognised in profit or loss using the effective interest method.

(p) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right of offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax consolidated group and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Toll Holdings Limited.

The current and deferred tax amounts for the tax consolidated group are allocated among the entities in the Group using a ‘group allocation method’ approach.

Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company’s balance sheet and their tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable/(receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing agreements

The head entity, in conjunction with other members of the tax consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax consolidated group in respect of tax amounts. Each entity accounts for its inter-entity assets and liabilities that arise for it under the arrangement. These amounts are treated as arising through equity contributions or distributions, in the same way as the head entity’s assumption of controlled entities current tax amounts and tax losses/credits, and therefore alter the net amount recognised as tax-consolidation contributions by or distributions to equity participants. However, there will be no net contribution or distribution where the amounts arising for the period under the tax funding arrangement equate to the amounts initially recognised by a subsidiary for its current taxes and any tax losses/credits assumed by the head entity.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(q) 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 relevant tax authority. 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 tax authority is included as a current asset or liability in the balance sheet.

Cash flows are included in the Consolidated 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 tax authority are classified as operating cash flows.

(r) Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the Group's chief operating decision maker. A segment is a distinguishable component of the Group that engages in business activities from which it may earn revenues and incur expenses which are subject to risks and returns that are different from those of other segments.

Inter-segment pricing is determined on an arm's 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.

(s) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options and rights granted to employees.

(t) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of initial application. They are available for early adoption at 30 June 2012, but have not been applied in preparing this financial report:

- AASB 9 Financial Instruments and consequential amendments in AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application will be required. The Group has not determined the potential effect of the revised standard on the Group's financial report.
- AASB 11 Joint Arrangements supersedes AASB 131: Interests in Joint Ventures. The standard establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements). The standard will become mandatory for the Group's 30 June 2013 financial statements and are not expected to have a significant impact on the financial statements.
- AASB 128 Investment in Associates and Joint Ventures (2011) contains limited amendments on how to account for changes in interests in joint ventures and associates. The standard will become mandatory for the Group's 30 June 2013 financial statements and are not expected to have a significant impact on the financial statements.
- AASB 12 Disclosures of Interests in Other Entities contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The standard will become mandatory for the Group's 30 June 2013 financial statements and are not expected to have a significant impact on the financial statements.
- Consequential amendments in AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards gives effect to many consequential changes to a number of standards arising from the issuance of the new consolidation and joint arrangements standard. The amendments will become mandatory for the Group's 30 June 2013 financial statements and are not expected to have a significant impact on the financial statements.

- AASB 13 Fair Value Measurement and consequential amendments in AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 clarifies how to measure fair value when required by other AASBs. It does not introduce new fair value measurements. AASB 13 will become mandatory for the Group's 30 June 2013 financial statements. The disclosure requirements in AASB 13 need not be applied in comparative periods before initial application. The Group has not determined the potential effect of the new standard on the Group's financial report.
- AASB 119 Employee Benefits (September 2011) and consequential amendments in AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) primarily amended the applicable accounting for defined benefit plans as well as the definition of short term and long term employee benefits. The amendments will become mandatory for the Group's 30 June 2013 financial statements and are not expected to have a significant impact on the financial statements.
- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income makes changes to the presentation of other comprehensive income. The amendments will become mandatory for the Group's 30 June 2013 financial statements and are not expected to have a significant impact on the financial statements.

4. Segment information

The Group has six reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services. For each of the strategic divisions, the Managing Director reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- Toll Global Resources – Logistics services to the mining and resource sector together with project based activities
- Toll Global Logistics – Integrated logistics services and supply chain management to national and multi-national customers
- Toll Global Forwarding – Provision of global freight forwarding services by air, sea and land
- Toll Global Express – Provision of express and overnight parcel services with a focus on the Asia Pacific region
- Toll Domestic Forwarding – Intermodal freight forwarding services within Australia and New Zealand by road, rail and sea
- Toll Specialised and Domestic Freight – Provides specialised full container load (FCL) and less than a container load (LCL) forwarding services including bulk liquids and road operations within Australia.

Inter-segment pricing is determined on an arm's length basis. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4. Segment information (continued)

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

	Toll Global Express $M	Toll Domestic Forwarding $M
Business Segments – 2012		
External revenue	**2,233.9**	**1,150.9**
Result		
Segment result	128.7	56.7
Share of profit of associates and joint ventures	2.5	–
Total segment result	**131.2**	**56.7**
Depreciation and amortisation arising from acquisitions through business combinations	(3.8)	(0.3)
Unallocated profit/(loss):		
– Impairment of Toll Express Japan intangible assets and property, plant and equipment		
– Impairment of Corporate property, plant and equipment		
– Release of earnout provisions		
– Other		
Net finance costs		
Income tax expense		
Profit for the year		
Total segment assets	**845.9**	**551.4**
Unallocated tax assets		
Total assets		

	Toll Global Express $M	Toll Domestic Forwarding $M
Business Segments – 2011		
External revenue	**2,140.2**	**1,097.1**
Result		
Segment result	166.6	61.3
Share of profit of associates and joint ventures	3.3	–
Total segment result	**169.9**	**61.3**
Depreciation and amortisation arising from acquisitions through business combinations	(3.2)	(0.2)
Unallocated profit/(loss)		
– Release of earnout provision		
– Gain on disposal of investment in associate (Shenzhen Chiwan Petroleum Supply Base Co. Ltd), net of $6.1M capital gains tax		
Net finance costs		
Income tax expense		
Profit for the year		
Total segment assets	**977.2**	**567.6**
Unallocated tax assets		
Total assets		

Toll Specialised & Domestic Freight $M	Toll Global Logistics $M	Toll Global Resources $M	Toll Global Forwarding $M	Total operating segments $M	Corporate $M	Total $M
1,322.0	**1,419.7**	**1,106.8**	**1,450.6**	**8,683.9**	**23.3**	**8,707.2**
87.7	88.1	102.3	16.5	480.0	(52.8)	**427.2**
–	4.5	0.7	4.1	11.8	0.4	**12.2**
87.7	**92.6**	**103.0**	**20.6**	**491.8**	**(52.4)**	**439.4**
–	(11.7)	(3.8)	(8.1)	(27.7)	(0.9)	**(28.6)**
						(170.9)
						(55.6)
						9.9
						1.2
						(37.0)
						(87.5)
						70.9
373.2	**1,150.4**	**1,195.2**	**1,168.4**	**5,284.5**	**602.5**	**5,887.0**
						153.9
						6,040.9
1,201.1	**1,357.3**	**784.2**	**1,635.0**	**8,214.9**	**9.6**	**8,244.5**
72.1	85.8	85.9	28.8	500.5	(51.3)	**449.2**
–	4.7	2.7	5.1	15.8	0.2	**16.0**
72.1	**90.5**	**88.6**	**33.9**	**516.3**	**(51.1)**	**465.2**
–	(12.1)	(3.9)	(8.6)	(28.0)	(0.8)	**(28.8)**
						1.7
						2.0
						(35.4)
						(109.9)
						294.8
337.2	**1,090.1**	**1,149.3**	**1,092.3**	**5,213.7**	**519.8**	**5,733.5**
						117.0
						5,850.5

Geographical information

The Group operates in the following geographical segments:

- Australia and New Zealand;
- Asia – incorporates a number of Asian countries including Singapore, Hong Kong, China, India and Japan;
- EMEA – includes countries in Europe, Middle East and Africa;
- North America – includes United States of America and Canada.

	Australia and New Zealand $M	Asia $M	EMEA $M	North America $M	Total $M
Geographical segments – 2012					
Revenue by location	6,083.0	1,788.4	545.0	290.8	**8,707.2**
Non current assets by location	1,892.8	1,796.4	201.4	79.2	**3,969.8**
Geographical segments – 2011 (restated)					
Revenue by location	5,473.0	1,792.6	581.2	377.7	**8,224.5**
Non current assets by location	1,863.1	1,857.0	174.6	77.9	**3,972.6**

5. Revenue

	2012 $M	2011 $M
Transport and logistics services rendered	8,707.2	8,224.5
	8,707.2	**8,224.5**

6. Other income

	Note	2012 $M	2011 $M
Dividend income		0.7	8.1
Government grants		0.2	0.5
Net foreign exchange gains		3.0	–
Net gain on disposal of investments and businesses		–	8.9
Net gain on disposal of property, plant and equipment		9.3	8.0
Release of earnout provisions	10	9.9	1.7
Other		9.7	12.1
		32.8	**39.3**

7. Expenses

Profit before income tax expense includes the following specific expenses:

	Note	2012 $M	2011 $M
Depreciation			
Buildings		12.8	10.3
Leasehold improvements		19.8	15.3
Plant and equipment		199.8	168.9
Leased plant and equipment		5.0	7.2
	19	**237.4**	**201.7**
Amortisation			
Capitalised software and technology		17.6	13.6
Customer contracts and relationships		26.3	27.0
Other intangibles		1.3	1.0
	20	**45.2**	**41.6**
Finance expenses			
Other interest and finance charges paid/payable		49.0	49.3
		49.0	**49.3**
Impairment losses			
Goodwill		135.0	–
Other intangible assets		10.1	–
Property, plant and equipment		81.4	–
	21	**226.5**	**–**
Other expenses			
Net foreign exchange losses		–	5.0
Net loss on disposal of investments and businesses		0.3	–
Impairment losses on receivables		7.5	6.1
Operating lease expense			
Property		293.6	273.6
Plant and equipment		97.9	82.6
Share option expense		6.9	12.4
Employee benefit expenses			
Defined contribution superannuation expense		133.9	106.8

8. Income tax expense

Recognised in the Consolidated Statement of Comprehensive Income

Tax recognised in profit or loss

	2012 $M	2011 $M
Current tax expense		
Current year	68.1	110.1
Adjustments for prior years	(2.7)	0.1
	65.4	**110.2**

	2012 $M	2011 $M
Deferred tax expense		
Origination and reversal of temporary differences	22.1	5.8
Total income tax expense	**87.5**	**116.0**

	2012 $M	2011 $M
Numerical reconciliation between income tax expense and pre-tax net profit		
Profit before income tax expense	158.4	410.8
Income tax expense using the domestic corporation income tax rate of 30% (2011: 30%)	47.5	123.2
Increase in income tax expense due to:		
Change in corporate tax rate in foreign jurisdictions	5.2	–
Non-deductible expenditure	95.9	15.5
Tax losses not recognised	19.6	17.5
Capital gains	–	2.8
Decrease in income tax expense due to:		
Non-assessable income	(15.4)	(9.7)
Tax exempt income	(4.9)	(10.5)
Utilisation and recognition of tax losses not previously recognised	(24.2)	(9.1)
Effect of tax rate in foreign jurisdictions	(30.6)	(11.1)
Share of net profit of associates and joint ventures	(2.9)	(2.4)
Investment allowance	–	(0.3)
	90.2	**115.9**
(Under)/over provision in prior years	(2.7)	0.1
Income tax expense	**87.5**	**116.0**

	2012 $M	2011 $M
Tax recognised in other comprehensive income		
Deferred tax expense		
Relating to:		
Changes in fair value of cash flow hedges	4.1	5.4
Hedges of net investments in foreign controlled entities	–	7.1
	4.1	**12.5**

8. Income tax expense (continued)

Deferred income tax

Deferred tax assets and liabilities are attributed to the following:

	2012 $M	2011 $M
Deferred tax assets		
Property, plant and equipment	24.2	23.7
Intangible assets	12.5	13.6
Payables	22.4	38.0
Provisions	105.7	96.6
Other liabilities	1.6	1.3
Unrealised foreign exchange losses	6.4	1.0
Tax losses recognised	41.5	2.5
Set off of tax (see below)	(64.6)	(61.4)
	149.7	**115.3**

	2012 $M	2011 $M
Deferred tax liabilities		
Receivables	0.2	1.6
Inventories	2.5	1.1
Prepayments	5.9	5.7
Property, plant and equipment	41.5	42.3
Intangible assets	11.4	19.7
Provisions	–	0.6
Other assets	11.7	10.1
Unrealised foreign exchange gains	14.1	2.4
Set off of tax (see above)	(64.6)	(61.4)
	22.7	**22.1**

There are unutilised capital and revenue losses within the Toll Group of $289.7 million (2011: $301.9 million) for which no tax benefit has been recognised.

9. Assets and liabilities held for sale

	Note	2012 $M	2011 $M
Assets held for sale			
Property, plant and equipment	19	13.8	0.6
Disposal groups		74.4	–
		88.2	**0.6**
Liabilities held for sale			
Disposal groups		18.2	–
		18.2	**–**

Disposal Groups

During the year ended 30 June 2012, the Group's management committed to the planned sale of its Automotive finished vehicle distribution business in the Global Logistics Division and the Refrigerated Australian interstate linehaul and warehousing operations in the Domestic Forwarding Division. These businesses are disclosed as disposal groups held for sale at 30 June 2012.

There are no cumulative income or expenses recognised in other comprehensive income relating to the disposal groups in the year ended 30 June 2012.

These disposals were completed in July 2012 (note 36).

At 30 June 2012, the two disposal groups comprised the following assets and liabilities:

	Note	2012 $M
Assets held for sale		
Receivables		24.0
Prepayments		1.4
Property, plant and equipment	19	47.7
Intangible assets	20	1.3
		74.4
Liabilities held for sale		
Payables		9.4
Provisions	24	8.8
		18.2

10. Acquisitions and disposals

(a) Acquisitions finalised during the year ended 30 June 2012

During the year ended 30 June 2011, the Group acquired logistics companies in the Global Forwarding, Global Resources, Global Express, Global Logistics and Domestic Forwarding operations. These acquisitions included WT Sea Air Group, Genesis Forwarding Group, Qantas Freight Holding Pty Ltd ("DPEX"), Truck Gleam, 2nd Digit Pty Ltd ("Magpie Couriers"), North Queensland Couriers Pty Ltd, McLaughlin Freightlines, Mitchell Corporation Australia Pty Ltd, 1st Fleet Pty Ltd ("Zip Express Couriers"), Patrick Container Ports Pty Ltd and SAT Albatros Sea Air Transport FZE ("SAT"). At 30 June 2011, the fair values of the assets and liabilities of these acquisitions were provisional. Acquisition accounting has now been finalised for these entities.

During the year ended 30 June 2012, the Group acquired logistics companies in the Global Forwarding and Domestic Forwarding operations. These acquisitions included Northern Southland Transport Pty Ltd and Andree & Wilkerling GmbH ("AWG"). The fair values of the assets and liabilities of these acquisitions have been finalised.

The following summarises the major classes of consideration transferred for the finalised acquisitions and the recognised amounts of assets acquired and liabilities assumed at the acquisition date arising from these acquisitions:

	$M
Consideration transferred	
Cash	317.8
Contingent consideration	29.3
	347.1

Contingent consideration

The Group had agreed to pay the selling shareholders of Genesis Forwarding Group and SAT additional consideration subject to achievement of certain performance criteria. During the year ended 30 June 2012, it was determined that not all of these performance criteria would be met. As a result contingent consideration of $9.9 million was recognised as income (2011: $1.7 million). Finalisation of the contingent consideration will occur in the 2013 financial year, and estimated payments are recorded as liabilities in the Consolidated Statement of Financial Position as at 30 June 2012.

Identifiable assets acquired and liabilities assumed

	Recognised values at 30 June 2011 $M	Acquisitions during the year ended 30 June 2012 $M	Final fair value adjustments $M	Final balance recognised at 30 June 2012 $M
Cash and cash equivalents	12.8	–	(0.8)	12.0
Receivables	93.9	2.2	(9.1)	87.0
Property, plant and equipment	106.0	5.9	(17.9)	94.0
Intangible assets	16.5	–	1.6	18.1
Current tax receivable	1.2	–	(0.2)	1.0
Deferred tax assets	5.8	–	15.2	21.0
Other assets	6.4	–	0.7	7.1
Payables and other liabilities	(95.8)	(1.9)	15.3	(82.4)
Interest bearing liabilities	(19.6)	–	2.4	(17.2)
Provisions	(8.1)	(0.4)	(34.3)	(42.8)
Current tax liabilities	(0.3)	–	0.2	(0.1)
Deferred tax liabilities	(3.6)	–	(2.6)	(6.2)
Total net identifiable assets	**115.2**	**5.8**	**(29.5)**	**91.5**

Goodwill

Goodwill was recognised as a result of the acquisitions as follows:

	2012 $M
Total consideration transferred	347.1
Less fair value of net identifiable assets acquired	(91.5)
Goodwill	**255.6**

(b) Other acquisitions provisional as at 30 June 2012

During the year ended 30 June 2012, the Group acquired Megatrans Uluslararasi Nakliyat Ve Ticaret Limited Sirketi & Makro Lojistik Ticaret Limited Sirketi ("MFreight Group"), a logistics company in the Global Forwarding sector.

The following summarises the major classes of consideration transferred for the acquisition and the recognised amounts of assets acquired and liabilities assumed at acquisition date arising from the acquisition:

	$M
Consideration transferred	
Cash	1.8
Contingent consideration	2.6
	4.4

Identifiable assets acquired and liabilities assumed

	Provisional balance recognised at 30 June 2012 $M
Property, plant and equipment	–
Total identifiable assets	**–**

The Group is currently in the process of finalising the fair values of the assets and liabilities acquired. As a result, the fair values provided above are provisional and will be subject to finalisation during the period up to twelve months from the acquisition date.

Goodwill

Goodwill was recognised as a result of the acquisitions as follows:

	2012 $M
Total consideration transferred	4.4
Less fair value of net identifiable assets acquired	–
Goodwill	**4.4**

11. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2012 was based on the profit attributable to owners of the Company of $64.6 million (2011: $281.4 million) and a weighted average number of ordinary shares outstanding of 715.2 million (2011: 706.3 million), calculated as follows:

	2012 $M	2011 $M
Profit attributable to owners of the Company		
Profit for the year	70.9	294.8
Profit attributable to non-controlling interests	(6.3)	(13.4)
Profit attributable to owners of the Company	**64.6**	**281.4**

Weighted average number of ordinary shares	Million shares	Million shares
Issued ordinary shares at 1 July	710.1	702.9
Effect of shares issued	5.1	3.4
Weighted average number of ordinary shares at 30 June	**715.2**	**706.3**

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2012 was based on the profit attributable to owners of the Company of $64.6 million (2011: $281.4 million) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 716.3 million (2011: 706.5 million), calculated as follows:

	2012 $M	2011 $M
Profit attributable to owners of the Company (diluted)	**64.6**	**281.4**

Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares at 1 July (basic)	715.2	706.3
Effect of shares issued	1.1	0.2
Weighted average number of ordinary shares at 30 June (diluted)	**716.3**	**706.5**

12. Dividends paid and determined

Dividends provided or paid by the Company during the year:

	Cents per share	Total $M	Franked/ unfranked	Payment date
Ordinary shares				
2012				
2011 Final dividend	13.5	95.9	Franked	10/10/2011
2012 Interim dividend	11.5	82.5	Franked	12/04/2012
		178.4		
2011				
2010 Final dividend	13.5	94.9	Franked	27/10/2010
2011 Interim dividend	11.5	81.2	Franked	01/04/2011
		176.1		

Franked dividends paid or determined during the year were franked at the tax rate of 30%.

Subsequent events

After the balance sheet date the Directors determined the following dividend. The dividend has not been provided for.

	Cents per share	Total $M	Franked/ unfranked	Payment date
Final dividend	13.5	96.8	Franked	22/10/2012

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2012 and will be recognised in subsequent financial reports.

	The Company	
	2012 $M	2011 $M
Dividend franking account		
Net Class C (30%) franking credits (2011: 30%) available to shareholders of the parent entity for subsequent financial years	65.7	39.3

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

(a) Franking credits that will arise from the payment of the amount of the current tax liability

(b) Franking debits that will arise from the payment of dividends recognised as a liability at year end

(c) Franking credits that will arise from the receipt of dividends recognised as receivables at year end, and

(d) Franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to determine dividends. The impact on the dividend franking account of dividends determined after the balance sheet date but not recognised as a liability is to reduce it by $41.5 million (2011: $41.1 million).

In accordance with the tax consolidation legislation the Company as the head entity in the tax consolidated group has also assumed the benefit of nil franking credits (2011: nil).

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 ownership plan during the years ended 30 June 2012 and 30 June 2011, were as follows:

	2012 $M	2011 $M
Dividends paid		
Total dividends paid in cash	147.8	131.5
Satisfied by issue of shares in Toll Holdings Limited	30.4	44.4
Satisfied by reduction in employee share plan loans	0.2	0.2
Total dividends paid	**178.4**	**176.1**

13. Cash and cash equivalents

	Note	2012 $M	2011 $M
Cash at bank and on hand		318.0	271.8
Deposits at call		251.1	224.7
Cash and cash equivalents		**569.1**	**496.5**
Bank overdraft	23	(64.0)	(28.2)
Net cash and cash equivalents		**505.1**	**468.3**

14. Receivables

	2012 $M	2011 $M
Current		
Trade receivables	940.3	961.9
Allowance for impairment losses	(18.5)	(22.4)
Net trade receivables	921.8	939.5
Other receivables	207.4	189.8
Total current receivables	**1,129.2**	**1,129.3**
Non current		
Loans to associates	4.5	3.5
Other receivables	8.1	4.0
Other loans	0.4	1.7
Total non current receivables	13.0	9.2
	1,142.2	**1,138.5**

15. Inventories

	2012 $M	2011 $M
Stores and materials	32.2	29.8
Finished goods at net realisable value	21.1	18.6
	53.3	**48.4**

16. Other financial assets

	2012 $M	2011 $M
Current		
Derivative financial instruments	13.2	20.6
Other loans	0.4	–
Total current other financial assets	**13.6**	**20.6**
Non current		
Derivative financial instruments	3.4	3.8
Other cash deposits	16.3	17.3
Total non current other financial assets	**19.7**	**21.1**
	33.3	**41.7**

17. Investments accounted for using the equity method

	Note	2012 $M	2011 $M
Associates and joint ventures	33	121.9	111.7

18. Investments

	2012 $M	2011 $M
Listed equity securities – at market value	0.2	1.8
Unlisted equity securities – at cost	4.5	4.3
	4.7	**6.1**

Unlisted equity securities are carried at cost and are not measured at fair value because their fair value cannot be reliably measured. There is no identifiable active market in which the fair value of these investments can be reliably determined. The Group has no intention to sell these securities.

19. Property, plant and equipment

	Note	Freehold land $M
Carrying amount		
Balance as at 1 July 2011		426.2
Acquisitions through business combinations	10	–
Additions		–
Transfer from capital work in progress		17.1
Reclassification to/from assets held for sale	9	(13.2)
Disposals		(5.6)
Depreciation	7	–
Reclassifications		1.0
Effect of movements in foreign exchange		8.2
Impairment loss	21	(76.4)
Balance as at 30 June 2012		**357.3**
Cost		462.7
Accumulated depreciation and impairment		(105.4)
Balance as at 30 June 2012		**357.3**

	Note	Freehold land $M
Carrying amount		
Balance as at 1 July 2010		347.0
Acquisitions through business combinations		8.0
Additions		84.0
Transfer from capital work in progress		12.3
Reclassifications		1.7
Disposals		(3.0)
Depreciation	7	–
Effect of movement in foreign exchange		(3.4)
Impairment loss		(20.4)
Balance as at 30 June 2011		**426.2**
Cost		455.7
Accumulated depreciation and impairment		(29.5)
Balance as at 30 June 2011		**426.2**

Buildings $M	Leasehold improvements $M	Plant and equipment $M	Leased plant and equipment $M	Capital work in progress $M	Total $M
290.6	107.9	1,001.4	20.2	126.7	1,973.0
–	(0.1)	(11.9)	–	–	(12.0)
1.6	15.0	264.8	–	147.9	429.3
103.4	2.9	57.1	–	(180.5)	–
(0.1)	(1.9)	(44.7)	–	(1.0)	(60.9)
–	(0.1)	(11.8)	(0.6)	–	(18.1)
(12.8)	(19.8)	(199.8)	(5.0)	–	(237.4)
(2.0)	5.5	(3.4)	(0.8)	4.1	4.4
3.9	1.7	(2.1)	0.8	1.3	13.8
(5.0)	–	–	–	–	(81.4)
379.6	**111.1**	**1,049.6**	**14.6**	**98.5**	**2,010.7**
473.0	278.4	2,025.2	36.5	98.5	3,374.3
(93.4)	(167.3)	(975.6)	(21.9)	–	(1,363.6)
379.6	**111.1**	**1,049.6**	**14.6**	**98.5**	**2,010.7**
226.3	115.0	880.1	92.8	88.0	1,749.2
1.1	3.7	100.5	7.4	–	120.7
26.8	16.9	218.1	4.4	153.0	503.2
28.5	24.2	26.6	–	(91.6)	–
30.9	(29.3)	0.4	–	–	3.7
(0.3)	(1.3)	(32.6)	(68.4)	(19.4)	(125.0)
(10.3)	(15.3)	(168.9)	(7.2)	–	(201.7)
(6.1)	(6.0)	(22.8)	(8.8)	(3.3)	(50.4)
(6.3)	–	–	–	–	(26.7)
290.6	**107.9**	**1,001.4**	**20.2**	**126.7**	**1,973.0**
367.2	257.4	1,891.2	38.9	126.7	3,137.1
(76.6)	(149.5)	(889.8)	(18.7)	–	(1,164.1)
290.6	**107.9**	**1,001.4**	**20.2**	**126.7**	**1,973.0**

20. Intangible assets

	Note	Goodwill $M	Capitalised software and technology $M	Customer contracts and relationships $M	Other intangibles $M	Total $M
Carrying amount						
Balance at 1 July 2011		1,683.5	90.7	67.3	7.4	1,848.9
Acquisitions through business combinations	10	39.4	–	1.6	–	41.0
Additions		–	49.4	–	–	49.4
Disposals		–	(0.1)	–	–	(0.1)
Amortisation	7	–	(17.6)	(26.3)	(1.3)	(45.2)
Reclassifications		–	(4.8)	–	(0.1)	(4.9)
Reclassification to assets held for sale	9	(1.3)	–	–	–	(1.3)
Effect of movements in foreign exchange		48.7	1.8	1.7	0.2	52.4
Impairment loss	21	(135.0)	(1.5)	(8.6)	–	(145.1)
Balance as at 30 June 2012		**1,635.3**	**117.9**	**35.7**	**6.2**	**1,795.1**
Cost		1,767.7	225.9	181.7	16.4	2,191.7
Accumulated amortisation and impairment		(132.4)	(108.0)	(146.0)	(10.2)	(396.6)
Balance as at 30 June 2012		**1,635.3**	**117.9**	**35.7**	**6.2**	**1,795.1**
Carrying amount						
Balance at 1 July 2010		1,599.3	70.4	75.3	13.6	1,758.6
Acquisitions through business combinations		245.4	0.2	27.0	(5.7)	266.9
Additions		–	36.1	–	0.7	36.8
Disposals		–	(0.2)	–	–	(0.2)
Amortisation	7	–	(13.6)	(27.0)	(1.0)	(41.6)
Effect of movements in foreign exchange		(161.2)	(2.2)	(8.0)	(0.2)	(171.6)
Balance as at 30 June 2011		**1,683.5**	**90.7**	**67.3**	**7.4**	**1,848.9**
Cost		1,683.5	179.3	176.1	16.2	2,055.1
Accumulated amortisation		–	(88.6)	(108.8)	(8.8)	(206.2)
Balance as at 30 June 2011		**1,683.5**	**90.7**	**67.3**	**7.4**	**1,848.9**

21. Impairment

(a) Impairment

During the year ended 30 June 2012 the carrying value of assets in the Toll Express Japan cash generating unit ("CGU") were tested for impairment using value in use. This resulted in an impairment charge of $170.9 million in total. This was represented by an impairment charge against Goodwill of $135.0 million, against Freehold Property of $25.8 million, and against Intangible Assets of $10.1 million. The impairment arose as a result of the extremely difficult market conditions in Japan, including the lingering impact of the earthquake and tsunami, and lower likelihood of near term economic recovery.

During the year ended 30 June 2012 the carrying value of Corporate Property was tested for impairment as part of the regular property review using fair value less cost to sell. This resulted in an impairment charge of $55.6 million, against Freehold Land $50.6 million and against Buildings $5.0 million. The impairment arose as a result of the continued deterioration in Australian commercial property values. The review of the site at Villawood was influenced in particular by the exit of a key customer, BlueScope Steel.

(b) Goodwill allocation

For the purpose of undertaking impairment testing, goodwill is allocated to the Group's business segments which represent the lowest level within the Group at which goodwill is monitored for management purposes. These business segments are the smallest group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets. The seven business segments in 2012 and the comparable 2011 disclosures are presented below:

	Goodwill as at 30 June 2012 $M	Goodwill as at 30 June 2011 $M	Intangible assets with indefinite useful lives as at 30 June 2012 $M	Intangible assets with indefinite useful lives as at 30 June 2011 $M
Toll Global Express	134.3	135.0	–	–
Toll Express Japan	–	125.6	–	–
Toll Domestic Forwarding	73.7	72.6	–	–
Toll Specialised & Domestic Freight	18.7	18.7	–	–
Toll Global Logistics	465.3	459.9	–	–
Toll Global Resources	327.8	303.5	–	–
Toll Global Forwarding	615.5	568.2	–	–
	1,635.3	**1,683.5**	**–**	**–**

(c) Impairment testing

Impairment testing compares the carrying value to the recoverable amount which was determined using a value in use calculation. Assumptions for ascertaining the recoverable amount are based on management's past experience and future expectations. Cash flow projections are based on five year forecasts. Forecasts use current management estimates, based on past management experience and future expectations to determine revenue, expenses, capital expenditure and cash flows.

The following key assumptions have been used in determining the recoverable amounts of CGU's to which goodwill has been allocated:

	Discount rate as at 30 June 2012 % (a)	Discount rate as at 30 June 2011 % (a)	Terminal value growth rate as at 30 June 2012 % (b)	Terminal value growth rate as at 30 June 2011 % (b)
Toll Global Express	12.9	14.8	2.00	2.00
Toll Express Japan	6.4	8.2	0.50	0.50
Toll Domestic Forwarding	12.6	13.9	2.00	2.00
Toll Specialised & Domestic Freight	12.8	13.8	2.00	2.00
Toll Global Logistics	11.0	10.8	2.50	2.50
Toll Global Resources	11.1	10.4	2.50	2.50
Toll Global Forwarding	9.3	9.7	2.25	2.25

(a) Discount rate represents the pre-tax discount rate applied to the cash flow projections. The discount rate reflects the market determined and risk adjusted discount rate, adjusted as required for CGU country specific risks. The discount rate is a derived rate where there are two or more material country-specific cash flows per CGU.

(b) Terminal value growth rate represents the growth rate applied to extrapolate cash flow projections beyond the five year forecast period. These growth rates are based on forecasted long-term performance in the appropriate markets.

Management have determined that there are no reasonably possible changes in key assumptions which could occur in isolation of an appropriate management response which would cause the carrying amount of these CGU's to exceed their recoverable amounts.

22. Payables

	2012 $M	2011 $M
Trade creditors	365.4	366.5
Other creditors and accruals	527.5	515.1
	892.9	**881.6**

Deed of Cross Guarantee

The Company has a Deed of Cross Guarantee ("the Deed") with certain controlled entities as listed in note 32. Under the terms of the Deed, the Company has guaranteed the repayment of all current and future creditors in the event any of the entities party to the Deed are wound up. Details of the consolidated financial position of the Company and controlled entities party to the Deed are set out in note 34.

23. Interest bearing liabilities

	Note	2012 $M	2011 $M
Current			
Term and other loans – unsecured		221.4	883.3
Term and other loans – secured		–	3.2
Finance lease liabilities – secured		2.7	5.3
Hire purchase liabilities		0.4	0.6
Bank overdraft – unsecured	13	64.0	28.2
Total current interest bearing liabilities		**288.5**	**920.6**
Non current			
Term and other loans – unsecured		1,414.3	582.9
Term and other loans – secured		–	3.1
Finance lease liabilities – secured		5.5	9.6
Hire purchase liabilities		–	0.2
Total non current interest bearing liabilities		**1,419.8**	**595.8**
		1,708.3	**1,516.4**

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Weighted average rate	Year of maturity	Face value 2012 $M	Carrying amount 2012 $M	Face value 2011 $M	Carrying amount 2011 $M
Bank overdraft	DKK	2.33%	On demand	1.3	1.3	–	–
Bank overdraft	EUR	2.33%	On demand	19.6	19.6	1.8	1.8
Bank overdraft	GBP	2.33%	On demand	29.6	29.6	15.8	15.8
Bank overdraft	HKD	6.25%	On demand	2.9	2.9	1.1	1.1
Bank overdraft	ZAR	7.50%	On demand	10.6	10.6	9.5	9.5
Secured bank facility	JPY		FY12	–	–	0.8	0.8
Secured bank facility	SGD		FY12	–	–	1.4	1.4
Secured bank facility	SGD		FY13	–	–	0.2	0.2
Secured bank facility	SGD		FY15	–	–	3.7	3.7
Secured bank facility	USD		On demand	–	–	0.1	0.1
Secured bank facility	USD		FY12	–	–	0.1	0.1
Unsecured bank facility	AUD	4.32%	FY13	26.0	26.0	26.0	26.0
Unsecured bank facility	CNY	7.32%	On demand	2.8	2.8	–	–
Unsecured bank facility	GBP	1.26%	On demand	11.7	11.7	–	–
Unsecured bank facility	GBP	2.51%	FY14	51.3	51.3	50.2	50.2
Unsecured bank facility	HKD	1.47%	On demand	2.3	2.3	–	–
Unsecured bank facility	IDR	7.50%	On demand	0.1	0.1	0.4	0.4
Unsecured bank facilities	JPY	1.23%	FY13	31.8	31.8	–	–
Unsecured bank facilities	JPY	1.49%	FY13	70.1	70.1	67.4	67.4
Unsecured bank facility	JPY	1.20%	FY14	62.1	62.1	–	–
Unsecured bank facility	JPY	1.23%	FY15	15.9	15.9	12.4	12.4
Unsecured bank facility	JPY		FY12	–	–	139.0	139.0
Unsecured bank facility	JPY		FY12	–	–	16.9	16.9
Unsecured bank facility	CNY	7.32%	FY13	8.6	8.6	6.6	6.6
Unsecured bank facility	SGD		FY12	–	–	134.2	134.2
Unsecured bank facility	TWD	1.53%	On demand	0.3	0.3	–	–
Unsecured bank facility	USD	5.00%	On demand	1.2	1.2	–	–
Unsecured bank facility	USD	2.40%	FY13	66.4	66.4	62.7	62.7
Unsecured bank facility	USD	2.61%	FY12	–	–	0.3	0.3
Unsecured syndicated bank facility	HKD	1.25%	FY14	211.8	210.7	118.9	118.3
Unsecured syndicated bank facility	SGD		FY12	–	–	76.7	76.4
Unsecured syndicated bank facility	SGD		FY12	–	–	498.5	496.8
Unsecured syndicated bank facility	SGD	1.40%	FY14	253.3	252.3	–	–
Unsecured syndicated bank facility	SGD	1.41%	FY15	370.2	369.3	–	–
Unsecured syndicated bank facility	SGD	1.61%	FY16	116.9	116.4	–	–
Unsecured syndicated bank facility	USD	1.31%	FY14	63.8	63.5	–	–
Unsecured US private placement notes	USD	2.95%	FY16	99.7	99.2	94.6	94.0
Unsecured US private placement notes	USD	3.65%	FY18	99.7	99.2	94.6	94.0
Unsecured US private placement notes	USD	4.34%	FY21	74.7	74.4	70.9	70.5
Finance lease and hire purchased liabilities	Various	5.88%	FY12–15	8.6	8.6	15.7	15.7
Loan from non-controlling interest shareholders	USD	1.25%	FY13	0.1	0.1	0.1	0.1
Total interest bearing liabilities				**1,713.4**	**1,708.3**	**1,520.6**	**1,516.4**

(a) USPP notes

Toll guaranteed US$275 million senior notes issued in the US Private Placement (USPP) debt market in 2010. The notes have maturities between 2015 and 2020 (2011: between 2015 and 2020).

(b) Unsecured bank facilities

Bank loans, bilateral and syndicated, are denominated in various currencies, principally SGD. These loans are repayable at various times between July 2012 and June 2016 (2011: July 2011 and September 2014) and a majority are guaranteed. Most unsecured bank facilities are subject to negative pledge arrangements.

During the year Toll refinanced its SGD facilities with a new SG$1 billion syndicated debt facility.

(c) Defaults and breaches

During the current and prior years there were no defaults or breaches of covenants on any loans.

24. Provisions

	2012 $M	2011 $M
Current		
Employee benefits	241.5	229.9
Workers' compensation/self insurance	28.3	27.7
Property related	14.1	12.1
Other	65.9	42.6
Total current provisions	**349.8**	**312.3**
Non current		
Employee benefits	47.3	45.4
Workers' compensation/self insurance	47.4	42.7
Property related	27.5	26.1
Other	27.0	51.8
Total non current provisions	**149.2**	**166.0**
	499.0	**478.3**
Employee benefits		
Aggregate employee benefits, including on-costs:		
Current	241.5	229.9
Non current	47.3	45.4
	288.8	**275.3**

	Note	Employee benefits $M	Workers' compensation/ self insurance $M	Property related $M	Other $M	Total $M
Balance as at 1 July 2011		275.3	70.4	38.3	94.3	478.3
Acquisitions through business combinations	10	(0.1)	–	–	34.8	34.7
Provision additions		209.2	101.2	2.3	103.7	416.4
Provisions utilised		(173.0)	(90.5)	(1.4)	(102.4)	(367.3)
Provisions released		(17.1)	(5.0)	(0.2)	(36.9)	(59.2)
Reclassification to/from other liabilities		0.3	–	1.0	(2.7)	(1.4)
Reclassification to liabilities held for sale	9	(8.4)	(0.4)	–	–	(8.8)
Effects of movements in foreign exchange		2.6	–	1.6	2.1	6.3
Balance as at 30 June 2012		**288.8**	**75.7**	**41.6**	**92.9**	**499.0**
Current		241.5	28.3	14.1	65.9	349.8
Non current		47.3	47.4	27.5	27.0	149.2
Balance as at 30 June 2012		**288.8**	**75.7**	**41.6**	**92.9**	**499.0**

(i) Employee benefits

	2012 $M	2011 $M
Present value of unfunded obligations	30.2	29.6
Present value of funded obligations	–	–
Total present value of defined benefit obligations	**30.2**	**29.6**
Other employee benefit liabilities	258.6	245.7
Total employee benefit liabilities as at 30 June	**288.8**	**275.3**

A defined benefit plan was acquired as part of the Toll Express Japan (Footwork Express) acquisition. The plan entitles a retired employee to receive a lump sum payment calculated on the basis of competency grade and qualifying years of service. The actuarially assessed liability has been fully provided for. The structure of the plan is that there are no plan assets and no contributions made by the Group.

Movement in the present value of the defined benefit obligations

	2012 $M	2011 $M
Defined benefit obligations as at 1 July	29.6	28.3
Final fair value adjustments	–	4.1
Benefits paid by the plan	(3.1)	(2.0)
Current service costs and interest	1.5	1.4
Foreign exchange movements	1.7	(2.2)
Actuarial losses	0.5	–
Defined benefit obligations as at 30 June	**30.2**	**29.6**

Expenses recognised in the Consolidated Statement of Comprehensive Income

	2012 $M	2011 $M
Current service costs	1.0	1.1
Interest on obligation	0.5	0.3
	1.5	**1.4**

The expense is recognised in the following line items in the Consolidated Statement of Comprehensive Income:

	2012 $M	2011 $M
Employee benefits expense	1.0	1.1
Finance expenses	0.5	0.3
	1.5	**1.4**

Actuarial losses recognised in other comprehensive income

	2012 $M	2011 $M
Cumulative amount as at 1 July	0.4	0.1
Recognised during the period	0.5	0.3
Cumulative amount as at 30 June	**0.9**	**0.4**

Actuarial assumptions

The principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2012	2011
Discount rate at 30 June	1.3%	1.5%
Future salary increases	0.0%	0.0%

Historical information

	2012 $M	2011 $M
Present value of the defined benefit obligation	30.2	29.6
Experience adjustments arising on plan liabilities	–	–

The Group expects $2.3 million in benefits to be paid by its defined benefit plan during the year ending 30 June 2013.

(ii) Workers' compensation/self insurance

The Group self insures for risks associated with workers' compensation in certain states of Australia. Outstanding claims are recognised when an incident occurs that may give rise to a claim and are measured at the cost that the Group expects to incur in settling the claims, discounted using a government bond rate with a maturity date approximating the term of the obligation. Such assessments are based upon an independent actuarial assessment.

(iii) Property related

Make-good provisions were made mainly in respect of obligations under lease arrangements and environmental regulations.

(iv) Other

This relates mainly to provisions for legal claims and other liabilities arising from acquisitions.

25. Other liabilities

	2012 $M	2011 $M
Current		
Derivative financial instruments	12.1	13.2
Other	19.1	11.8
Total current other liabilities	**31.2**	**25.0**
Non current		
Derivative financial instruments	12.0	29.1
Other	6.6	3.6
Total non current other liabilities	**18.6**	**32.7**
	49.8	**57.7**

26. Contributed equity

	2012 $M	2011 $M
Issued and paid up capital		
717,133,875 ordinary shares fully paid (2011: 710,128,531)	**2,976.7**	**2,946.3**

(a) Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

(b) The Company has an established Dividend Reinvestment Plan ("DRP") 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. Information on the Pricing Period and whether ordinary shares acquired under the DRP are allocated at a discount below the Average Market Price of Shares, are announced to the market through the ASX company announcement platform.

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

Date	Details	Number of shares	Issue price $	Contributed equity $M
01/07/11	Opening balance	710,128,531		2,946.3
10/10/11	Dividend Reinvestment Plan	7,005,344	4.3359	30.4
30/06/12	**Closing balance**	**717,133,875**		**2,976.7**

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings and are also entitled to proceeds on winding up of the Company in proportion to the number of shares held.

The Company's Dividend Reinvestment Plan was suspended for the 2012 interim dividend and the Directors have determined to continue its suspension for the 2012 final dividend.

27. Share based payments

Toll operates a number of employee equity schemes under the Senior Executive Option and Rights Plan (SEORP) and the Toll Phantom Unit Plan. No modifications of terms of share based payments transactions have been made for the FY12 year.

Executive Long Term Incentive (LTI) plan

Options and/or Rights are granted to executives as part of the Group's LTI program under the SEORP. As at 30 June 2012 unissued ordinary shares of the Company under option are:

LTI Performance Options

Grant date	First possible vesting date	Expiry date	Exercise price $	Opening balance as at 1 July 2011 $'000	Options granted $'000	Options forfeited/ lapsed $'000	Options expired $'000	Options exercised $'000	Closing balance as at 30 June 2012 $'000
28 Sept 2011	28 Sept 2014	27 Sept 2016	4.70	–	3,884	(94)	–	–	3,790
28 Sept 2011	28 Sept 2014	27 Sept 2016	–	–	1,814	(59)	–	–	1,755
5 Nov 2010	5 Nov 2013	4 Nov 2015	6.25	5,336	–	(185)	–	–	5,151
24 Feb 2010	24 Feb 2013	12 Mar 2015	8.52	6,063	–	(152)	–	–	5,911
26 Nov 2008	26 Nov 2011*	25 Nov 2013	5.75	5,679	–	(317)	–	–	5,362
25 June 2008	25 June 2011*	24 June 2013	6.32	938	–	(177)	–	–	761
11 Jan 2008	10 Jan 2011*	10 Jan 2013	10.55	3,256	–	(133)	–	–	3,123
4 Oct 2006	26 July 2009*	25 July 2011	10.29	100	–	(100)	–	–	–
Total				**21,372**	**5,698**	**(1,217)**	**–**	**–**	**25,853**

* Tests/re–tests have been undertaken for these grants but no vesting has occurred as at 30 June 2012

Nil options vested during the year ended 30 June 2012 (2011: nil shares). Nil ordinary shares were issued during the financial year on the exercise of options granted under the executive share option scheme (2011: nil shares).

The Company allocates the performance options under the SEORP rules which have been approved by shareholders at previous Annual General Meetings. Each performance option allocated is convertible into one ordinary share once certain performance criteria are met.

September 2011 grants

Participants were able to elect to receive their 2011 grant as all Options, all Rights or half Options and half Rights. Irrespective of the election, two independently tested performance criteria apply being Relative Total Shareholder Return (Relative TSR) against the ASX 100 for 50% of the dollar allocation and cumulative compound growth in earnings per share (post amortisation) for ongoing business operations excluding abnormal items (Relevant EPS) for the other 50% of the dollar allocation.

Relative TSR against the ASX 100

Measurement dates are 1 July 2011 to 30 June 2014.

TSR Options and Rights will vest, subject to Board approval, if the following performance criteria is achieved:

Company's TSR ranking in the comparator group	% that vest (subject to Board approval)
Up to 50th percentile	Nil
50th percentile up to 75th percentile	Progressive/pro–rata vesting from 50% to < 100%
75th percentile or better	100%

There will be no retest periods for unvested TSR Options or Rights.

Relevant EPS

Measurement dates are: 1 July 2011 to 30 June 2014, 30 June 2015 and 30 June 2016.

The retests in years four and five are based on the cumulative four-year or five-year compound growth from 1 July 2011.

Options which do not vest in the third and final performance period will lapse.

Relevant EPS growth over the period	% that vest (subject to Board approval)
Up to 10 % p.a. growth	Nil
10% p.a. up to 15% p.a. growth	Progressive/pro rata vesting from 50% to < 100%
15% p.a. growth or better	100%

November 2010 and February 2010 grants

Two independently tested performance criteria apply being Relative Total Shareholder Return (Relative TSR) against the ASX 100 for 50% of the dollar allocation and cumulative compound growth in earnings per share (post-amortisation in Nov 2010 and pre–amortisation in February 2010) for ongoing business operations excluding abnormal items (Relevant EPS) for the other 50% of the dollar allocation.

Relative TSR against the ASX 100

Measurement dates are:

- November 2010 grant: 1 July 2010 to 30 June 2013; and
- February 2010 grant: 1 January 2010 to 31 December 2012

TSR Options will vest, subject to Board approval, if the following performance criteria is achieved:

Company's TSR ranking in the comparator group	% that vest (subject to Board approval)
Up to 50th percentile	Nil
50th percentile up to 75th percentile	Progressive/pro-rata vesting from 50% to < 100%
75th percentile or better	100%

There will be no retest periods for unvested TSR Options.

Relevant EPS

Measurement dates are:

- November 2010 grant: 1 July 2010 to 30 June 2013, 30 June 2014 and 30 June 2015
- February 2010 grant: 1 January 2010 to 31 December 2012, 31 December 2013 and 31 December 2014 (i.e. two retests)

The retests in years four and five are based on the cumulative four year or five year compound growth from the start of the relevant performance period.

Options which do not vest in the third and final performance period will lapse.

Relevant EPS growth over the period	% that vest (subject to Board approval)
Up to 10% p.a. growth	Nil
10% p.a. up to 15% p.a. growth	Progressive/pro-rata vesting from 50% to < 100%
15% p.a. growth or better	100%

November 2008, June 2008, January 2008 and October 2006 grants

Measurement dates are:

- November 2008 grant: 1 July 2008 to 30 June 2011, 30 June 2012 and 30 June 2013
- June 2008 grant: 1 January 2008 to 31 December 2010, 31 December 2011 and 31 December 2012
- January 2008 grant: 1 July 2007 to 30 June 2010, 30 June 2011 and 30 June 2012
- October 2006 grant: 1 July 2006 to 30 June 2009, 30 June 2010 and 30 June 2011

The proportion of options that vest at the end of a relevant performance period depends on the cumulative compound growth in the Group's EPS, pre–amortisation and abnormal items for ongoing business operations calculated on a fully diluted basis (Relevant EPS).

The final test for the October 2006 grant was undertaken in FY12. The performance hurdle was not met and, therefore, all options remaining from that grant lapsed at that time.

Restricted Rights – High Performance Recognition (HPR) Plan

The HPR Plan was introduced in FY10 and provides selected key contributors (who do not participate in the Executive LTI Plan) with a grant of restricted rights. Rights are granted under the SEORP. The first grant was in November 2010 and a further grant was made in September 2011. This grant provides the right to acquire Toll shares at nil cost after a specified vesting period.

Restricted rights were provided to nominated high performing employees with a standard restriction period of two years.

In addition, the Board approved some exceptional grants of Restricted Rights to recognise key contributors and/or serve as retention with specific restriction periods – refer to details in the table below:

Restricted Rights

Grant date	First possible vesting date	Expiry date	Exercise price $	Opening balance as at 1 July 2011 $'000	Rights granted $'000	Rights forfeited $'000	Rights expired $'000	Rights exercised $'000	Closing balance as at 30 June 2012 $'000
10 October 2011	10 October 2013	9 October 2016	nil	–	12	–	–	–	12
28 September 2011	31 December 2012	27 September 2016	nil	–	33	–	–	–	33
28 September 2011	11 March 2013	27 September 2016	nil	–	10	(10)	–	–	–
28 September 2011	27 September 2013	27 September 2016	nil	–	147	–	–	–	147
5 November 2010	30 June 2011	4 November 2015	nil	17	–	–	–	(17)	–
5 November 2010	3 October 2013	4 November 2015	nil	27	–	–	–	–	27
5 November 2010	4 November 2012	4 November 2015	nil	68	–	–	–	–	68
Total				**112**	**202**	**(10)**	**–**	**(17)**	**287**

A special grant of 16,639 rights made in Nov 2010 became eligible to vest on 30 June 2011. On 27 July 2011 the Board approved the vesting of this grant and the rights were subsequently exercised with ordinary shares being purchased on market to satisfy the exercise. No other rights vested during the year and no ordinary shares were issued during the financial year on the exercise of the rights granted under the restricted rights plan.

The Company allocates the rights under the Senior Executive Option and Rights Plan (SEORP) Rules. Each right allocated is convertible into one ordinary share once specified vesting periods are met.

All tranches of restricted rights are subject to continued employment and Board approval at the vesting date. The fair value of the rights was independently determined by PricewaterhouseCoopers (PwC) taking into account factors such as the absence of dividends during the restriction period.

Non-equity units

Cash settled share based payment arrangements (non–equity units) are only issued in jurisdictions where actual options and/or rights cannot be issued. Non–equity units are issued under the terms of the Toll Phantom Unit Plan. At 30 June 2012, the non–equity units are:

Grant date	First possible vesting date	Expiry date	Exercise price $	Opening balance as at 1 July 2011 $'000	Units granted $'000	Units forfeited $'000	Units expired $'000	Units exercised $'000	Closing balance as at 30 June 2012 $'000
28 September 2011	28 September 2014	27 September 2016	nil	–	14	–	–	–	14
28 September 2011	28 September 2014	27 September 2016	4.70	–	41	–	–	–	41
28 September 2011	27 September 2013	27 September 2016	nil	–	5	–	–	–	5
5 November 2010	5 November 2013	4 November 2015	6.25	126	–	(47)	–	–	79
24 February 2010	24 February 2013	12 March 2015	8.52	180	–	(71)	–	–	109
26 November 2008	26 November 2011*	25 November 2013	5.75	251	–	(60)	–	–	191
25 June 2008	25 June 2011*	24 June 2013	6.32	276	–	(35)	–	–	241
Total				**833**	**60**	**(213)**	**–**	**–**	**680**

* The initial test has been undertaken for this grant but no vesting has occurred as at 30 June 2012

No non–equity units vested or were redeemed during the year ended 30 June 2012.

September 2011, November 2010 and February 2010 non-equity units

- The performance measures, measurement dates and vesting schedules mirror those attaching to the Executive LTI grants and HPR grants made on the same dates outlined above.
- The redemption of each vested unit will result in the payment of the market value of the notional number of Toll shares in respect of each Toll non–equity unit, as at the close of trading on the ASX business date before the redemption of the vested non–equity unit less the exercise price, if any, provided the amount is greater than zero. If the amount is zero, the non–equity units will expire without redemption and no cash is payable.

November 2008 and June 2008 non-equity units

- The performance measures, measurement dates and vesting schedules mirror those attaching to the Executive LTI grants made on the same dates outlined above.
- The redemption of each vested unit under the November 2008 grant will result in the payment of the market value of the notional number of Toll shares in respect of each Toll non–equity unit, as at the close of trading on the ASX business date before the redemption of the vested non–equity unit less the exercise price, provided the amount is greater than zero. If the amount is zero, the non–equity units will expire without redemption and no cash is payable.
- The redemption of each vested unit under the June 2008 grant will result in the payment of the value of the notional number of Toll shares at the redemption date, less the notional issue price of the unit. The value of a Toll share will be equal to the 5 trading day VWAP of Toll shares up to and including the redemption date.

Equity valuations

Toll engages an external expert, PricewaterhouseCoopers (PwC), to independently value the required equity. PwC uses two well accepted option valuation models generally in use (and accepted by AASB 2), i.e. the Black–Scholes Option Pricing Model and the Binomial Option Pricing Model. These models take into account factors including the performance conditions, share price volatility, life of the instrument, dividend yield and share price at grant date. In estimating the expected future volatility of Toll shares over the life of the instruments, PwC had regard to the historic volatility of Toll over the past five years.

The following table provides details of the inputs and the valuations of the equity instruments issued during the year:

<table>
<tr><th>Type of equity</th><th>First possible vesting date</th><th>Equity fair value $</th><th>Grant date</th><th>Exercise price $</th><th>Share closing price at valuation $</th><th>Toll expected volatility %</th><th>Equity term (years)</th><th>Expected dividend yield %</th><th>Risk free interest rate %</th><th>Vesting period (years)</th><th>Expected life (years)</th></tr>
<tr><td>LTI Options – Tranche 1 (EPS)</td><td>28 September 2014</td><td>0.90</td><td rowspan="2">28 September 2011</td><td rowspan="2">4.70</td><td rowspan="2">4.53</td><td rowspan="2">35</td><td rowspan="2">5.00</td><td rowspan="2">4.5</td><td rowspan="2">3.14</td><td>3.00 – 5.00</td><td>3.00 – 5.00</td></tr>
<tr><td>LTI Options – Tranche 2 (TSR)</td><td>28 September 2014</td><td>0.81</td><td>3.00</td><td>3.00</td></tr>
<tr><td>LTI Rights – Tranche 1 (EPS)</td><td>28 September 2014</td><td>4.01</td><td rowspan="2">28 September 2011</td><td rowspan="2">Nil</td><td rowspan="2">4.53</td><td rowspan="2">35</td><td rowspan="2">5.00</td><td rowspan="2">4.5</td><td rowspan="2">3.11</td><td>3.00 – 5.00</td><td>3.00 – 5.00</td></tr>
<tr><td>LTI Rights – Tranche 2 (TSR)</td><td>28 September 2014</td><td>2.71</td><td>3.00</td><td>3.00</td></tr>
<tr><td rowspan="3">Restricted Rights</td><td>31 December 2012</td><td>4.33</td><td rowspan="3">28 September 2011</td><td rowspan="3">Nil</td><td rowspan="3">4.53</td><td rowspan="3">35</td><td rowspan="3">5.00</td><td rowspan="3">4.5</td><td>3.46</td><td>1.25</td><td>1.25</td></tr>
<tr><td>11 March 2013</td><td>4.29</td><td>3.46</td><td>1.50</td><td>1.50</td></tr>
<tr><td>28 September 2013</td><td>4.19</td><td>3.23</td><td>2.00</td><td>2.00</td></tr>
</table>

28. Financial instruments

Financial risk management

Overview

The Group has exposure to the following risks in its normal course of business:

- credit risk
- liquidity risk, and
- market risk.

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board, through the Audit and Financial Risk Committee, oversees the establishment, implementation and ongoing review of the Group's risk management and internal compliance and control system. The internal control system covers financial risks.

The Audit and Financial Risk Committee considers any matters relating to the financial affairs of the Group that it determines to be necessary. In addition, the Committee examines any other matters referred to it by the Board.

The duties of the Audit and Financial Risk Committee include, amongst others, duties relating specifically to financial risk management including monitoring corporate risk assessment and internal controls and monitoring risks relating to credit, liquidity, currency, interest rate, and other market exposures. The Audit and Financial Risk Committee reports regularly to the Board of Directors on its activities.

The Group enters into derivative instruments for risk management purposes only. Derivative transactions are entered into to hedge the risks relating to underlying physical positions arising from business activities. Group policy is not to enter, issue or hold derivative financial instruments for speculative trading purposes.

Credit risk

Credit risk represents the risk of financial loss that would be recognised if counterparties failed to perform as contracted, and arises principally on the Group's receivables from customers, investments, cash held with financial institutions, and derivatives held with various counterparties.

At balance sheet date there were no significant concentrations of credit risk.

Trade and other receivables

The Group minimises concentrations of credit risk by undertaking transactions with a large number of individual customers. The Group is not materially exposed to any individual customer, which is consistent with its diverse customer base.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The exposure to credit risk is further diversified through the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate.

The Group has established an allowance for impairment losses that represents an estimate of incurred losses in respect of trade and other receivables.

Investments (cash and cash deposits)

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a credit rating of at least A from Standard & Poor's or A2 from Moody's. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Derivative financial instruments

The Group enters into derivative financial instruments for foreign exchange, interest rates and commodity based derivative transactions with financial institutions that have a credit rating of at least A from Standard & Poor's or A2 from Moody's. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations. Management has established policies which limit the exposure of the Group to any individual counterparty.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding as required and the ability to close-out market positions if necessary. Due to the dynamic nature of the underlying businesses, Group Treasury aims at maintaining flexibility in funding by keeping adequate liquidity available so as to be able to take advantage of new investment opportunities that may arise. The Group's policy is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, notes and the overnight money market across a range of maturities. Although the bank loans have fixed maturity dates, from time to time they are reviewed and extended, thus deferring the repayment of principal. The Group aims to spread maturities evenly to avoid excessive refinancing in any period.

Liquidity risk is managed by using the operating cash flows of the underlying business. The Group regularly forecasts future cash flows, in addition to the annual budgeting process, to gauge future funding requirements and ensure sufficient capacity to meet those requirements.

The Group aims to maintain flexibility in funding by keeping committed credit lines available with a variety of counterparties. At 30 June 2012 the Group had unutilised committed debt facilities of $396.4 million (2011: $806.5 million).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, fuel prices and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group enters into derivative financial instruments, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set out in the Group Treasury policy which has been approved by the Audit and Financial Risk Committee. Generally the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

At 30 June 2012, the Toll Group held various types of derivative financial instruments that were designated as cash flow hedges of future transactions.

These were:

- Hedging of future interest payments with interest rate derivative contracts (swaps), and
- Hedging of certain foreign currency revenue receipts and operational payments in foreign currency with foreign exchange derivative contracts (forwards).

Any gains/losses on contracts entered into to hedge anticipated specific sales and purchase of goods and services, together with the cost of contracts are recognised in the profit or loss at the time the underlying transaction occurs.

At 30 June 2012, the Group held various types of derivative financial instruments that were designated as cash flow hedges of future transactions. The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and are expected to impact profit or loss.

	Carrying amount $M	Expected cash flows $M	6 months or less $M	6 to 12 months $M	1 to 2 years $M	2 to 5 years $M	More than 5 years $M
30 June 2012							
Interest rate swaps							
Assets	–	–	–	–	–	–	–
Liabilities	(18.4)	(19.4)	(3.6)	(3.7)	(7.1)	(5.0)	–
Cross currency interest rate swaps							
Assets	1.3	2.6	0.4	0.7	1.5	–	–
Liabilities	–	–	–	–	–	–	–
Forward exchange contracts							
Assets	–	–	–	–	–	–	–
Liabilities	(0.1)	(0.1)	(0.1)	–	–	–	–
	(17.2)	**(16.9)**	**(3.3)**	**(3.0)**	**(5.6)**	**(5.0)**	**–**
30 June 2011							
Interest rate swaps							
Assets	0.9	1.0	–	–	(0.7)	1.6	0.1
Liabilities	(10.0)	(10.9)	(5.2)	(3.0)	(3.5)	0.4	0.4
Forward exchange contracts							
Assets	–	–	–	–	–	–	–
Liabilities	(1.4)	(1.4)	(0.7)	(0.6)	(0.1)	–	–
	(10.5)	**(11.3)**	**(5.9)**	**(3.6)**	**(4.3)**	**2.0**	**0.5**

Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the entity's respective functional currency. The currencies giving rise to this risk are primarily Singapore dollar, Hong Kong dollar, United States dollar and Sterling.

Toll Group conducts a review of forward exchange exposures across the business and are of the view that sufficient offsets exist that negate the need to hedge foreign exchange exposures. In certain circumstances the Group uses forward exchange contracts to hedge its currency risk.

The Group classifies its forward exchange contracts hedging forecast transactions as cash flow hedges. The cash flows are expected to occur at various dates within 1 month of the balance sheet date. For the year ended 30 June 2012, other financial assets and liabilities of the Group include derivative financial instruments used to hedge forecast foreign currency transactions with a cumulative net fair value loss of $0.1 million (2011: $1.4 million).

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily Singapore dollar and Hong Kong dollar. These provide economic hedges.

Toll has issued US Private Placement notes, the proceeds of this transaction were converted into Singapore dollars and Hong Kong dollars via cross currency interest rate swaps. These provide economic hedges.

A portion of the Group's Singapore dollar denominated borrowings are designated as a net investment hedge of the Group's investment in its Singapore controlled entities. The carrying amount of the debt used to hedge the Singapore investment at 30 June 2012 was $604.1 million (2011: $575.3 million). In addition the SGD leg of the USD/SGD cross currency interest rate swaps are designated as a net investment hedge of the Group's investment in its Singapore controlled entities.

A portion of the Group's Hong Kong dollar denominated borrowings are designated as a net investment hedge of the Group's investment in its Hong Kong controlled entities. The carrying amount of the debt used to hedge the Hong Kong investment at 30 June 2012 was $211.8 million (2011: $118.9 million). In addition the HKD leg of the USD/HKD cross currency interest rate swaps are designated as a net investment of the Group's investment in its Hong Kong controlled entities.

A portion of the Group's sterling denominated borrowings are designed as a net investment hedge of the Group's investment in its UK controlled entities. The carrying amount of the debt used to hedge the UK investment at 30 June 2012 was $51.3 million (2011: $50.2 million).

The Group holds a floating-for-floating AUD/GBP cross currency interest rate swap which is designated as a net investment hedge of the Group's investment in the UK controlled entities. The cumulative fair value gain of the cross currency interest rate swap as at 30 June 2012 was $3.0 million (2011: $3.7 million).

During the year Toll increased its US dollar denominated borrowings, the proceeds of this transaction were converted in Japanese Yen via cross currency interest rate swaps. The carrying amount of the borrowings at 30 June 2012 was $63.8 million. These provide economic hedges.

Interest rate risk

The Group is exposed to interest rate risk arising from its borrowings.

The Group enters into interest rate swaps to manage cash flow interest rate risks associated with movements in interest rates on borrowings and leases.

The majority of the Group's term and other loans attract floating interest rates. In addition the Group held floating-for-floating cross currency interest rate swaps and had an operating lease which attracts floating interest rates. The Group adopts a policy of ensuring that per currency between 40 and 80 per cent of its exposure to changes in interest rates is on a fixed rate basis. The Group uses floating-to-fixed interest rate swaps to achieve an appropriate mix of fixed and floating rate exposure.

In terms of principal outstanding at 30 June 2012, floating-to-fixed interest rate swaps currently in place cover approximately 40% (2011: 40%) of the Group's term and other loans and cross currency interest rate swaps. The fixed interest rates of all swaps range between 0.61% and 5.78% (2011: 1.01% and 5.78%) and the variable rates between 0.36% and 3.52% (2011: 0.21% and 5.03%). The contracts require settlement of net interest receivable or payable every 90 days.

Other market price risk

Commodity price risk

Commodity price risk mainly arises on the Group's exposure to diesel and jet fuel prices through certain customer contracts. The Group seeks to have fuel surcharge mechanisms in place within customer contracts to mitigate the effects of rising diesel prices on the Group.

During the years ended 30 June 2012 and 2011, the Group's fuel price management strategy aimed to provide the Group with protection against sudden and significant increases in fuel prices while ensuring that the Group was not competitively disadvantaged in the event of a substantial rise or fall in the price of fuel.

Group Treasury is responsible for managing the current fuel price exposure by using swap and/or option contracts designated as hedges of price risk on specific volumes of fuel purchases. The Group uses swaps and/or options to hedge the exposure to movements in the price of fuel where it considers there are customer contracts that do not mitigate the effects of rising fuel prices on the Group. Hedging is conducted in accordance with Toll Group Policy. As at 30 June 2012 the Group held no fuel hedges (2011: nil).

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sale requirements.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, to sustain future development of the business, to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain the appropriate capital structure, the Group may adjust the amount of dividends paid to shareholders, utilise a dividend reinvestment plan, return capital to shareholders or issue new equity, in addition to incurring an appropriate mix of long and short term borrowings.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by net debt plus total equity. In addition the Group monitors various other credit metrics, principally interest cover ratio (EBIT divided by net financing costs), leverage (financial indebtedness by EBITDA), return on capital (EBIT divided by net debt plus shareholders' equity) and also the level of dividends to owners of the Company.

The interest cover and leverage are also monitored to ensure an adequate buffer against covenant levels under various facilities.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its controlled entities are subject to externally imposed capital requirements.

Credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at balance sheet date was:

		Carrying amount	
	Note	2012 $M	2011 $M
Other cash deposits	16	16.3	17.3
Receivables	14	1,142.2	1,138.4
Cash and cash equivalents	13	569.1	496.5
Investments	18	4.7	6.1
Interest rate swaps	16	–	0.9
Cross currency interest rate swaps used for net investment hedging	16	9.7	18.8
Cross currency interest rate swaps used for cash flow hedging	16	1.3	–
Other forward exchange contracts	16	5.6	4.7
		1,748.9	**1,682.7**

The Group's maximum exposure to credit risk for loans and receivables at balance sheet date by geographic region was:

	Carrying amount	
	2012 $M	2011 $M
Australia/New Zealand	613.8	600.9
Asia	319.1	339.8
Other regions	209.3	197.7
	1,142.2	**1,138.4**

The Group has no significant concentration of credit risk with any one customer due to its diverse customer base.

Impairment losses

The aging of the Group's trade receivables at balance sheet date was:

	Note	Gross 2012 $M	Impairment 2012 $M	Gross 2011 $M	Impairment 2011 $M
Not past due		654.5	(1.0)	671.3	(1.1)
Past due 1-30 days		189.6	(1.0)	173.4	(1.5)
Past due 31-120 days		69.8	(0.9)	85.1	(0.6)
Past due 121 days to one year		26.4	(15.6)	32.1	(19.2)
	14	**940.3**	**(18.5)**	**961.9**	**(22.4)**

Trade receivables are carried at the amount invoiced. Receivables that are not past due and not impaired are considered recoverable. Payment terms are generally 30 days. A risk assessment process is used for all accounts, with a stop credit process in place for most long overdue accounts.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2012 $M	2011 $M
Balance as at 1 July	22.4	18.7
Impairment loss recognised	12.7	9.9
Impairment loss reversed	(5.2)	(3.8)
Impairment loss utilised	(11.2)	(2.3)
Foreign exchange loss	(0.2)	(0.1)
Balance as at 30 June	**18.5**	**22.4**

The impairment loss recognised at 30 June 2012 relates mainly to collective impairment raised on past due receivables in accordance with Toll Group policy, which reflect historical default rates on similar receivables balances. There were no individually significant impaired receivables from particular customers.

No collateral is held by the Group in respect of receivable balances from customers.

During the year ended 30 June 2012, there were no renegotiations of trade receivables by the Group (2011: nil).

The allowance for impairment in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the receivable directly.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments based on conditions existing at balance sheet date and including the impact of netting agreements for derivatives:

	Carrying amount $M	Contractual cash flows $M	6 months or less $M	6 to 12 months $M	1 to 2 years $M	2 to 5 years $M	More than 5 years $M
30 June 2012							
Non-derivative financial liabilities							
Term and other loans and bank overdrafts	1,699.7	1,803.8	116.3	127.5	734.2	637.0	188.8
Finance lease liabilities	8.2	9.0	1.9	1.2	5.9	–	–
Hire-purchase liabilities	0.4	0.4	0.2	0.1	0.1	–	–
Trade and other payables	892.9	892.9	827.1	65.6	0.2	–	–
Other financial liabilities	25.7	25.7	20.7	3.8	–	–	1.2
Derivative financial liabilities							
Interest rate swaps used for cash flow hedging	18.4	19.4	3.6	3.7	7.1	5.0	–
Forward exchange contracts used for cash flow hedging	0.1	0.1	0.1	–	–	–	–
Other forward exchange contracts	5.6	5.7	3.7	2.0	–	–	–
	2,651.0	**2,757.0**	**973.6**	**203.9**	**747.5**	**642.0**	**190.0**

	Carrying amount $M	Contractual cash flows $M	6 months or less $M	6 to 12 months $M	1 to 2 years $M	2 to 5 years $M	More than 5 years $M
30 June 2011							
Non-derivative financial liabilities							
Term and other loans and bank overdrafts	1,500.7	1,590.6	917.9	19.6	161.7	306.8	184.6
Finance lease liabilities	14.9	17.2	3.3	2.9	3.7	7.3	–
Hire-purchase liabilities	0.8	1.1	0.6	0.2	0.2	0.1	–
Trade and other payables	881.6	881.6	842.4	34.7	4.4	0.1	–
Other financial liabilities	15.4	12.7	9.7	0.1	0.5	1.2	1.2
Derivative financial liabilities							
Interest rate swaps used for cash flow hedging	10.0	10.9	5.2	3.0	3.5	(0.4)	(0.4)
Cross currency interest rate swap used for net investment hedging							
Outflow	26.3	465.4	86.2	5.2	33.4	136.6	204.0
Inflow	(18.8)	(447.9)	(98.7)	(6.3)	(37.3)	(121.1)	(184.5)
Forward exchange contracts used for cash flow hedging	1.4	1.4	0.7	0.6	0.1	–	–
Other forward exchange contracts	4.6	4.6	3.3	1.3	–	–	–
	2,436.9	**2,537.6**	**1,770.6**	**61.3**	**170.2**	**330.6**	**204.9**

Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk at balance sheet date was as follows, based on notional amounts and in Australian dollar equivalents:

	SGD $M	HKD $M	GBP $M	USD $M	OTHER $M
30 June 2012					
Cash at bank	0.2	0.2	0.5	19.8	16.6
Trade receivables	–	0.2	–	41.5	5.2
Term and other loans	(604.1)	(211.8)	(51.3)	(340.3)	(1.5)
Trade payables	(2.6)	(1.4)	(1.1)	(13.3)	(9.1)
Gross statement of financial position exposure	(606.5)	(212.8)	(51.9)	(292.3)	11.2
Cross currency interest rate swaps	(224.2)	(49.8)	(23.7)	337.9	–
Net exposure	**(830.7)**	**(262.6)**	**(75.6)**	**45.6**	**11.2**
30 June 2011					
Cash at bank	0.2	1.8	0.3	27.1	11.9
Trade receivables	–	0.7	–	43.0	11.6
Term and other loans	(575.3)	(119.4)	(50.1)	(261.0)	(2.2)
Trade payables	(3.1)	(1.5)	0.5	(20.6)	(8.2)
Gross statement of financial position exposure	(578.2)	(118.4)	(49.3)	(211.5)	13.1
Cross currency interest rate swaps	(212.8)	(47.3)	(22.9)	260.0	–
Net exposure	**(791.0)**	**(165.7)**	**(72.2)**	**48.5**	**13.1**

The following significant exchange rates applied during the year:

	Average rate		Balance sheet spot	
	2012	2011	2012	2011
SGD	1.3003	1.2788	1.2830	1.3037
HKD	8.0325	7.7002	7.7873	8.2359
GBP	0.6435	0.6578	0.6323	0.6547
USD	1.0329	0.9904	1.0034	1.0575

Sensitivity analysis

A 10 per cent strengthening/weakening of the Australian dollar against the following currencies at the balance sheet date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011.

	10% strengthening of AUD		10% weakening of AUD	
Effect	Equity $M	Profit or loss $M	Equity $M	Profit or loss $M
30 June 2012				
SGD	79.0	0.2	(96.5)	(0.3)
HKD	24.4	0.1	(29.9)	(0.1)
GBP	6.5	0.1	(8.0)	(0.1)
USD	(3.3)	(4.2)	4.0	5.2
Other	(0.1)	(1.1)	0.1	1.2
30 June 2011				
SGD	75.6	0.3	(92.4)	(0.3)
HKD	14.5	(0.2)	(17.8)	0.2
GBP	4.2	(0.1)	(5.2)	0.1
USD	(1.4)	(4.4)	1.8	5.4
Other	–	(1.2)	–	1.5

Interest rate risk profile

At balance sheet date the interest rate profile of the Group's interest bearing financial instruments was:

	Carrying amount	
	2012 $M	2011 $M
Fixed rate instruments		
Financial assets	98.4	130.0
Financial liabilities	(653.5)	(683.4)
	(555.1)	**(553.4)**
Variable rate instruments		
Financial assets	490.3	368.4
Financial liabilities	(1,059.9)	(837.3)
	(569.6)	**(468.9)**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the balance sheet date would have increased/(decreased) equity and profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

	Profit or loss		Equity	
	100bp increase $M	100bp decrease $M	100bp increase $M	100bp decrease $M
30 June 2012				
Variable rate instruments	(8.1)	9.2	–	–
Interest rate swaps	(2.8)	2.8	2.5	0.9
Cash flow sensitivity (net)	**(10.9)**	**12.0**	**2.5**	**0.9**
30 June 2011				
Variable rate instruments	(9.0)	8.8	–	–
Interest rate swaps	(2.7)	2.6	1.4	(1.0)
Cash flow sensitivity (net)	**(11.7)**	**11.4**	**1.4**	**(1.0)**

Fair values (carrying amount/fair value)

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

		30 June 2012		30 June 2011	
	Note	Carrying amount $M	Fair value $M	Carrying amount $M	Fair value $M
Investments	18	4.7	4.7	6.1	6.1
Receivables	14	1,142.2	1,142.2	1,138.4	1,138.4
Cash and cash equivalents	13	569.1	569.1	496.5	496.5
Interest rate swaps used for hedging:					
Assets		–	–	0.9	0.9
Liabilities		(18.4)	(18.4)	(10.0)	(10.0)
Cross currency interest rate swaps used for net investment hedging:					
Assets		9.7	9.7	18.8	18.8
Liabilities		–	–	(26.3)	(26.3)
Cross currency interest rate swaps used for cash flow hedging:					
Assets		1.3	1.3	–	–
Liabilities		–	–	–	–
Forward exchange contracts used for cash flow hedging:					
Assets		–	–	–	–
Liabilities		(0.1)	(0.1)	(1.4)	(1.4)
Other forward exchange contracts:					
Assets		5.6	5.6	4.7	4.7
Liabilities		(5.6)	(5.6)	(4.6)	(4.6)
Term and other loans and bank overdrafts	23	(1,699.7)	(1,699.7)	(1,500.7)	(1,500.7)
Finance lease liabilities	23	(8.2)	(8.2)	(14.9)	(14.9)
Hire-purchase liabilities	23	(0.4)	(0.4)	(0.8)	(0.8)
Other financial liabilities	25	(25.7)	(25.7)	(15.4)	(15.4)
Payables	22	(892.9)	(892.9)	(881.6)	(881.6)
		(918.4)	**(918.4)**	**(790.3)**	**(790.3)**

The basis for determining fair values is disclosed in note 3.

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $M	Level 2 $M	Level 3 $M
30 June 2012			
Listed equity securities	0.2	–	–
Derivative financial assets	–	16.6	–
	0.2	**16.6**	**–**
Derivative financial liabilities	–	(24.2)	–
	–	**(24.2)**	**–**
30 June 2011			
Listed equity securities	1.8	–	–
Derivative financial assets	–	24.4	–
	1.8	**24.4**	**–**
Derivative financial liabilities	–	(42.3)	–
	–	**(42.3)**	**–**

29. Contingencies

The following contingent liabilities are generally considered remote. However, the Directors consider they should be disclosed. The Directors are of the opinion that provisions are not required.

- There are a number of legal claims and exposures which arise from the ordinary course of business. There is significant uncertainty as to whether a future liability will arise in respect of these items. The amount of liability, if any, which may arise cannot be reliably measured at this time.
- At 30 June 2012 the Group, on behalf of its subsidiaries, held various parent and bank guarantees outstanding in the normal course of business. Many of these obligations to external parties have already been recognised in the Group's financial statements; however, where the payout of the guarantee is not probable the Group has not provided for such amounts in the financial statements.
- There are guarantees relating to certain leases of property arising in the ordinary course of business.
- Consistent with other companies of the size of Toll, the Group is subject to periodic information requests, investigations and audit activities by the Australian Taxation Office and other tax authorities. Provisions for such matters will be recognised if a present obligation in relation to a taxation liability exists which can be reliably measured.

30. Commitments for expenditure

	Note	2012 $M	2011 $M
(a) Capital expenditure commitments			
Total capital expenditure contracted at balance date but not provided for in the financial statements, payable:			
Not later than one year		101.2	109.8
Later than one year but not later than five years		–	0.1
Later than five years		–	–
		101.2	**109.9**
Comprising:			
Property		79.1	76.3
Aircraft		–	15.9
Other plant and equipment		22.1	17.7
		101.2	**109.9**
(b) Non-cancellable operating lease commitments			
Future non-cancellable operating lease rentals of property, plant and equipment, not provided for in the financial statements, payable:			
Not later than one year		270.4	257.4
Later than one year but not later than five years		558.3	571.3
Later than five years		328.0	302.1
		1,156.7	**1,130.8**
Comprising:			
Property		1,026.5	981.7
Aircraft		18.8	25.6
Other plant and equipment		111.4	123.5
		1,156.7	**1,130.8**
(c) Finance lease and hire-purchase commitments			
Finance lease rentals and hire-purchase payables are as follows:			
Not later than one year		3.1	5.9
Later than one year but not later than five years		5.5	9.8
Later than five years		–	–
Future lease rentals		8.6	15.7
Less future finance charges		–	–
Total finance lease and hire-purchase commitments in financial statements		**8.6**	**15.7**
Finance lease commitment			
Current	23	2.7	5.3
Non current	23	5.5	9.6
Total lease liability		8.2	14.9
Hire-purchase liability			
Current	23	0.4	0.6
Non current	23	–	0.2
Total hire-purchase liability		0.4	0.8
		8.6	**15.7**

31. Related parties

Apart from the details disclosed in this note, no key management personnel (KMP) have entered into a material contract with the Company or the Group since the end of the previous financial year and there are no material contracts involving key management personnel interests existing at year end.

Remuneration, retirement benefits and service arrangements of KMP

The key management personnel compensation included in the personnel expense is as follows:

	2012 $'000	2011 $'000
Short term employee benefits	13,133	15,482
Post-employment benefits	2,294	364
Other long-term benefits	–	–
Termination benefits	1,505	–
Share based payments	4,413	3,885
	21,345	**19,731**

There are non-material variations between this table and the version originally released to the ASX on 27 August 2012. Incorrect allocations between cash salary, non-monetary remuneration and superannuation for some executives have been amended. Total remuneration disclosures remain unchanged.

Information regarding individual Directors' and executives' compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the Remuneration Report section of the Directors' Report.

Other transactions of Directors and Director related entities and key management personnel with the Group

The Group hired aircraft from Little Aviation Pty Ltd during the first half of the year. Paul Little is a Director of Little Aviation Pty Ltd. An amount of $127,007 (2011: $372,820) was charged to the Group by Little Aviation Pty Ltd during the first half of the year. Of this amount, $nil (2011: $27,922) remained payable at 30 June 2012.

During the year the Group provided a sponsorship of $125,640 (2011: $111,000) to the Essendon Football Club. This sponsorship provides marketing opportunities for the Group and was based on commercial terms. Paul Little was a Director of the Group during part of the financial year and is a Director of the Essendon Football Club.

Ownership interests in related parties

Interests held in related parties are set out in notes 32 and 33.

Transactions with related parties

The Group has entered into contracts in relation to the supply of transport and logistics services with certain related parties. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

	2012 $'000	2011 $'000
Purchases of goods and services		
Associates	400	947
Revenue from services provided		
Associates		
Revenue for sales, rental and management fee	2,371	7,112

Other balances with related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2012 $'000	2011 $'000
Receivables		
Associates	1,167	1,597
Payables		
Associates	110	114

Outstanding balances at year end are unsecured and settlement occurs in cash.

No guarantees are provided or received for any related party receivables or payables.

No allowance for impairment losses has been recognised in respect of amounts due from related parties.

32. Particulars in relation to controlled entities

Name of entity	Note	Date relief granted [(a)]	Country of incorporation	Ownership interest 2012 %	2011 %
The Company					
Toll Holdings Limited					
Controlled entities of Toll Holdings Limited					
246 Miller Pty Ltd			Australia	100	100
ACN 124 936 143 Pty Ltd			Australia	100	100
Albany Nominees Pty Ltd			Australia	100	100
Asia Express Holdings Pte Ltd			Singapore	100	100
Autotrans Express (Aust) Pty Ltd	(a)	26 May 2010	Australia	100	100
BALtrans (China) Ltd	(c)		Hong Kong	100	100
BALtrans Exhibition & Removal Ltd			Hong Kong	60	60
BALtrans International Cargo Ltd			Peoples Republic of China	100	100
BALtrans International Moving Ltd			Hong Kong	70	70
BALtrans International Moving Pte Ltd	(c)		Singapore	70	70
BALtrans International Special Freight Ltd			Peoples Republic of China	60	60
BALtrans Logistics (China) Ltd			Peoples Republic of China	100	100
BALtrans Logistics (Shanghai) Ltd			Peoples Republic of China	100	100
BALtrans Logistics Ltd			Hong Kong	100	100
BALtrans Ltd Xian			Peoples Republic of China	60	60
BALtrans Ocean Inc.			USA	100	100
Bulkships (Hull 4381 & 4382) Pty Ltd	(a)	26 May 2010	Australia	100	100
C J Dean Transport Pty Ltd	(a)	26 May 2010	Australia	100	100
Cat-Link Ship Investments Pty Ltd			Australia	75	75
CFLAI Inc.			USA	100	100
Complete Logistics Company Ltd			Thailand	100	100
Condor Marine Services (Luxembourg) SA	(c)		Luxembourg	100	100
Corporate Century Ltd			British Virgin Islands	100	100
Courier Australia Group Pty Ltd	(a)	26 May 2010	Australia	100	100
Courier Holdings Pty Ltd	(a)	26 May 2010	Australia	100	100
Cumberlane Holdings Pty Ltd			Australia	100	100
Dangerous Goods Management (Singapore) Pte Ltd			Singapore	70	70
DPEX Worldwide Co. Ltd			Peoples Republic of China	100	100
Dynamic Container Line Ltd	(c)		British Virgin Islands	100	100
Dynamic Logistics (Hong Kong) Ltd			Hong Kong	100	100
Exhibitstrans Logistics Ltd			Hong Kong	60	60
Extra Equipment Rentals Pty Ltd	(a)	26 May 2010	Australia	100	100
Footwork Express Fleet Co. Ltd	(b)		Japan	–	100
FMI HoldCo Inc.			USA	100	100
FMI Inc.			USA	100	100
FMI West (ML) Inc.			USA	100	100
FNet Co. Ltd	(b)		Japan	–	100
Fracht Forwarding & Travels (Pvt) Ltd			India	100	100
Freight Solutions International LLC	(c)		USA	100	100
Fuel Handling Systems Limited			United Kingdom	100	100
Genesis Forwarding Group Limited			United Kingdom	100	100

Name of entity	Note	Date relief granted [a]	Country of incorporation	Ownership interest 2012 %	Ownership interest 2011 %
Genesis Forwarding Group USA Inc.			USA	100	100
Genesis Forwarding Property Services Limited			United Kingdom	100	100
Genesis Forwarding Services (Ireland) Limited			Ireland	100	100
Genesis Forwarding Services CA Inc.			USA	100	100
Genesis Forwarding Services HK Holdings Limited			Hong Kong	100	100
Genesis Forwarding Services HK Limited			Hong Kong	100	100
Genesis Forwarding Services IL Inc.			USA	100	100
Genesis Forwarding Services Limited			United Kingdom	100	100
Genesis Forwarding Services NY Inc.			USA	100	100
Genesis Freight Forwarding Services Inc.			USA	100	100
Gluck Pty Ltd	(a)	26 May 2010	Australia	100	100
Guangdong Supreme International Forwarding Agency Company Ltd	(c)		Peoples Republic of China	100	100
Guangzhou Toll Warehousing Services Co. Ltd			Peoples Republic of China	100	100
Gulf Freight Services Pty Ltd			Australia	100	100
Helicorp Pty Ltd			Australia	100	100
Helijet Services Pty Ltd			Australia	100	100
Holyman (Luxembourg) SA	(c)		Luxembourg	100	100
Holyman (NZ) Pty Ltd			Australia	100	100
Holyman (UK) Ltd	(c)		United Kingdom	100	100
Holyman Operations Pty Ltd			Australia	100	100
Holyman Pty Ltd			Australia	100	100
Holyman Shipping Services SPRL			Democratic Republic of the Congo	100	100
Holyman Superannuation Pty Ltd			Australia	100	100
Holyman Transport Pty Ltd	(a)	26 May 2010	Australia	100	100
IdeaLab Solutions Pte Ltd			Singapore	100	–
Intravest Pty Ltd	(a)	26 May 2010	Australia	100	100
Inverlael Pty Ltd	(a)	26 May 2010	Australia	100	100
Jamison Equity Pty Ltd	(a)	26 May 2010	Australia	100	100
JLS Logistics (Hong Kong) Ltd	(c)		Hong Kong	100	100
JLS Logistics (Singapore) Pte Ltd	(c)		Singapore	100	100
JLS Logistics (Thailand) Ltd			Thailand	100	100
JLS Transport Services (China) Ltd			Hong Kong	100	100
JTS Transport Services (Delaware) Ltd			USA	100	100
Kilda Express Pte Ltd			Singapore	100	100
Kyushu Sankyo Unyu Co. Ltd			Japan	100	100
Lang Securities Pty Ltd	(a)	26 May 2010	Australia	100	100
Liberty Cargo Systems Pty Ltd			Australia	100	100
Liberty Pacific Pty Ltd			Australia	100	100
Logistics 21 Pte Ltd			Singapore	100	100
Logistics Distributions System LLC			United Arab Emirates	100	100
Maremma Pty Ltd	(a)	26 May 2010	Australia	100	100
Marigold Logistics Limited			Hong Kong	100	100
Mather & Platt (Engineering) Ltd			Hong Kong	100	100
Mather & Platt Investments Pty Ltd			Australia	100	100
Mulgara Pty Ltd	(a)	26 May 2010	Australia	100	100
Mitchell East Pty Ltd			Australia	100	100

32. Particulars in relation to controlled entities (continued)

Name of entity	Note	Date relief granted [a]	Country of incorporation	Ownership interest 2012 %	Ownership interest 2011 %
Mitchell Fleet Partners Pty Ltd			Australia	100	100
Mitchell North Pty Ltd			Australia	100	100
Mitchell Resources Pty Ltd			Australia	100	100
Muragawa Logistics Ltd			Hong Kong	100	100
Offshore Joint Services (Bases) Company of Singapore Pte Ltd			Singapore	75	75
Oil Tex (Thailand) Co. Ltd			Thailand	60	60
OTI Holdco Inc.			USA	100	100
Patrick Logistics Superannuation Pty Ltd			Australia	100	100
Patrick Packing Services Pty Ltd			Australia	100	100
Patrick Shipping Pty Ltd			Australia	100	100
Plexis Services Inc.			USA	100	100
Perkins Group Holdings Pty Ltd	(a)	26 May 2010	Australia	100	100
Perkins Industries Pty Ltd	(a)	26 May 2010	Australia	100	100
Perkins Lady Jane Pty Ltd			Australia	100	100
Perkins Maritime Pty Ltd			Australia	100	100
Perkins Properties Pty Ltd			Australia	100	100
Perkins Shipping (Singapore) Pte Ltd			Singapore	100	100
Perkins Shipping Pty Ltd	(a)	26 May 2010	Australia	100	100
Perkins Trisha Kate Pty Ltd			Australia	100	100
PRK Corporation Pty Ltd	(a)	26 May 2010	Australia	100	100
PT Bahana Perintis Indonesia			Indonesia	100	100
PT BALtransindo			Indonesia	90	90
PT Interglobal Jasa Karya Indonesia			Indonesia	100	100
PT Sin Kepri Logistik			Indonesia	95	95
PT SK Logistik Indonesia			Indonesia	100	100
PT SK Pelarayan Indonesia			Indonesia	100	100
PT Toll Global Forwarding Indonesia			Indonesia	100	100
PT Toll Indonesia			Indonesia	51	51
Quexton Pty Ltd	(a)	26 May 2010	Australia	100	100
R&H Transport Services Pty Ltd			Australia	100	100
Refrigerated Roadways Pty Ltd			Australia	100	100
Resarta Pty Ltd	(a)	26 May 2010	Australia	100	100
Roper Properties Pty Ltd			Australia	100	100
Sanko Mic Corporation (formerly Sanko-Mic Co. Ltd)			Japan	100	100
Sanko Unyu Butsuryu Service Co. Ltd			Japan	100	100
SAT Albatross Sea Air Transport FZE			United Arab Emirates	100	100
Scarabus Pty Ltd	(a)	26 May 2010	Australia	100	100
Seamaster Global Forwarding (China) Ltd (formerly Seamaster Global Forwarding (Shanghai) Ltd)			Peoples Republic of China	100	100
Seamaster Global Forwarding (HK) Limited			Hong Kong	100	100
Seamaster Logistics Inc.			USA	100	100
Seatons Container Freight Station Pty Ltd			Australia	100	100
Sembawang Kimtrans Marine Pte Ltd			Singapore	100	100
Serenade Pty Ltd	(a)	26 May 2010	Australia	100	100
Shanghai Footwork Supply Chain Co. Ltd			Peoples Republic of China	100	100
Shenzhen ST-Anda Logistics Co. Ltd			Peoples Republic of China	100	100
Singapore Technologies Logistics Pte Ltd			Singapore	100	100

Name of entity	Note	Date relief granted [a]	Country of incorporation	Ownership interest 2012 %	2011 %
SOPS (Bangladesh) Private Ltd	(b)		Bangladesh	–	100
SOPS (Cambodia) Co. Ltd			Cambodia	100	100
SOPS Orient Caspian Pte Ltd			Bermuda	65	65
ST Airport Services Pte Ltd			Singapore	67	67
ST Engineering and Technology Solutions Pte Ltd			Singapore	100	100
ST Logistics (UK) Ltd			United Kingdom	100	100
ST Logistics (USA) Inc.			USA	100	100
ST Logistics Pte Ltd			Singapore	100	100
ST Medical Services Pte Ltd			Singapore	100	100
STARS (TL) Lda			Timor Leste	67	67
Stream Solutions (Holdings) Pty Ltd	(a)	26 May 2010	Australia	100	100
Stream Solutions Pty Ltd	(a)	26 May 2010	Australia	100	100
Summit International Logistics (China) Ltd (formerly Seamaster Logistics (China) Ltd)			Peoples Republic of China	100	100
Summit Logistics International (Shanghai) Ltd (formerly Seamaster Logistics (Shanghai) Ltd)			Peoples Republic of China	100	100
Summit Logistics International Holdings (HK) Ltd			Hong Kong	100	100
Summit Logistics International (SCM HK) Ltd			Hong Kong	100	100
Supreme Global Ltd (formerly Supreme Freight Consolidators (Ocean) Ltd)			Hong Kong	100	100
Supreme Logistics (Hong Kong) Limited			Hong Kong	100	100
TGF Customhouse Brokers Inc.			USA	100	100
TGF Charitable Foundation Inc.			USA	100	–
TGF Management Group Holdco Inc.			USA	100	100
Toll (Asia) Pte Ltd			Singapore	100	100
Toll (Corporate Services) Pty Ltd	(a)	26 May 2010	Australia	100	100
Toll (Cowra) Pty Ltd			Australia	100	100
Toll (FHL) Pty Ltd	(a)	26 May 2010	Australia	100	100
Toll (HK) Ltd			Hong Kong	100	100
Toll (India) Logistics Pvt Ltd			India	100	100
Toll (New Zealand) Ltd			New Zealand	100	100
Toll (PNG) Ltd			Papua New Guinea	100	100
Toll (PRK) Finance Pty Ltd	(a)	26 May 2010	Australia	100	100
Toll (PRK) Tasmania Pty Ltd	(a)	26 May 2010	Australia	100	100
Toll (Qingdao) Warehousing Services Co. Ltd			Peoples Republic of China	100	100
Toll (SCL) Ltd			Singapore	100	100
Toll (Taiwan) Ltd			Taiwan	100	100
Toll (Thailand) Ltd			Thailand	100	100
Toll (TL) Unipessoal Lda			Timor Leste	100	100
Toll (UK) Limited Partnership			Australia	100	100
Toll (USA) Inc.			USA	100	100
Toll (USA) Partnership			USA	100	100
Toll (Vietnam) Limited			Vietnam	100	100
Toll Aircraft Maintenance Pty Ltd			Australia	100	100
Toll ANL Bass Strait Shipping Pty Ltd			Australia	85	85
Toll Auto Logistics Investments (No.1) Pte Limited			Singapore	100	100
Toll Aviation Components Pty Ltd			Australia	100	100
Toll Aviation Engineering Pty Ltd			Australia	100	100

32. Particulars in relation to controlled entities (continued)

Name of entity	Note	Date relief granted [a]	Country of incorporation	Ownership interest 2012 %	2011 %
Toll Aviation Pty Ltd			Australia	100	100
Toll Carriers Limited			New Zealand	100	100
Toll Energy Logistics Pty Ltd	(a)	26 May 2010	Australia	100	100
Toll Equipment (FFM) Pty Ltd	(a)	26 May 2010	Australia	100	100
Toll Express (Asia) Pte Ltd			Singapore	100	100
Toll Express Japan Insurance Service Co. Ltd (formerly Footwork Insurance Service Co. Ltd)			Japan	100	100
Toll Express Japan Co. Ltd (formerly Footwork Express Co. Ltd)			Japan	100	100
Toll Express Japan Chubu Co. Ltd. (formerly Footwork Express Chubu Co. Ltd)			Japan	96	96
Toll Express Japan Insurance Co. Ltd (formerly Footwork Insurance Co. Ltd)			Japan	100	100
Toll Finance (NZ) Limited			New Zealand	100	100
Toll Finance Pty Ltd	(a)	26 May 2010	Australia	100	100
Toll Fleet Equipment (Malaysia) Sdn Bhd			Malaysia	70	70
Toll Funding (Singapore) Pte Ltd			Singapore	100	100
Toll Global Express Asia Holdings Pte Ltd			Singapore	100	100
Toll Global Express (HK) Ltd (formerly DPEX Worldwide Express Ltd)			Hong Kong	100	100
Toll Global Express (Singapore) Pte Ltd (formerly DPEX Worldwide Express Pte Ltd)			Singapore	100	100
Toll Global Express Holdings Pty Ltd	(a)	23 December 2011	Australia	100	100
Toll Global Express Transport (Singapore) Pte Ltd (formerly DPEX Transport Group Pte Ltd)			Singapore	100	100
Toll Global Forwarding Americas Inc.			USA	100	100
Toll Global Forwarding (BVI) Ltd			British Virgin Islands	100	100
Toll Global Forwarding Group (UK) Limited			United Kingdom	100	100
Toll Global Forwarding (Canada) Ltd			Canada	100	100
Toll Global Forwarding (China) Ltd			Peoples Republic of China	100	100
Toll Global Forwarding (Hong Kong) Ltd			Hong Kong	100	100
Toll Global Forwarding (India) Private Ltd			India	100	100
Toll Global Forwarding (Shenzhen) Ltd			Peoples Republic of China	100	100
Toll Global Forwarding (France) SAS			France	100	100
Toll Global Forwarding (Germany) GMBH			Germany	100	100
Toll Global Forwarding Lanka (Private) Ltd			Sri Lanka	84	84
Toll Global Forwarding (Malaysia) Sdn Bhd			Malaysia	100	100
Toll Global Forwarding (Middle East) Ltd			Hong Kong	100	100
Toll Global Forwarding (Netherlands) B.V.			Netherlands	100	100
Toll Global Forwarding (SA) (Pty) Ltd			South Africa	100	82
Toll Global Forwarding (SA) Investments (Pty) Ltd			South Africa	100	82
Toll Global Forwarding (Singapore) Pte Ltd			Singapore	100	100
Toll Global Forwarding (Switzerland) AG			Switzerland	100	100
Toll Global Forwarding (Taiwan) Ltd			Taiwan	100	100
Toll Global Forwarding (Thailand) Co. Ltd			Thailand	100	100
Toll Global Forwarding (UAE) LLC			Dubai	100	100
Toll Global Forwarding (USA) Inc.			USA	100	100
Toll Global Forwarding AB			Sweden	100	100
Toll Global Forwarding Cooperatief U.A.			Netherlands	100	100
Toll Global Forwarding Holdings (SA) (Pty) Ltd			South Africa	100	82

Name of entity	Note	Date relief granted [a]	Country of incorporation	Ownership interest 2012 %	Ownership interest 2011 %
Toll Global Forwarding Holdings (USA) Inc.			USA	100	100
Toll Global Forwarding Holdings AB			Sweden	100	100
Toll Global Forwarding Holdings Ltd			British Virgin Islands	100	100
Toll Global Forwarding International (BVI) Ltd			British Virgin Islands	100	100
Toll Global Forwarding Ltd			Bermuda	100	100
Toll Global Forwarding Pty Ltd	(a)	26 May 2010	Australia	100	100
Toll Global Forwarding Services (Malaysia) Sdn Bhd			Malaysia	100	100
Toll Global Forwarding Turkey Nakliyat Anonim Sirketi			Turkey	100	–
Toll Global Forwarding (UK) Ltd			United Kingdom	100	100
Toll Global Forwarding WC (SA) (Pty) Ltd			South Africa	100	82
Toll Global Forwarding Services Ltd			Hong Kong	100	100
Toll Global Forwarding (Vietnam) Co. Ltd			Vietnam	100	–
Toll Global Forwarding Zambia Limited			Zambia	100	–
Toll Global Logistics (Korea) Ltd			Republic of Korea	100	100
Toll Global Logistics Lanka (Pvt) Ltd			Sri Lanka	100	100
Toll Global Logistics Philippines Inc. (formerly Toll-Macro Asia Philippines Inc.)			Philippines	100	51
Toll Group (NZ) Ltd			New Zealand	100	100
Toll Group (UK) Ltd			United Kingdom	100	100
Toll Group (USA) LLC			USA	100	100
Toll Holdings (Thailand) Ltd			Thailand	100	100
Toll Holdings Property Trust			Australia	100	100
Toll Integrated Feeder Pte Ltd			Singapore	100	100
Toll Integrated Logistics (M) Sdn Bhd			Malaysia	100	100
Toll International Investments Pty Limited	(a)	26 May 2010	Australia	100	100
Toll Investments (NA) Ltd			United Kingdom	100	100
Toll Investments (UK) Limited			United Kingdom	100	100
Toll Investment (Private) Ltd			Sri Lanka	100	–
Toll IPEC Pty Ltd	(a)	26 May 2010	Australia	100	100
Toll Japan GK			Japan	100	100
Toll Logistics (Asia) Ltd			Singapore	100	100
Toll Logistics (NZ) Ltd			New Zealand	100	100
Toll Logistics (Shanghai) Co Ltd	(c)		Peoples Republic of China	100	100
Toll Logistics (Thailand) Ltd			Thailand	100	100
Toll Logistics Asia (M) Sdn Bhd			Malaysia	100	100
Toll Logistics Australia Pty Ltd	(c)		Australia	100	100
Toll Mining Services (MCA) Pty Ltd (formerly Mitchell Corporation Australia Pty Ltd)	(a)	17 June 2011	Australia	100	100
Toll Mining Services (MH) Pty Ltd (formerly Mitchell Helidon Pty Ltd)	(a)	17 June 2011	Australia	100	100
Toll Mining Services (MT) Pty Ltd (formerly Mitchell Transfleet Pty Ltd)			Australia	100	100
Toll Mining Services (MW) Pty Ltd (formerly Mitchell West Pty Ltd)	(a)	17 June 2011	Australia	100	100
Toll Networks (NZ) Limited			New Zealand	100	100
Toll North Pty Ltd	(a)	26 May 2010	Australia	100	100
Toll Offshore Petroleum Services Pte Ltd			Singapore	100	100
Toll (Cambodia) Limited			Cambodia	55	55

32. Particulars in relation to controlled entities (continued)

Name of entity	Note	Date relief granted [(a)]	Country of incorporation	Ownership interest 2012 %	2011 %
Toll Global Logistics Vietnam Limited (formerly Toll-SGN Vietnam Co. Ltd.)			Vietnam	60	60
Toll PDI Investments Pty Ltd	(a)	26 May 2010	Australia	100	100
Toll Perishables (UK) Limited			United Kingdom	75	75
Toll Personnel Pty Ltd	(a)	26 May 2010	Australia	100	100
Toll Prima (UK) Limited			United Kingdom	75	75
Toll Properties Pty Ltd	(a)	26 May 2010	Australia	100	100
Toll Property Fund Holdings Pty Ltd	(a)	26 May 2010	Australia	100	100
Toll Pty Ltd	(a)	26 May 2010	Australia	100	100
Toll RE Pty Ltd			Australia	100	100
Toll Remote Logistics Pty Ltd	(a)	26 May 2010	Australia	100	100
Toll Remote Logistics USA Inc. (formerly PDL Toll USA Inc.)			USA	100	100
Toll Shipping Seagoing Officers Superannuation Pty Ltd	(a)	26 May 2010	Australia	100	100
Toll Supply Chain Solutions Limited	(c)		United Kingdom	100	100
Toll Support Services Pty Ltd	(a)	26 May 2010	Australia	100	100
Toll Technologies Investments Pty Ltd	(a)	26 May 2010	Australia	100	100
Toll Technologies Pty Ltd	(a)	26 May 2010	Australia	100	100
Toll Transport Pty Ltd	(a)	26 May 2010	Australia	100	100
Toll Warehouse (Thailand) Limited			Thailand	100	100
Toll Zenecon Pte Ltd			Singapore	51	51
Tridec Acquisition Co. Inc.			USA	100	100
T.S. Container Line			United Kingdom	100	100
Twala Global Cargo (Pty) Ltd			South Africa	75	61
Union Corporate Services Pty Ltd			Australia	100	100
United Asia Terminals (Shenzhen) Ltd	(c)		Peoples Republic of China	100	100
United Asia Terminals (Yantian) Ltd			Hong Kong	100	100
United Distribution Services (Far East) Ltd			Hong Kong	100	100
Victorian Express Pty Ltd	(a)	26 May 2010	Australia	100	100
Villawood Unit Trust			Australia	100	100
W.T. Air-Cargo Limited			United Kingdom	100	100
W.T. First Line Limited			United Kingdom	100	100
W.T. Installations Limited			United Kingdom	100	100
W.T. Shipping Group Limited			United Kingdom	100	100
W.T. Shipping Limited			United Kingdom	100	100
W.T. Unique Limited			United Kingdom	50	50
Wilgroup Pty Ltd			Australia	100	100
Win Profit Corporation Ltd			Hong Kong	100	100
Woden Investments Pty Ltd	(a)	26 May 2010	Australia	100	100
Zimbery Investment (Lanka) Pvt Ltd			Sri Lanka	100	100
Zimbery Ltd			Hong Kong	100	100

(a) Entities are parties to a Deed of Cross Guarantee with Toll Holdings Ltd in respect of relief granted from specific accounting and financial reporting requirements in accordance with ASIC class order 98/1418. Refer to note 34.
(b) Disposed/liquidated during the year.
(c) In voluntary liquidation as at 30 June 2012.

33. Investments on associates and joint ventures

The Group accounts for investments in associates and joint ventures using the equity method. The Group has the following investments in associates and joint ventures:

			Ordinary share ownership interest		Investment carrying value	
Name	**Note**	**Principal activities**	**2012 %**	**2011 %**	**2012 $M**	**2011 $M**
AMI Asia HK Ltd	(a)	Freight forwarding	50	50	0.1	0.1
BIC Logistics Ventures Limited		Freight forwarding	40	40	7.2	8.5
BES Technology Pte Ltd	(a)	Provision of biomedical equipment and technical services for medical equipment	35	35	0.2	0.2
Bharat STARS Services Pvt Ltd (Group)		Freight forwarding	34	34	3.0	2.4
Cargo Consortium (Klia) Sdn Bhd	(b)	Dormant	–	34	–	–
Cargo Services Group		Freight consolidation business	25	25	54.7	48.9
Commonwealth Steamship Insurance Company Pty Ltd		Run off of insurance claims	30	30	–	–
CWT–SML Logistics LLC	(a)	Warehouse distribution	30	30	4.4	3.6
DGM Support (Asia) Pte Ltd	(a),(c)	Provision of specialised training and related activities in dangerous goods management	21	21	0.1	0.1
Hubei Nan Yang (Shenzhen) Air Express Ltd	(a)	Dormant	50	50	–	–
JPM Logistics Inc.		Dormant	28	28	–	–
Macquarie Textile Holdings Pty Ltd		Manufacturer of woollen and worsted fabrics	34	34	3.0	3.0
Prixcar Services Pty Ltd		Pre-dealer motor vehicle preparation	50	50	22.5	21.8
QLM Pty Ltd		Dormant	50	50	–	–
SembCorp-Translink Parami Logistics Ltd	(a)	Freight forwarding	30	30	–	–
Shenyang-SML International Distripark Ltd	(a)	Operation of a distripark	49	49	3.3	3.1
Shenzhen Yantian Port Logistics Services Co. Ltd	(a)	Freight forwarding	30	30	0.5	0.5
Skynet Worldwide Express Management Co. Ltd	(a)	Holding company for Skynet business	23	23	–	–
SOPS Limited Liability Company	(b)	Provision of offshore logistics services	–	32	–	0.1
Toll Dnata Airport Services Pty Ltd		Airport ground handling services	50	50	15.1	12.6
Toll Goodman Property Services Pty Ltd		Property developer and owner	50	50	0.9	0.6
Toll – Jalco Distribution Pty Ltd		Distribution	50	50	0.8	0.7
Toll Mermaid Logistics Broome Pty Ltd		Provides supply base and logistics services to oil and gas industry companies	50	50	5.4	4.8
Toll Zari Holdings (Malaysia) Sdn Bhd		Investment holding	30	30	–	–
UOT (Thailand) Limited	(a)	Oil field equipment machine and repair	29	29	0.7	0.7
Zari Haulage Sdn Bhd		Logistics provider	45	45	–	–
					121.9	**111.7**

The financial year end for all associates and joint ventures is 30 June unless otherwise disclosed:

(a) Balance date of entity is 31 December.
(b) Disposed/liquidated during the year.
(c) In voluntary liquidation.

Results of associates and joint ventures

	2012 $M	2011 $M
Share of net profit of associates and joint ventures from continuing operations *	12.2	16.0

* Net profit accounted for using the equity method.

Summarised financial information of equity accounted associates, not adjusted for the percentage ownership held by the Group

	2012 $M	2011 $M
Total assets	342.2	323.1
Total liabilities	136.1	94.8
Total revenue	871.9	1,023.8
Total profit	32.2	38.3

34. Deed of cross guarantee

The Australian wholly owned subsidiaries set out in note 32 are parties to a Deed of Cross Guarantee executed on 26 May 2010 ("the Deed").

The effect of the Deed is that:

- Each party to the Deed guarantees to each creditor payment in full of the debts of the other parties to the Deed in the event of their winding up; and
- ASIC Class Order 98/1418 relieves eligible wholly owned subsidiaries who are parties to the Deed from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports and Directors' reports.

The Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position as at 30 June 2012 for the Company and the controlled entities which are party to the Deed after eliminating all transactions between parties to the Deed at 30 June 2012 are set out below:

Consolidated statement of comprehensive income

	2012 $M	2011 $M
Revenue	5,827.7	5,329.8
Results from operating activities	557.2	275.3
Impairment losses on property, plant and equipment	(55.6)	–
Net finance costs	(23.3)	64.0
Share of net profit of associates and joint ventures	7.1	7.4
Profit before income tax	**485.4**	**346.7**
Income tax expense	(76.2)	(68.7)
Profit for the year	**409.2**	**278.0**
Other comprehensive income		
Effective portion of changes in fair value of cash flow hedges	(4.5)	29.5
Other comprehensive income/(loss) for the year	**(4.5)**	**29.5**
Total comprehensive income for the year	**404.7**	**307.5**
Retained earnings at the beginning of the financial year	(75.8)	(177.7)
Profit for the year	409.2	278.0
Dividends provided for or paid	(178.4)	(176.1)
Retained earnings at the end of the financial year	**155.0**	**(75.8)**

Consolidated Statement of Financial Position

	2012 $M	2011 $M
Cash and cash equivalents	375.5	246.7
Receivables	608.5	576.8
Inventories	22.5	19.2
Assets held for sale	88.2	0.6
Prepayments	42.5	43.3
Other financial assets	7.6	16.0
Total current assets	**1,144.8**	**902.6**
Receivables	100.7	31.6
Investments accounted for using the equity method	47.7	43.5
Investments	2,381.5	2,114.1
Property, plant and equipment	1,176.7	1,184.6
Intangible assets	500.4	467.7
Deferred tax assets	65.6	49.9
Prepayments	1.4	2.0
Other financial assets	3.4	3.8
Total non current assets	**4,277.4**	**3,897.2**
Total assets	**5,422.2**	**4,799.8**
Payables	520.9	539.9
Interest bearing liabilities	35.9	568.9
Current tax liabilities	68.5	52.9
Provisions	289.5	258.8
Liabilities held for sale	18.2	–
Other liabilities	25.5	8.5
Total current liabilities	958.5	1,429.0
Interest bearing liabilities	1,205.0	457.6
Provisions	63.0	57.4
Other liabilities	15.9	29.1
Total non current liabilities	**1,283.9**	**544.1**
Total liabilities	**2,242.4**	**1,973.1**
Net assets	**3,179.8**	**2,826.7**
Contributed equity	2,976.7	2,946.3
Treasury shares	(4.5)	(4.8)
Reserves	52.6	(39.0)
Retained earnings	155.0	(75.8)
Total equity	**3,179.8**	**2,826.7**

35. Notes to the consolidated statement of cash flows

Reconciliation of profit from continuing operations after income tax to net cash provided by operating activities

	2012 $M	2011 $M
Profit for the year after income tax	70.9	294.8
Share of net profit of associates and joint ventures	(12.2)	(16.0)
Dividends received from associates	7.2	11.1
Net gain on disposal of property, plant and equipment	(9.3)	(8.0)
Net (gain)/loss on disposal of investments and businesses	0.3	(8.9)
Effective interest on debt establishment costs	2.2	2.9
Add/(less) non-cash items:		
Depreciation and amortisation	282.6	243.3
Share option expense	6.9	12.4
Impairment of property, plant and equipment	81.4	–
Impairment of goodwill and intangibles	145.1	–
Impairment of loans to others	1.1	–
Profit from acquisition of outside equity interest	(5.3)	–
Release of earnout provision	–	(1.7)
Net cash inflow from operating activities before changes in assets and liabilities	570.9	529.9
Changes in assets and liabilities adjusted for effect of purchase and disposal of controlled entities during the financial year:		
(Increase)/decrease in receivables	(35.7)	15.0
(Increase)/decrease in inventories	(4.4)	0.5
(Increase)/decrease in prepayments	(4.0)	7.3
(Increase)/decrease in other assets	1.2	2.4
Increase/(decrease) in payables	18.0	(16.7)
Increase/(decrease) in provisions	(0.3)	(53.9)
Increase/(decrease) in other liabilities	21.4	16.5
Increase/(decrease) in current tax receivables and liabilities	10.3	37.1
Increase/(decrease) in deferred tax assets and liabilities	(21.6)	1.9
Net cash inflow from operating activities	**555.8**	**540.0**

36. Events subsequent to the balance date

Dividends

The Directors have determined a final dividend of 13.5 cents per share, which is payable on 22 October 2012.

Divestments

During July 2012, Toll sold its automotive finished vehicle distribution business in the Global Logistics Division and Australian interstate linehaul and warehousing operations of its Toll Refrigerated business in the Domestic Forwarding Division for a total consideration of $135.2 million.

The carrying value of the business assets and liabilities have been classified as held for sale as at 30 June 2012 (note 9).

37. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2012 the parent company of the Group was Toll Holdings Limited.

	The Company	
	2012 $M	2011 $M
Result of the parent entity		
Profit for the period	485.2	197.0
Other comprehensive income	–	–
Total comprehensive income	**485.2**	**197.0**
Financial position of parent entity at year end		
Current assets	1,943.6	1,205.3
Total assets	3,556.3	3,168.1
Current liabilities	148.2	107.8
Total liabilities	183.2	139.3
Total equity of the parent entity comprising of:		
Issued capital	2,976.7	2,946.3
Treasury shares	(4.5)	(4.8)
Reserves	35.5	28.8
Retained earnings	365.4	58.5
Total equity	**3,373.1**	**3,028.8**

(a) Commitments for expenditure

	The Company	
	2012 $M	2011 $M
(i) Capital expenditure commitments		
Total capital expenditure contracted at balance date but not provided for in the financial statements payable:		
Not later than one year	–	–
Later than one year but not later than five years	–	–
Later than five years	–	–
	–	**–**
Comprising:		
Other property, plant & equipment	–	–
	–	**–**
(ii) Non-cancellable operating lease commitments		
Future non-cancellable operating lease rentals of property, plant and equipment, not provided for in the financial statements, payable:		
Not later than one year	–	2.4
Later than one year but not later than five years	–	–
Later than five years	–	–
	–	**2.4**
Comprising:		
Other property, plant & equipment	**–**	2.4
	–	**2.4**

(b) Contingencies

Details of contingent liabilities and contingent assets where the probability of future payments/receipts is not considered remote, as well as details of contingent liabilities and contingent assets, which although considered remote, the Directors consider should be disclosed.

From time to time the Company 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 exits.

(c) Contingent liabilities

The Company has issued bank guarantees in favour of certain controlled entities in respect of various banking and commercial arrangements. Under the terms of the financial guarantee contracts, the Company will make payments to reimburse the lenders upon failure of the guaranteed entity to make payments when due.

Terms and face values of the liabilities guaranteed were as follows:

	The Company	
	2012 $M	2011 $M
Bank and other guarantee	0.3	41.3

38. Auditors remuneration

	2012 $'000	2011 $'000
Audit services		
Auditors of the Company – audit and review of financial reports		
KPMG Australia	2,436	2,293
Overseas KPMG firms	2,974	2,148
Other auditors – audit and review of financial reports (non-KPMG firms)	444	323
	5,854	**4,764**

Other services		
Taxation services		
KPMG Australia	534	449
Overseas KPMG firms	318	175
Other assurance services		
KPMG Australia	10	–
Overseas KPMG firms	117	12
Other services		
KPMG Australia	22	23
Overseas KPMG firms	45	26
Related practices of KPMG – other	–	14
	1,046	**699**

Directors' declaration

1. In the opinion of the directors of the Company:
   (a) the consolidated financial statements and notes set out on pages 73 to 148, and the Remuneration Report on pages 31 to 51 of the Directors' Report, are in accordance with the *Corporations Act 2001* including:
      (i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;
   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the controlled entities identified in note 32 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.
3. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2012.
4. The Directors draw attention to note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

R Horsburgh
Director

B Kruger
Director

Dated at Melbourne this 27th day of August 2012

Independent auditor's report to the members of Toll Holdings Limited

KPMG

Report on the financial report

We have audited the accompanying financial report of Toll Holdings Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2012, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 38 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In notes 1 and 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in notes 1 and 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 31 to 51 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Toll Holdings Limited for the year ended 30 June 2012, complies with Section 300A of the *Corporations Act 2001.*

KPMG

KPMG

M. Bisetto

Maurice Bisetto
Partner

Melbourne, 27 August 2012

Shareholder information

Additional information required by the Australian Stock Exchange Listing Rules not elsewhere disclosed in this report.
The shareholder information set out below was applicable as at 27 August 2012.

A. Distribution of shareholders

Analysis of numbers of shareholders by size of shareholdings for ordinary securities.

Range	Total holders	Units	% of issued capital
1 - 1,000	35,178	17,108.014	2.39
1,001 - 5,000	40,748	97,321,163	13.57
5,001 – 10,000	7,168	51,406,847	7.17
10,001 – 100,000	3,649	74,145,427	10.34
100,001 – 9,999,999,999	144	477,152,424	66.54
Total	**86,887**	**717,133,875**	**100.00**

There were 4,355 holders (2011: 5,255) 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:

Rank	Range	Units	% of Units
1.	NATIONAL NOMINEES LIMITED	108,286,071	15.10
2.	J P MORGAN NOMINEES AUSTRALIA LIMITED	99,523,759	13.88
3.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	82,619,057	11.52
4.	PAUL ALEXANDER LITTLE	36,050,579	5.03
5.	CITICORP NOMINEES PTY LIMITED	28,584,623	3.99
6.	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	18,367,391	2.56
7.	BNP PARIBAS NOMS PTY LTD <MASTER CUST DRP>	11,582,306	1.62
8.	PGA (INVESTMENTS) PTY LTD	8,500,000	1.19
9.	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	8,132,516	1.13
10.	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	7,141,636	1.00
11.	QUEENSLAND INVESTMENT CORPORATION	4,359,935	0.61
12.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <MBA A/C>	4,024,352	0.56
13.	AMP LIFE LIMITED	3,475,764	0.48
14.	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	2,941,960	0.41
15.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	2,748,189	0.38
16.	THE SENIOR MASTER OF THE SUPREME COURT <COMMON FUND NO 3 A/C>	2,459,242	0.34
17.	ARGO INVESTMENTS LIMITED	2,388,785	0.33
18.	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	2,231,760	0.31
19.	QUESTOR FINANCIAL SERVICES LIMITED <TPS RF A/C>	2,058,936	0.29
20.	NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	1,671,893	0.23
Total		**437,148,754**	**60.96**

C. Substantial shareholders

Name	Number of ordinary shares held	Percentage of issued shares %
UBS AG and its related bodies corporate	38,625,899	5.39
Paul Alexander Little and related bodies corporate	37,535,935	5.23

Ten year summary as at 30 June

Toll Group Comparative Statement	AIFRS June 2012 $M	AIFRS June 2011 $M	AIFRS June 2010 $M
Operating Results			
Group sales	8,707	8,225	6,944
EBITDA*	668	669	630
Depreciation and amortisation	283	243	233
EBIT*	386	426	397
Share of associates profit	12	16	22
Net interest	37	35	37
Profit before tax*	361	407	381
Income tax expense	87	116	71
Net profit before tax*	274	291	310
Non-recurring items (net of income tax)	203	(4)	26
Operating profit after tax	71	295	284
Profit from discontinued operations (net of income tax)	–	–	–
Non-controlling interests	6	14	5
Profit attributable to members	**65**	**281**	**279**
CPS dividend/RPS	–	–	–
Ordinary dividends	178	176	175
Ordinary payout ratio (from continuing operations) (%)*	65.10	60.48	56.49
Overall dividend payout ratio (%)*	65.10	60.48	56.49
Financial Position			
Cash	569	497	580
Other current assets	1,352	1,266	1,199
Other non current assets	2,175	2,124	2,012
Future income tax benefits	150	115	142
Intangible assets (goodwill and other)	1,795	1,849	1,759
Total assets	6,041	5,851	5,692
Other liabilities	1,587	1,531	1,447
Borrowings	1,708	1,516	1,518
Total liabilities	3,295	3,047	2,965
Net assets	**2,746**	**2,804**	**2,727**
Non-controlling interests	19	35	23
Reserves and retained profits	(250)	(177)	(198)
Paid up capital	2,977	2,946	2,902
Total shareholders equity	**2,746**	**2,804**	**2,727**

AIFRS	AIFRS	AIFRS	AIFRS	AIFRS	AGAAP	AGAAP
June 2009 $M	June 2008 $M	June 2007 $M	June 2006 $M	June 2005 $M	June 2004 $M	June 2003 $M
6,492	5,605	4,857	4,894	3,778	3,272	2,570
585	554	455	545	360	305	202
192	168	136	190	126	114	77
392	387	320	355	234	191	125
21	5	16	34	49	45	31
25	33	305	88	28	23	19
389	359	30	301	255	213	137
105	104	(7)	58	56	39	30
283	254	37	243	199	174	107
(8)	(945)	1,249	–	–	–	–
5	4	7	12	5	5	1
270	**(695)**	**1,279**	**231**	**194**	**169**	**106**
6	16	16	16	16	8	–
173	162	204	152	88	66	44
61.19	63.55	555.86	62.55	44.22	37.93	41.12
61.19	63.55	555.86	62.55	53.61	43.79	41.51
886	354	1,743	1,208	152	102	89
801	1,620	833	1,457	487	492	351
1,739	1,531	3,188	5,375	1,601	1,454	863
82	73	2	3	19	24	27
1,502	1,262	1,850	6,627	185	102	107
5,010	4,840	7,616	14,670	2,444	2,174	1,437
1,163	1,115	1,738	2,293	710	661	455
1,247	1,622	2,257	6,358	462	419	351
2,410	2,736	3,995	8,651	1,172	1,080	806
2,600	**2,104**	**3,621**	**6,019**	**1,272**	**1,094**	**631**
40	42	375	341	39	37	3
(287)	(493)	753	734	424	335	220
2,847	2,555	2,493	4,944	809	722	408
2,600	**2,104**	**3,621**	**6,019**	**1,272**	**1,094**	**631**

Ten year summary as at 30 June (continued)

Toll Group Comparative Statement		AIFRS June 2012	AIFRS June 2011	AIFRS June 2010
Per Ordinary Share ($) from continuing operations				
Basic earnings per ordinary share				
Based on weighted average number of shares issued during the year		0.0903	0.3980	0.3990
Based on number of shares issued at the end of the period		0.0901	0.3958	0.3968
Diluted earnings cents per share*		37.36	38.67	42.57
Dividends paid or determined cents per share		25.00	25.00	25.00
Franking (%)	Interim	100	100	100
	Final	100	100	100
Net tangible asset backing ($)		1.327	1.345	1.378
Analytical Information (from continuing operations)				
EBITDA to sales (%)*		7.68	8.13	9.07
EBIT to sales (%)*		4.43	5.18	5.72
Group profit after tax to sales (%)*		3.07	3.37	4.39
EBIT to total assets (%)*		6.38	7.28	6.97
Return on shareholders equity (%)*		9.74	9.88	11.18
Current assets to current liabilities (X)		1.14	0.79	1.33
EBIT interest cover (X)*		10.42	12.17	10.61
Effective tax rate (%)*		27.43	27.03	18.60
Gearing				
Net debt to net debt & equity (%)		29.32	26.65	25.58
Net debt to equity (%)		41.48	36.34	34.37
Other				
Ordinary shares (million)				
Weighted average number of shares on issue during the year		715	706	699
Shares on issue at year end		717	710	703
Preference shares (million)				
Cumulative shares on issue at year end		–	–	–
Non cumulative shares on issue at year end		–	–	–
Number of ordinary shareholders at year end		86,887	100,061	115,130
Number of employees at year end	Est	44,500	42,000	37,000

* Excludes non-recurring items in financial years 2010 to 2012.

AIFRS	AIFRS	AIFRS	AIFRS	AIFRS	AGAAP	AGAAP
June 2009	**June 2008**	**June 2007**	**June 2006**	**June 2005**	**June 2004**	**June 2003**
0.4115	0.3872	0.0472	0.5939	0.5477	0.5079	0.3581
0.4004	0.3863	0.0463	0.3446	0.5394	0.5016	0.3430
41.13	38.70	197.39	63.30	54.55	50.10	34.63
25.00	25.00	32.00	31.00	26.50	20.50	14.00
100	100	100	100	100	100	100
100	100	100	100	100	100	100
1.578	1.350	2.754	(0.974)	3.294	3.090	1.696
9.01	9.89	9.38	11.14	9.53	9.32	7.86
6.04	6.90	6.58	7.25	6.19	5.84	4.86
4.29	4.47	0.61	4.72	5.13	5.17	4.12
7.83	7.99	4.20	2.42	9.57	8.79	8.70
10.71	11.90	0.82	3.84	15.25	15.45	16.88
1.22	1.57	1.26	0.42	0.79	1.08	1.05
15.70	11.68	1.05	4.03	8.36	8.30	6.58
27.07	29.11	(22.33)	19.27	21.96	18.31	21.90
12.20	37.60	12.43	46.11	19.60	22.47	29.34
13.89	60.25	14.19	85.56	24.37	28.98	41.52
677	647	631	362	325	317	296
696	648	643	624	330	321	309
–	2.5	2.5	2.5	2.5	2.5	–
–	–	–	–	–	–	–
104,535	93,326	84,820	68,148	35,881	25,355	16,877
30,000	25,000	30,000	28,000	17,545	17,375	12,466

Company directory

Directors

Chairman
Ray Horsburgh AM

Managing Director
Brian Kruger

Non-Executive Directors
Harry Boon
Mark Smith
Barry Cusack
Frank Ford
Nicola Wakefield-Evans

Secretary
Bernard McInerney

Toll Holdings Limited

Principal Registered Office in Australia
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Melbourne, Vic 3004
Telephone: +61 3 9694 2888
Facsimile: +61 3 9694 2880
Website: www.tollgroup.com

Share Register

Computershare Investor Services
Yarra Falls, 452 Johnston Street
Abbotsford, Vic 3067

Telephone Australia: 1300 850 505
Telephone Overseas: +61 3 9415 4000
Facsimile: +61 3 9473 2500

For faxing Proxy Forms only:
Facsimile Australia: 1800 783 447
Facsimile Overseas: +61 3 9473 2555

Online voting:
www.investorvote.com.au
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
147 Collins Street
Melbourne, Vic 3000

Lead Bankers
National Australia Bank
271 Collins Street
Melbourne, Vic 3000

Australian Lead Solicitors
Minter Ellison
Level 23, South Rialto Tower
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