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Toll Holdings Limited
ABN 25 006 592 089

23 September 2014

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

Lodged Through ASX On Line
Total No. of Pages: 157

Dear Sir

2014 ANNUAL REPORT

Please find attached the 2014 Annual Report for immediate release to the market.

Toll's Corporate Governance Statement and Appendix 4G for 2014 were previously released to the ASX on 19 August 2014.

Yours faithfully
TOLL HOLDINGS LIMITED

Bernard McNerney
Company Secretary

Encl.



Annual Report 2014

TOLL



Toll is the Asia Pacific region's leading provider of transport and logistics.

Toll employs approximately 40,000 people across some 1,200 locations in more than 50 countries.

Toll's specialist logistics capabilities incorporate a range of sectors including defence and government, industrial, manufacturing, mining and resources, retail and automotive.

www.tollgroup.com

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2014 Highlights

EBIT* 2014

\$444 million

2013: \$426 million

2012: \$411 million

EBITDA** 2014

\$710 million

2013: \$703 million

2012: \$681 million

Revenue 2014

\$8.8 billion

2013: \$8.7 billion

2012: \$8.7 billion

Free cash flow*** 2014

\$355 million

2013: \$229 million

2012: \$222 million

Dividends per share 2014

28 cents

2013: 27 cents

2012: 25 cents

Lost time injury frequency rate 2014 (per million hours worked)

1.81

2013: 1.65

2012: 2.13

* EBIT excludes individually significant items, includes profits from associates.

** EBITDA excludes profit from associates and individually significant items.

*** Free cash flow is EBITDA +/- movements in working capital, less net capital expenditure.



Ray Horsburgh AM
Chairman

“The combined contribution of the diverse, talented people that make up our workforce is a key component of our success.”

Chairman's Message

Toll faced many challenges in financial year 2014, but I'm pleased to say our hard-working employees across the world were able to meet them.

In terms of our financial results, encouragingly, we made good progress on productivity improvements and cost reductions. Restructuring our operations helped to simplify how we operate and position us well to be able to serve our customers better.

We continued to invest in the business, boosting our network capacity and increasing our operational leverage.

Our strong cash position allowed us to increase dividends for shareholders.

Some of the non-financial highlights during the year were achieved across our corporate social responsibility programs. These highlights include:

- the continued roll-out of our *Think safe. Act safe. Be safe.* global safety campaign;
- the continued implementation of our Smarter Green environmental program initiatives; and
- the completed implementation of our 2013 Reconciliation Action Plan (RAP) and launch of our 2014–16 RAP.

Safety performance

As the Asia Pacific region's leading provider of freight and logistics we are committed to operating safely. Safety is at the forefront of everything we do and creating a safety-first culture at Toll continues to be a priority.

The Board's Occupational Health & Safety and Environment Committee continued its focus on safety in the workplace and on protecting the environment in which the business operates.

I was impressed with the concerted effort to improve safety standards across the Group, simplify safe work procedures and instructions and improve the quality and shared learning from incident investigations.

Some of the highlights from this safety-first approach include:

- the participation of a further 1,300 people in the safety leadership training program;
- the roll-out and implementation of health and safety management standards;

- the inaugural Toll Global Safety Awards that recognise excellence in safety leadership, innovation and performance; and
- a successful roll-out of a range of initiatives from our fleet safety networks, which has led to significant improvements in road transport safety and compliance across the Group.

Indigenous engagement and gender diversity

The combined contribution of the diverse, talented people that make up our workforce is a key component of our success. We value the array of experiences and perspectives that come from our people from a range of backgrounds and cultures, regardless of gender, age or any other differences we find across the approximately 40,000 people we employ in more than 50 countries.

In Australia, our Indigenous engagement program demonstrates our commitment to improve opportunities for Aboriginal and Torres Strait Islander people and create long term sustainable relationships with a number of Indigenous communities. We continue our work to create an environment that welcomes people of all backgrounds and embraces diversity and we are doing this with a long-term focus in line with our capacity to deliver quality outcomes in the current business climate.

Last year we completed the implementation of our 2013 Reconciliation Action Plan (RAP). We also launched our 2014-16 RAP. This new RAP will run over two years and will see further development and deepening of our commitment, including reviewing our practices and procedures to ensure any barriers to opportunities are identified and addressed and that we continue to provide training and employment opportunities for Aboriginal and Torres Strait Islander people.

The success of these initiatives is largely dependent on the quality of our relationships with Indigenous communities and organisations. Further developing these relationships will continue to be our central focus.

While there were fewer women in our senior management ranks, down from 13 per cent in 2013 to 11 per cent in

2014, our ability to provide two female candidates for every senior management vacancy improved to 55 per cent. Where we did not meet this target, one female candidate was included 60 per cent of the time.

Women continue to be under-represented in operational roles. Helping to develop and attract women into these traditionally male-dominated roles is a challenge, and one that we will continue to work to improve.

Environment

Toll is focused on reducing its environmental footprint and impact, while continuing to provide superior service and value to our customers. We look to implement initiatives where it makes environmental and economic sense to do so.

We continued to strengthen business systems across the Group to help manage risks from key environmental factors such as emissions, energy use, spills and conformance to environmental regulations. This work delivered improved environmental performance, reduced our exposure to risk, and delivered better operating and cost efficiencies across the Group.

All of Toll's Australia-based business units have implemented our Smarter Green environmental program, our continuous improvement program focused on managing and reducing carbon emission and energy. There are currently some 150 improvement projects underway.

Innovation in equipment design and the application of best operational practices underpin these improvements. For example, our fleet upgrade program is replacing old fleet with newer low-emission vehicles. Our increasing use of higher productivity vehicles and improved fleet utilisation practices means we are carrying more freight and using less fuel across all transport modes.

We have improved driver behaviour via the Smarter Green driver program that trains our drivers to adopt more fuel efficient and emissions lowering behaviours. More than 6,700 drivers have been trained through this program to date.

“Our increasing use of higher productivity vehicles and improved fleet utilisation practices means we are carrying more freight and using less fuel across all transport modes.”

We look forward to continuing the progressive roll-out of the Smarter Green program to our operations outside Australia.

The Board

The Board continued to visit different parts of our operations. Most notable was our visit to Toll operations in China, Hong Kong and Singapore in April and May 2014. This trip was a great way to learn more about our global forwarding and logistics businesses and to meet with a range of our employees and key multinational customers.

Capital management

Owing to the confidence the Board has in Toll's cash position and its disciplined capital management, a final fully franked dividend of 15.0 cents per ordinary share, an increase of 0.5 cents per share, will be paid to shareholders on 1 October 2014. This brings the total dividend for the year to 28 cents, up from 27 cents in the 2013 financial year.

The Board has decided to continue with the suspension of the Company's dividend reinvestment plan.

The year ahead

The Board will continue to work with the senior management team to drive business improvements, including cost reductions and investments in productivity-enhancing projects, while at the same time pursuing value-creating growth opportunities.

This, combined with our disciplined financial management, will position the business well for any improvement in the external economic environment and has us well placed to generate improved shareholder return.

I look forward to welcoming you in person at our Annual General Meeting on Thursday 23 October at the Melbourne Convention Centre, or online via www.tollgroup.com



Ray Horsburgh AM
Chairman



Striving to achieve
operational excellence,
better customer engagement
and maintaining a focus on
continuing to improve our
safety performance.

Managing Director's Message

When I look at our 2014 financial results I recall just how hard-earned they were. Management and employees across the company have strived to achieve operational excellence, better customer engagement and maintaining a focus on continuing to improve our safety performance.

Our ability to both win new contracts and to implement cost reductions was reflected in improved revenue, EBIT and operating net profit after tax.

Our outstanding free cash flow increase of \$126 million is due to an improved working capital performance and lower net capital expenditure, and is a great example of the rigour we are applying to our finances and operations throughout the business.

We continued to invest for the future in new depots and fleet, especially in our Australian network businesses. New facilities in Sydney, Hobart and Brisbane, along with those underway in Melbourne and Fremantle are great examples of the investment being made to ensure we have a bright future.

Safety a continued focus

During the year, we continued with the action supporting our *Think safe. Act safe. Be safe.* global safety strategy, with a strong focus on developing leadership skills to more effectively engage our workforce in our safety journey.

Key achievements included rolling-out a consistent set of health and safety management standards across the Group and training 1,300 of our people in how to lead their teams more safely.

We recognised examples of amazing safety leadership and innovation across Toll at our inaugural Safety Awards, and we set up Group-wide fleet safety networks to improve our on-road safety performance and compliance.

As pleasing as this progress was, we recognise we need to do more. This means increasing our focus on lead indicators such as safety observations and incident reporting and working hard on reducing manual handling injuries and injuries that occur during our peak times leading into Christmas. We all need to be more vigilant to the hazards around us.

The need to maintain our focus on improving safety was reinforced for all of us following the tragic fatality of one of our people in Port Melbourne in May this year. The incident will continue to be a reminder to us of the importance of safety at all times.

We are all responsible for ensuring we continue to make our workplace safer, and for all of us to return home from work safely. There is nothing more important.

In November 2013 we announced the historic partnership with one of Australia's leading road safety advocacy groups, the Amy Gillett Foundation, demonstrating our commitment to working with all road users, including cyclists, to share the road safely.

As one of Australia's largest road users, we not only have to lead by example, but we also have a role to play in helping people understand the importance of safely sharing the road.

A key element of our partnership with the Amy Gillett Foundation is as a sponsor of the *A Metre Matters* campaign in Australia which includes the roll-out of *A Metre Matters*-branded trucks across the country.

We look forward to continuing this and other road safety initiatives in the coming years.

Group performance

We were able to deliver an improved financial result despite the continuation of challenging economic conditions in most of our key markets.

A highlight of this result was the strong free cash flow of \$355 million, a \$126 million increase on the prior year. Our balance sheet remains strong, with gearing (net debt to net debt plus equity) at 31 per cent, ensuring there is sufficient capacity to fund a range of growth initiatives.

We also took action to deal with the current economic climate in Australia and in the majority of our offshore markets.

The major project aimed at improving the performance of our Toll Global Forwarding division, Project Forward, resulted in more than \$20 million of benefits delivered during the year.



Brian Kruger
Managing Director

“We continued to invest in upgrading the capability of our market leading network businesses to improve productivity, ensuring we are well positioned to capitalise on any improvement in trading conditions.”

Through a combination of restructuring and productivity programs, and benefits from capital expenditure and improved purchasing, we delivered another \$80 million in cost savings across the Group.

We also undertook some major restructuring towards the end of the year, which we expect to deliver a further \$40–50 million of benefits in financial year 2015.

We continued to invest in upgrading the capability of our market leading network businesses to improve productivity, ensuring we are well positioned to capitalise on any improvement in trading conditions.

We continued our non-core asset divestments with a range of properties, vessels and other equipment being sold during the year. Those sales assisted with a much improved free cash flow result that has again enabled us to increase our dividends to shareholders.

I would like to thank all of our employees for their dedication and hard work. The past year has not been without its challenges, but the commitment from our people has allowed us to deliver solid results in these challenging economic times.

Our divisions

Global Resources

Revenue and earnings were lower in Toll Global Resources. This was due mostly to the impact of the completion of work for the Australian Defence Force in East Timor and significantly lower earnings from our Australian and Asian marine businesses, being only partly offset by new contract wins.

Toll Energy was affected by the winding-down of construction-related work on Australia's large-scale LNG projects, but countered this by winning new production-related work with the likes of Chevron, Santos and ConocoPhillips.

Toll Mining Services produced improved results through new fleet investment and improved operating cost performance.

High occupancy rates at the TOPS supply base in Singapore contributed to a sharp increase in results since the completion of the base's redevelopment last year.

Toll Remote Logistics was not able to completely offset the end of its Timor Leste contract, however it continues to win new contracts, particularly with the Australian, New Zealand and US defence forces.

Our two marine businesses in Australia and Asia saw the continuation of challenging market conditions. While we have made good progress with asset sales and cost reductions, both businesses have clear plans to continue to improve their results.

Global Logistics

Toll Global Logistics faced difficult market environments for a number of its businesses.

The two Australian operations, Contract Logistics and Customised Solutions, both won a sufficient number of new customers to offset some contract losses as well as customer down-trading.

The Singapore Government Business Group also delivered higher revenue and earnings, primarily as a result of new contracts in the healthcare sector in Singapore.

Our contract logistics businesses in other parts of Asia delivered a slightly improved result, driven by better performances in India and China. This was partly offset by a lower result in Thailand, with our major customers' volumes being adversely affected by the political situation in that country.

Global Forwarding

Conditions for global forwarders remained challenging, so it was critical that we delivered on the Project Forward costs savings initiatives.

Gross profit from ocean freight was flat while air freight was down significantly as the trend of more customers using ocean freight in preference to the more expensive air freight continued.

Over-capacity in the ocean freight sector saw freight rates and gross profit per container fall significantly, which meant overall ocean gross profit was flat.

Our US supply chain business saw lower volumes from a number of its major customers, but we do expect a turnaround in financial year 2015 following some significant recent contract wins.

While gross profit was down, the significant cost reductions achieved through Project Forward meant we were still able to deliver an improved result.

There are more costs to take out, but it will be critical for us to deliver gross profit growth in financial year 2015 to continue the recovery in earnings and return on capital employed.



Through a combination of restructuring and productivity programs, and benefits from capital expenditure and improved purchasing, we delivered \$100 million in cost savings across the Group.





Our goal is to ensure
Toll remains the Asia
Pacific region's leading
provider of transport
and logistics services.

Australia
Department
Order No.
Keycode:
Brief Prod
Qty Shipp
Carton No

Australia
Department
Order No.
Keycode:
Brief Prod
Qty Shipp
Carton No

“While we are positioning ourselves to capitalise on any improvements in economic conditions, we need to continue our attention on those areas we have control over which includes continuing to collaborate and working to help make our customers’ businesses more successful.”

Global Express

In the domestic operation of Toll Global Express we saw a continuation of flat volumes and the trend to lower average consignment weights, particularly in our Toll IPEC and Toll Fast businesses. Those lower consignment weights affected our productivity levels and therefore our margins.

The key drivers of the lower consignment weights have been the increase in business-to-consumer (B2C) business as well as the impact of general customer down-trading. Moving a larger number of consignments for no more overall weight has an impact on productivity and margins. We estimate that the change in average consignment reduced margins in Toll Global Express’ domestic business by about 0.5 per cent, so it was a material driver of the overall lower margins in the division.

We’re taking action to address these cost challenges as well as providing capacity to efficiently grow the business, particularly in the B2C market.

Examples of this includes the building of two major new express parcel facilities in Sydney and Melbourne that will allow us to handle significantly higher consignment numbers more efficiently.

Toll IPEC’s recently completed depot is located on 18 hectares in Sydney’s west and is the largest of its kind in Australia. The 55,000 square metre facility houses two new cross-belt sorters which have the capability to handle up to 35,000 parcels per hour compared with our current capability of 12,000 parcels per hour. This facility is currently in its start-up period, and we expect to see significant benefits in the lead up to Christmas and in the second half of financial year 2015.

We are also currently building Toll IPEC’s new Melbourne depot which will deliver similar operational improvements to the Sydney facility.

We are focusing on improving the operational and technical capabilities of our B2C business to ensure we deliver consistent and effective customer solutions.

Our air-based express business, Toll Priority, delivered an improved result as it saw higher volumes from existing bank customers as well as the benefit of some significant cost and productivity programs.

In Japan, we saw a positive result driven mainly by productivity improvements. However, we did see volumes slow in the last quarter, primarily due to the increase in Japan’s consumption tax from 1 April 2014. We continued our efforts in restructuring this business with the sale of part of the KSU Logistics business for \$20 million.

Domestic Forwarding

Toll New Zealand delivered an improved result due to market share gains, particularly in the parcel business, as well as some significant property cost savings and linehaul efficiency improvements.

Toll Tasmania delivered an improved result, partly driven by the benefit of the acquisition of Linfox’s Tasmania business.

The additional volumes from this acquisition also benefited our Bass Strait shipping business, although this was partly offset by costs associated with the scheduled major maintenance of our two vessels.

The division lost a major retail contract early in the financial year. This drove some major changes to our Queensland operations including the selling of some of our Queensland properties, which significantly reduced Toll Intermodal’s capital intensity.

The year has not been without its challenges, but the commitment from our people has allowed us to deliver solid results in these challenging economic times.



Specialised & Domestic Freight

Toll Specialised & Domestic Freight had a difficult year due to lower volumes from its customers whose work relies on mining sector activity.

We did see some benefits from investment in fleet and equipment in both Toll Express and Toll NQX and we are expecting benefits from recent investments in depot upgrades and IT to flow in financial year 2015. Both businesses were successful in extending a number of large contracts with key customers that will support future earnings.

Toll Liquids delivered improved earnings as a result of new contract wins and is well progressed in implementing the major new contract with Shell that it won during the year. With that contract and other opportunities in the liquids distribution market, we're expecting good growth from this business over coming years.

Toll Transitions' earnings were down slightly due to a lower number of Australian Defence Force relocations, but the business was still a strong contributor to the division's earnings.



The year ahead

The external business environment remains difficult. We will continue to pursue business improvement initiatives which, combined with our disciplined capital management approach, will see improved returns for shareholders and an increase in our leverage to any improvement in the external environment.

We expect to generate between \$40–50 million in cost savings during the 2015 financial year from investments in restructuring programs implemented or committed to in the 2014 financial year.

Assuming no material change in the external environment, we expect that these savings, other efficiency gains and other growth initiatives will deliver higher earnings for Toll in the 2015 financial year.

Once again, I would like to thank all of our employees across the world for their dedication and hard work during the past year.

While we are positioning ourselves to capitalise on any improvements in economic conditions, we need to continue our attention on those areas we have control over, which includes continuing to collaborate and working to help make our customers' businesses more successful.

We will also continue to focus on our key safety risk areas, namely manual handling activities and the risks faced during peak periods. It is up to every one of us to put the safety of ourselves, our colleagues and the communities in which we operate, first at all times.

Our goal is to ensure Toll remains the Asia Pacific region's leading provider of transport and logistics services.



Brian Kruger
Managing Director



Annual Financial Report

For the year ended 30 June 2014

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Directors' Report

For the year ended 30 June 2014

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 associates and joint ventures ('the Group'), for the year ended 30 June 2014 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

Brian Kruger (Managing Director)
Director since 2012

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

Ken Ryan AM
Director since 2013

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 owners of the Company was:

	2014 \$M	2013 \$M
Net profit attributable to the owners of the Company	286.1	84.5
Earnings per share		
Basic earnings per share (cents)	39.9	11.8
Diluted earnings per share (cents)	39.5	11.7

Directors' Report (continued)

For the year ended 30 June 2014

The sections of our Annual Financial Report titled Corporate Governance Statement and Corporate Social Responsibility Report are to be read as being incorporated into and forming part of the Directors' Report. Together they form our Operating Financial Review.

Review of operations

Toll's revenue increased 1.1% over the previous year to \$8.8 billion. Total earnings before interest and tax (before individually significant items) were up 4.3% to \$444.4 million and net profit after tax (before individually significant items) was also up 5.7% to \$298.5 million.

Summary results

All Australian dollars unless otherwise specified

	2014 \$M	2013 \$M	% change
Sales revenue	8,811.2	8,719.4	+1.1
Total operating EBITDA ¹	709.5	702.5	+1.0
Total operating EBIT ²	444.4	425.9	+4.3
Net profit after tax (before individually significant items)	298.5	282.4	+5.7
Net profit after tax (after individually significant items)	293.1	91.7	+219.6
Free cash flow ³	355.1	229.0	+55.1
Earnings per share (before PPA and individually significant items)	41.1	41.3	-0.2 cps
Final dividend per share	15.0	14.5	+0.5 cps
Full year dividends per share	28.0	27.0	+1.0 cps
Return on invested capital ⁴	8.1%	7.6%	+0.5 pp

1. EBITDA excludes profit from associates and individually significant items.

2. EBIT excludes individually significant items, includes profits from associates.

3. Free cash flow is EBITDA +/- movements in working capital, less net capital expenditure.

4. Return on invested capital is rolling 12 months net profit after tax before individually significant items plus net interest divided by average net debt plus shareholders' equity.

Restructuring and cost improvement initiatives, together with new contract wins, more than offset the generally challenging market conditions experienced during the year.

Toll Global Forwarding earnings benefited from cost savings despite its markets remaining difficult, while Toll Global Logistics improved results from its Asian activities, with a continued solid result in Australia.

The Australian domestic businesses continued to be pressured by the weaker mining sector and flat volumes in the retail sector. Significant restructuring activities were undertaken across a number of business units that will provide benefits in FY15 and beyond, along with investments to position the businesses for future growth. The restructuring included the realignment of a number of businesses as two of the Group's six divisions were amalgamated.

Toll Global Resources was able to mostly offset the impact of completed contracts and the decline of construction based LNG projects with new contract wins and a strong performance from Toll Offshore Petroleum Services (TOPS). However the overall result was down due to a significant decline in earnings from its marine businesses in Australia and Asia due to both weak market conditions and increased competition.

The Group's reported result includes net individually significant items of a \$5.4 million after tax charge, with the costs associated with major restructuring programs being partly offset by gains from business sales.

Dividend increased

A final fully franked dividend of 15.0 cents per ordinary share, an increase of 0.5 cents per share, will be paid to shareholders on 1 October 2014. The Toll Board has decided to continue the suspension of the Company's Dividend Reinvestment Plan.

Managing Director commentary

Toll Group Managing Director Brian Kruger said he was pleased with the result given the difficult environment seen throughout the year.

"Over recent years we have been investing in our Australian network businesses with significant capital being directed into new fleet and depots. While this is largely sustaining spend we have also been positioning ourselves for what we see as a strong demand for logistics services in Australia in the medium and long term. This year has seen new major depots completed including Bungaribee (Sydney), Brighton (Hobart) and Karawatha (Brisbane), with a major new depot under construction at Tullamarine (Melbourne) and work commenced on a new port side facility in Fremantle," Mr Kruger said.

“Cost reduction programs across the Group started to deliver a lower cost base. Our ability to implement these types of programs has been facilitated by a realignment of our core operating divisions, improved labour productivity, lower handling and linehaul costs and a Group focus on driving continuous improvement and innovation.”

“While we have seen the benefits of recent investments in our core Australian businesses in improving our cost base, we recognise that a continued focus on productivity and efficiency is necessary in the current environment to drive earnings growth.”

“A highlight of this result was the strong free cash flow of \$355.1 million generated by the Group, a \$126.1 million increase

on the prior year. The balance sheet remains strong, with gearing (net debt to net debt plus equity) at 31% ensuring sufficient balance sheet capacity to fund a range of growth initiatives.”

“I would again like to thank all the employees of Toll around the world for their dedication and hard work. This year has not been without its challenges but the commitment from our workforce has allowed us to deliver this result.”

Outlook

The external business environment remains difficult. We will continue to pursue business improvement initiatives including cost reductions and investments in productivity enhancing

projects which, combined with our disciplined capital management approach, will see returns improved for shareholders and an increase in our leverage to any improvement in the external environment.

We expect to generate between \$40-50 million in cost savings during FY15 from investments in restructuring programs implemented or committed to in FY14, including the cost savings targeted in Toll Global Forwarding.

Assuming no material change in the external environment, we expect that these savings, other efficiency gains and other growth initiatives will deliver higher earnings for Toll in FY15.

Sales and profit summary

	Earnings		Sales revenue	
	12 months to June 2014 \$M	12 months to June 2013 \$M	12 months to June 2014 \$M	12 months to June 2013 \$M
Toll Global Resources	102.7	108.5	1,122.7	1,178.8
Toll Global Logistics	92.9	89.0	1,354.6	1,266.6
Toll Global Forwarding	15.3	6.3	1,556.5	1,506.6
Toll Global Express				
Australia	118.0	130.9	1,637.5	1,602.0
Japan	1.2	(4.2)	589.5	631.8
Toll Global Express (Total)	119.2	126.7	2,227.0	2,233.8
Toll Domestic Forwarding	66.5	62.7	1,154.1	1,129.6
Toll Specialised & Domestic Freight	95.7	101.2	1,354.9	1,379.5
Total Divisions EBITA/revenue	492.3	494.4	8,769.8	8,694.9
Corporate	(44.6)	(47.3)	41.4	24.5
Total EBITA/revenue	447.7	447.1	8,811.2	8,719.4
Total PPA amortisation	(3.3)	(21.2)		
Total EBIT (before individually significant items)	444.4	425.9		
Net finance costs	(41.6)	(36.6)		
Net profit before tax	402.8	389.3		
Income tax expense	(104.3)	(106.9)		
Reported NPAT before individually significant items	298.5	282.4		
Individually significant items (net of tax)	(5.4)	(190.7)		
Net profit after tax	293.1	91.7		
Non-controlling interests	(7.0)	(7.2)		
NPAT attributable to shareholders	286.1	84.5		

NOTE: Toll is reporting its results for the 2014 financial year based on the business structure that existed during that period. On 1 July 2014, Toll restructured its operating structure (see page 24 for details). Historic financials for the new structure are expected to be released prior to the Toll Investor day on 30 October 2014.

Directors' Report (continued)

For the year ended 30 June 2014

Review of operations (continued)

Divisional operating review

Toll Global Resources

	2014 \$M	2013 \$M	% change
Sales revenue	1,122.7	1,178.8	-4.8
EBITDA ¹	175.2	181.7	-3.6
EBITA ²	102.7	108.5	-5.3
EBITA margin (excluding associate earnings)	8.8%	8.9%	-0.1pp
Average capital employed	1,110	1,051	+5.6
Return on capital employed ³	9.1%	10.2%	-1.1pp

1. EBITDA excludes profits from associates and individually significant items.

2. EBITA excludes individually significant items, includes profits from associates.

3. Return on capital employed is rolling 12 months EBIT before individually significant items divided by average capital employed.

Overall revenue and earnings for Toll Global Resources were lower mainly due to the difficult market conditions experienced across both the domestic and Asian marine markets. The impact of completed contracts such as ADF Timor and LNG construction based project declines were mitigated through the execution of significant cost reduction plans, the winning of new longer term production based contracts and the standout performance from TOPS following its redevelopment.

- Toll Energy experienced the beginning of the slow down for logistics services associated with the LNG construction activity for Gorgon and in Queensland, but has been successful in winning a number of new LNG production phase logistics service contracts.
- Toll Mining Services revenue remained relatively static whilst earnings improved. Western Australia rebounded from the previous poor year, with improvements driven by fleet replacement following the renewal of a number of existing contracts together with the ongoing focus on operational improvements.

- TOPS in Singapore delivered a material improvement in revenue and earnings, with near full occupancy for the buildings and lay down areas. Operational activities at the wharf continued to be strong.

- Toll Remote Logistics' revenue and earnings were down on the prior year given the cessation of the ADF Timor contract last year. This was partly mitigated by earnings from the provision of offshore infrastructure solutions to the Commonwealth Government and the winning of new husbanding contracts for the United States Navy and New Zealand Defence Force.

- Toll Marine Logistics Australia saw a strong performance from its Gladstone based fleet, but results came under pressure from an overall reduction in domestic shipping volumes, partly as a result of the closure of the Pacific Aluminium refinery in Gove, NT. Increased competitor activity in traditional markets also impacted performance which was in part offset by the introduction of new services in Far North Queensland.

- For Toll Marine Logistics Asia the trading environment and the market conditions in Indonesia continued to deteriorate with regulatory changes impacting unfavourably on market demand. In response to these conditions the business underwent a major restructure in Singapore to significantly reduce the operating cost base. An additional 20 vessels were sold in FY14.

Toll Global Logistics

	2014 \$M	2013 \$M	% change
Sales revenue	1,354.6	1,266.6	+6.9
EBITDA ¹	135.8	127.4	+6.6
EBITA ²	92.9	89.0	+4.4
EBITA margin (excluding associate earnings)	6.6%	6.9%	-0.3pp
Average capital employed	836	783	+6.8
Return on capital employed ³	11.0%	10.1%	+0.9pp

1. EBITDA excludes profits from associates and individually significant items.

2. EBITA excludes individually significant items, includes profits from associates.

3. Return on capital employed is rolling 12 months EBIT before individually significant items divided by average capital employed.

Toll Global Logistics grew revenue and earnings with strong revenue growth in Contract Logistics Australia and higher trading activities in the existing contracts of the Singapore Government Business Group being the main contributors. Asian businesses generally performed better than the prior year with the exception of Thailand, which was impacted by the unstable political environment.

- Customised Solutions posted marginally lower revenue due to volume reductions in the Chemical sector and some down trading, while earnings were flat. The sales pipeline is strong, providing opportunities for new business in FY15. Customised Solutions continues to deliver cost savings through its focus on continuous improvement programs.
- Contract Logistics Australia increased revenue due to new business wins (including Coca Cola Amatil and Woolworths Homeshop WA) and volume growth from existing customers. The acquisition of Nationwide Transport Solutions (NTS) strengthened the position in pursuing over dimensional and heavy haulage services across multiple industry sectors.
- The Singapore Government Business Group grew both revenue and earnings as a result of higher trading activities from the core business and new business wins in the healthcare sector.
- Singapore and Malaysia revenue declined due to exit of unprofitable contracts and completion of non-recurring projects. The Singapore business completed a major restructure during the year including reduction in facilities and associated manpower and integration of back office functions with the full financial benefit to flow into FY15.
- While overall revenue and earnings for South and South East Asia declined due to the political situation and depressed customer volumes in Thailand, India improved its results.
- Earnings improved in China and Korea due to operational improvements and exit of unprofitable contracts.

Directors' Report (continued)

For the year ended 30 June 2014

Review of operations (continued)

Toll Global Forwarding

	2014 \$M	2013 \$M	% change
Sales revenue	1,556.5	1,506.6	+3.3
Gross profit (GP)	306.2	286.2	+7.0
Gross profit margin	19.7%	19.0%	+0.7pp
EBITDA ¹	22.8	16.0	+42.5
EBITA ²	15.3	6.3	+142.9
EBITA margin (excluding associate earnings)	0.5%	0.1%	+0.4pp
Average capital employed	707	821	-13.9
Return on capital employed ³	+2.2%	-0.1%	+2.3pp

1. EBITDA excludes profits from associates and individually significant items.

2. EBITA excludes individually significant items, includes profits from associates.

3. Return on capital employed is rolling 12 months EBIT before individually significant items divided by average capital employed.

Global market conditions have continued to be very challenging. Whilst customer confidence and business sentiment has improved this has yet to translate to substantial increase in trade volumes. Excess capacity is the major limiting factor with both air and ocean carriers introducing capacity at a rate faster than market growth. Also customers continue to transfer volumes from air to ocean to reduce freight costs. Improved earnings, margin and returns reflect the strong performance of ocean freight combined with the success of cost reduction and productivity gains as a result of Project Forward. This was partially offset by lower airfreight volumes and reduced performance from the USA supply chain operations.

- Gross profit margin rose from 19.0% to 19.7%. This reflected the continuing focus on yield improvement and improved productivity as a result of Project Forward initiatives.
- Ocean freight volumes increased 18.8% to 542,000 TEUs. Ocean gross profit margin also increased from 16.3% to 19.2%. Volumes reflect the growth in the ocean market whilst the margin improvement reflects productivity measures from Project Forward.
- Air+Sea/Air freight volumes fell by 5.3% to 114,000 tonnes. This reflects the decline in end user demand and the continuing transition of freight from air to ocean. Air+Sea/Air gross profit margin fell from 21.8% to 21.2%.
- Supply Chain management underperformed especially in the USA with the loss of a major client and reduced volumes from key customers. Recent customer gains in the last quarter (including Office Depot, BCNY, Rackroom and Ariat) have given the US Supply Chain business a solid basis for FY15.
- Project Forward delivered in excess of \$20 million gross cost savings during the year. Project Forward now moves into the next phase with initiatives to grow profit and margins.

Toll Global Express

	2014 \$M	2013 \$M	% change
Sales revenue (excluding Japan)	1,637.5	1,602.0	+2.2
Japan sales revenue	589.5	631.8	-6.7
Total sales revenue	2,227.0	2,233.8	-0.3
EBITDA (excluding Japan) ¹	146.8	159.3	-7.8
Japan EBITDA ¹	9.5	5.2	+82.7
Total EBITDA ¹	156.3	164.5	-5.0
EBITA (excluding Japan) ²	118.0	130.9	-9.9
Japan EBITA ²	1.2	(4.2)	nm
Total EBITA (including associate earnings) ²	119.2	126.7	-5.9
EBITA margin (excluding Japan and associate earnings)	7.2%	8.3%	-1.1pp
EBITA margin (excluding associate earnings)	5.4%	5.7%	-0.3pp
Average capital employed (excluding Japan)	330	289	+14.2
Return on capital employed (excluding Japan) ³	35.8%	45.1%	-9.3pp

1. EBITDA excludes profits from associates and individually significant items.

2. EBITA excludes individually significant items, includes profits from associates.

3. Return on capital employed is rolling 12 months EBIT before individually significant items divided by average capital employed.

The domestic operations of Toll Global Express achieved revenue growth in difficult trading conditions. Trading conditions remained challenging in the road express business. However revenue in the air express parcel business and in the Toll Group's labour service provider, Toll People, grew. Earnings declined primarily due to margin pressure and down trading in Toll IPEC and Toll Fast. Costs were also affected by capacity constraints in Toll IPEC, higher maintenance costs in Toll Priority and continued investment in Toll Consumer Delivery.

- Toll IPEC's road freight revenue was negatively impacted by down trading from discretionary retail customers in Victoria, and a decline in time sensitive volumes from resource related customers in Western Australia. Lower weight per consignment reduced yield, driven partly by an increase in B2C volumes, as well as a decline in ad-hoc, higher weighted consignments from the Western Australian resources sector. Handling costs continued to be impacted by capacity issues at the major Melbourne and Sydney depots particularly at peak periods. A new freight sorting facility in Western Sydney, to be operational in September 2014, will alleviate capacity issues and provide handling efficiencies. Construction of a new Melbourne facility at Tullamarine commenced in June 2014.

- Toll Priority grew both revenue and earnings. Revenue benefited from a combination of new business wins, higher volumes from existing customers and strong demand for air charter work. Earnings benefited from restructuring and other cost reduction programs despite additional costs resulting from unscheduled aircraft maintenance and FX impacts on aircraft lease payments.
- Toll Fast, Toll's metropolitan courier, distribution and taxi truck business, recorded a revenue decline in very competitive courier markets across most capital cities. Revenue per courier job was down and a large portion of the small to medium size customer base down traded.
- The development of the business to consumer (B2C) product offering 'Toll Consumer Deliveries' continued and volumes grew as a result of the new GraysOnline contract. Costs were incurred to expand the alternative drop-point network further, which has now been expanded to over 1,300 locations, and in developing a range of online tools and portals aimed at increasing market share of the small and medium size on-line market.

- Toll Express Japan increased earnings reflect the ongoing success of cost initiatives, increased efficiencies as a result of higher volumes and lower personnel costs. Revenue declined mainly due to the divestment of a business in the previous year. In May, KSU Logistics was sold further impacting revenue in the fourth quarter.
- Toll Dnata Airport Services (TdAS), a joint venture with the Dnata Group, saw earnings improvement from a rationalisation of labour including a new job rostering system.

Directors' Report (continued)

For the year ended 30 June 2014

Review of operations (continued)

Toll Domestic Forwarding

	2014 \$M	2013 \$M	% change
Sales revenue	1,154.1	1,129.6	+2.2
EBITDA ¹	99.5	94.5	+5.3
EBITA ²	66.5	62.7	+6.1
EBITA margin (excluding associate earnings)	5.7%	5.5%	+0.2pp
Average capital employed	302	312	-3.2
Return on capital employed ³	21.9%	20.0%	+1.9pp

1. EBITDA excludes profits from associates and individually significant items.

2. EBITA excludes individually significant items, includes profits from associates.

3. Return on capital employed is rolling 12 months EBIT before individually significant items divided by average capital employed.

Toll Domestic Forwarding increased revenue primarily as a result of additional volumes gained through the Linfox Trans Bass acquisition and growth in the parcel business in New Zealand, partly offset by continued weak economic conditions and the loss of a major contract in Toll Intermodal.

- Toll Intermodal revenue and earnings were negatively impacted by the loss of the Coles Far North Queensland contract and down trading by a number of customers. Toll Intermodal divested its North Queensland rail terminal operations and associated properties to Asciano, enhancing the flexibility of operations in North Queensland. The business won a number of new contracts including Big W, Fisher & Paykel, Best & Less and Mars Petcare, while retaining Shell Lubricants and Dulux.
- Toll New Zealand increased revenue and earnings as a result of increased parcel freight revenue due to increased market share, organic growth (excluding the impact of divested operations and fuel surcharges) and currency translation. Earnings also benefited from a number of cost saving initiatives implemented during the year, including improved linehaul margins along with the consolidation of Auckland properties.
- Key customers retained during the year included DB Breweries, PACT Group, JNL, Laminex, Treasury Wine Estate and Pacific Steel. In December 2013, the business disposed of its Northland log cartage business.
- Toll ANL Bass Strait Shipping's revenue was marginally down on prior year due to the impact of customer down trading and costs associated with vessel dry docking, partly offset by additional volumes acquired through the purchase of the Linfox Bass Strait operations.
- Toll Tasmania's revenue and earnings grew as a result of new contract wins, growth in a number of key customers and also from the Linfox Trans Bass acquisition. The business also achieved organic revenue growth despite the overall trading conditions remaining flat.

Toll Specialised & Domestic Freight

	2014 \$M	2013 \$M	% change
Sales revenue	1,354.9	1,379.5	-1.8
EBITDA ¹	144.8	143.3	+1.0
EBITA ²	95.7	101.2	-5.4
EBITA margin (excluding associate earnings)	7.1%	7.3%	-0.2pp
Average capital employed	315	253	+24.5
Return on capital employed ³	30.4%	40.1%	-9.7pp

1. EBITDA excludes profits from associates and individually significant items.

2. EBITA excludes individually significant items, includes profits from associates.

3. Return on capital employed is rolling 12 months EBIT before individually significant items divided by average capital employed.

Revenue and earnings for Toll Specialised & Domestic Freight were lower with challenging trading conditions across most of its markets, particularly in the Toll Express and Toll NQX businesses. Cost efficiency initiatives included consolidation of back office functions and depots and various continuous improvement programs with much of the benefit to flow in FY15. Return on capital employed was also affected by significant expenditure to upgrade fleet and technology, as well as investment in major depots.

- Revenue and earnings for Toll Express were negatively impacted by lower volumes, primarily driven by the weaker West Australian project mining sector. Earnings were also affected by the start-up of the expanded Sydney depot, which will provide for growth in volumes in future years. The business continues to focus on cost efficiencies, benefits from the ongoing investment in replacement fleet, exploiting synergies with other parts of the Toll Group and leveraging IT to enhance customer service levels. Key customer relationships were extended with new work for Compass in Queensland and increased revenues from Westrac in NSW.

- Toll NQX volumes in the LTL palletised freight market were lower due to the continued downturn in the project mining sector and flat conditions across other markets. The lower revenue impacted earnings, while recent investments in new depots have increased operating costs and will deliver increased capacity for the future. Revenue from one-off projects and direct, full load deliveries were maintained but at lower margins due to competitive pressures.
- The business has an ongoing focus on cost efficiencies, maximising benefits from investment in fleet and IT to drive margins. Key contracts and relationships were extended and strengthened during FY14 with contract renewals for Glencore (formerly Xstrata), MMG, Rio Tinto, BMA, Sandvik, Origin Energy and Bluescope. In May 2014, Toll NQX opened its new facility in Brisbane.
- Toll Liquids continues to focus on implementing new contract wins, including the Shell national contract and new contracts in the gas segment including Origin Energy.
- Toll Transitions was affected by ongoing softness in Defence revenues due a lower number of Defence Force relocations.

Directors' Report (continued)

For the year ended 30 June 2014

Review of operations (continued)

Company restructuring

On 29 May 2014, Toll announced a restructuring of its operating divisions to better align its operations, particularly with regards to its contract logistics and network-based businesses. From 1 July 2014, Toll reduced its divisional reporting structure from six divisions to five, and changed reporting lines for a number of business units to better align service offerings. The changes will:

- make it easier for our customers to do business with us;
- reduce crossover of service offerings between divisions;
- increase best practice sharing and collaboration across business units; and
- reduce complexity and costs.

Toll Domestic Forwarding now includes Toll Express, Toll NQX and Toll Linehaul & Fleet Services. Toll Liquids and Toll Transitions, due to the contract nature of their activities, moved into Toll Global Resources. The specialised contract-driven parts of Toll Intermodal have been incorporated into Toll Global Logistics and the Toll Intermodal Queensland freight forwarding operations have been merged into Toll NQX. There were no changes to Toll Global Express and Toll Global Forwarding.

Strategy

Toll's strategy is to extend its position as the Australasian market leader in the provision of integrated transportation and logistics services to a diverse range of customer segments and to selectively build industry share and value in compatible international markets.

Toll operates in a challenging environment with an ever intensifying competitive landscape, increasing customer demands and expectations, increasing compliance obligations and new technologies changing the way customers, and thus Toll, need to do business.

But Toll occupies a unique position in the market. Toll is Australasia's largest and most diverse provider of integrated transportation and logistics solutions, with a strong Asia-Pacific footprint and a significant presence in key international trade markets.

In Australasia, Toll will further its market leading position by exploiting its core capabilities:

- maximising customer satisfaction through providing the most diverse and professionally executed set of individual and integrated solutions;
- continuously improving safety, customer service and operating performance;
- delivering industry leading technology and equipment capabilities and solutions;
- creating an organisation that recognises talent and rewards collaboration across geographies and business units (One Toll) and the pursuit of excellence; and
- deploying capital in pursuit of organic and inorganic growth where appropriate risk-adjusted returns can be generated.

In international markets, Toll will build its presence where it is customer led and it can establish a genuine comparative advantage.

Additional financial information

Cash flow

Cash flow generated from operations was up 16% on the prior year mainly due to improved collections. Net capital expenditure was down 12% due primarily to the sale of non-core properties. Dividends were up due to the increase in the amount per share paid during the period and continued suspension of the Dividend Reinvestment Plan. Tax payments were down mainly due to lower instalment rates.

	2014 \$M	2013 \$M
EBITDA excluding non-cash items	675.2	692.0
Working capital movement	(50.5)	(155.4)
Net operating cash flows	624.7	536.6
Capital expenditure	(418.5)	(391.6)
Sale of PPE	148.9	84.0
Free cash flow	355.1	229.0
Acquisitions	(26.0)	(7.5)
Sale of businesses & investments	57.1	91.7
Net cash flow before financing and tax	386.2	313.2
Interest payments	(33.6)	(28.5)
Tax	(112.0)	(132.7)
Dividends	(200.0)	(186.4)
Cash flow before movements in net debt	40.6	(34.4)

Capital expenditure

	2014 \$M	2013 \$M
Toll Global Resources	81.2	106.5
Toll Global Logistics	46.6	42.4
Toll Global Forwarding	13.8	10.9
Toll Global Express	79.1	48.6
Toll Domestic Forwarding	58.3	65.0
Toll Specialised & Domestic Freight	95.0	95.9
Corporate	44.5	22.3
Total	418.5	391.6

The increase in capital expenditure reflects continued investment in fleet, depots and terminals.

Tax

After adjusting for the impact of restructuring and the sale of businesses, the normalised effective tax rate was 26%, mainly due to the benefits of the tax concession on coastal shipping income.

Net debt

	2014 \$M	2013 \$M
Total debt	1,735.6	1,788.7
Cash	504.4	515.5
Net debt	1,231.2	1,273.2
Gearing (net debt/net debt & equity)	31.1%	32.1%

Directors' Report (continued)

For the year ended 30 June 2014

Additional financial information (continued)

A significant refinancing program was undertaken during the year. The key objectives of this refinancing activity were to extend the average duration of debt which moved from 1.9 years to 3.0 years as well as maintain a diversified funding base. This was facilitated through the second issuance of notes in the US Private Placement market along with syndications in the Singapore and Hong Kong markets. The balance sheet remains strong with gearing reduced to 31.1% and a leverage ratio of 1.8 times EBITDA and an interest cover ratio of 12.1 times.

Net interest expense

Net interest expense was \$41.6 million, up \$5.0 million on prior year. This change was mainly due to the impact of currency movements on foreign currency denominated interest and lower interest income on deposits.

Individually significant items

The FY14 results included a number of individually significant items as shown in the table below, totalling a post-tax charge of \$5.4 million.

2014 individually significant items	\$M
Restructuring costs	(44.3)
Gain on sale of controlled entities	34.0
Tax	4.9
Total individually significant items post tax	(5.4)

2013 individually significant items	\$M
Toll Global Forwarding impairment	(215.4)
Toll Marine Asia impairment	(30.1)
Total impairments	(245.5)
Gain on sale of Toll Auto Vehicle distribution business, Toll Refrigerated linehaul and warehousing business and Sanko MIC (Japan)	55.8
Tax	(1.0)
Total individually significant items post tax	(190.7)

Dividend and Dividend Reinvestment Plan

A fully franked final dividend of 15.0 cents per ordinary share (up 0.5 cents per share) has been determined and is payable on 1 October 2014. The record date for determining entitlement to the dividend is 3 September 2014. This brings the total dividends for the year to 28.0 cents per share, fully franked, up 1.0 cent per share on the prior year. The increased dividends continue to reflect the Group's confidence in the sustainability of its earnings and cash flows.

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

Non-IFRS financial information

Toll Holdings Limited results are reported under International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board. The Company discloses certain non-IFRS measures that are not prepared in accordance with IFRS and therefore are considered non-IFRS financial measures. The non-IFRS measures should only be considered in addition to, and not as a substitute for, other measures of financial performance prepared in accordance with IFRS. Non-IFRS measures have not been subject to review by the Group's external auditors. However, the measures below have been extracted from the books and records that have been subject to the review. Definitions of each non-IFRS measure are as follows:

- average capital employed: assets and liabilities excluding tax and financing related balances;

- EBIT before individually significant items: results from operating activities less restructuring costs;
- EBITA: EBIT before individually significant items plus PPA amortisation;
- EBITA margin: EBITA as a percentage of revenue;
- EBITDA: EBIT before individually significant items plus depreciation and amortisation and share of profits from associates and joint ventures;
- free cash flow: EBITDA excluding non-cash items plus movements in working capital, less net capital expenditure;
- gross profit: revenue less cost of goods sold;
- gross profit margin: gross profit as a percentage of revenue;
- net debt: interest bearing liabilities less cash and cash equivalents;

- net profit after tax before individually significant items: profit for the period less gain on disposal of controlled entities and restructuring costs, net of tax, and impairment losses on intangible assets and property, plant and equipment;
- operating cash conversion: cash generated from operations less restructure and integration costs paid as a percentage of EBITDA less non-cash items;
- return on capital employed: rolling 12 months EBIT before individually significant items divided by average capital employed; and
- return on invested capital: rolling 12 months net profit after tax before individually significant items plus net interest divided by average net debt plus equity.

	2014 \$M	2013 \$M
Sales revenue	8,811.2	8,719.4
Total operating EBITDA	709.5	702.5
Depreciation and amortisation	(279.8)	(285.0)
	429.7	417.5
Share of profit of associates and joint ventures	14.7	8.4
Total operating EBIT	444.4	425.9
Net profit after tax (before individually significant items)	298.5	282.4
Individually significant items (gross of tax)	(10.3)	(189.7)
Tax on individually significant items	4.9	(1.0)
Individually significant items (net of tax)	(5.4)	(190.7)
Net profit after tax (after individually significant items)	293.1	91.7

Carbon tax

The Clean Energy Legislation (Carbon Tax Repeal) Act 2014 passed into law on 17 July 2014 retrospectively effective from 1 July 2014. This means the carbon price of \$25.40 per tonne is to be removed from energy inputs for applicable sectors from that date. All energy prices with a fixed carbon price are to revert back to normal pricing, effective 1 July 2014.

Customers who had previously been charged the carbon surcharge have had their surcharge removed. The changes primarily affect our Australian marine, air and rail modes and facilities-based activities as the tax did not directly apply to on-road activities. We are currently working through associated impacts on our supply chain. These changes are not anticipated to have a material impact on earnings.

Directors' Report (continued)

For the year ended 30 June 2014

Additional financial information (continued)

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:				
<i>Ordinary shares</i>				
2014				
2013 Final dividend	14.5	104.0	Franked	28/10/2013
2014 Interim dividend	13.0	93.2	Franked	04/04/2014
2013				
2012 Final dividend	13.5	96.8	Franked	22/10/2012
2013 Interim dividend	12.5	89.6	Franked	02/04/2013
Dividends paid or determined by the Company after year end:				
Final dividend	15.0	107.6	Franked	01/10/2014

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. Quarterly forecasts are prepared by management and presented to the Board during the financial year.

Events subsequent to balance date

Dividends

The Directors have determined a final dividend of 15.0 cents per share.

Business strategies, prospects and likely developments

The Operating and Financial Review sets out information on the business strategies and prospects for future financial years, and refers to likely developments in Toll's operations and the expected results of those operations in future financial years. Information in the Operating and Financial Review is provided to enable shareholders to make an informed assessment about the business strategies and prospects for future financial years of the Toll Group.

Information that could give rise to likely material detriment to Toll, for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage has not been included.

Other than the information set out in the Operating and Financial Review, information about other likely developments in Toll's operations and the expected results of these operations in future financial years has not been included.

Business strategy

Toll's strategic framework is designed to harness our significant resources, know-how and passion to deliver optimal logistics solutions for our customers and create value for our shareholders. Toll's strategy encompasses the defence and growth of established leadership positions in our core domestic logistics and transportation markets as well as return-enhancing development of Toll's international portfolio.

This will be achieved through systematically increasing customer satisfaction, optimising business unit cost structures, maximising organic growth across Toll's uniquely diverse range of businesses, and continuing to invest to maintain comparative advantage within the market place, all supported by the One Toll program which supports this focused approach.

With a disciplined focus on return on capital employed, Toll remains committed to pursuing domestic and offshore growth opportunities in compatible geographies and businesses that offer sustainable competitive advantage and appropriate risk-adjusted returns.

Material business risks

Toll Group maintains a risk management framework that includes the identification, assessment and reporting of material business risks at a business and Group level. The Board reviews the consolidated business risk profile twice a year and reassesses key business risks and how they are managed and mitigated by management.

The material business risks that have the potential to impact achievement of the Group's strategic priorities and business objectives, with relevant risk mitigation initiatives, are explained in the table below.

We have not included below the more generic risk areas that affect most companies or general economic factors impacting transport and logistics.

Risk area	Risk description	Risk mitigation
Business earnings and returns improvement	<p>Continuing to deliver on business improvement projects, including restructure of Toll Global Forwarding during relatively flat global trading conditions, is important to achieving Group earnings improvement.</p> <p>For 'contract logistics' style businesses, there is a risk that new contract wins do not adequately replenish major contracts completed or lost.</p> <p>Timely delivery of revenue and earnings targets for <i>new service offerings</i> is important to overall achievement of Group growth targets.</p>	<ul style="list-style-type: none"> • Toll Global Forwarding 'Project Forward' restructure continues with cost reduction, productivity and margin improvement targets – progress is tracked monthly with Board and Executive Group oversight. • Customer retention and new business development strategies. • Customer service targets and feedback initiatives, supported by customer account management programs. • New product/service offerings supported by 'go to market' strategy and revenue/margin targets, tracked monthly. • Growth target plans by product/service, geography and industry. • Continuous Improvement initiatives focus on productivity, innovation and cost optimisation.
Key customers and competitors	<p>Changes in key customer operating and supply chain business models could result in loss of business and volumes which can impact the Group's profitability.</p> <p>There is a risk that our competitors bring alternative innovation to geographies and markets we operate in, impacting on Toll's market share and margins.</p>	<ul style="list-style-type: none"> • Customer and industry-focused technology and service solutions that respond to customer imperatives – around cost optimisation and continuous improvement. • Investment in technology, equipment and facilities R&D and innovation. • Existing diversification of customers and competitors across geographies, service lines and industries.
Business interruption event – impacting transport, warehouse or depot operations	<p>Toll's operations could be impacted by major failure of core IT systems or loss of, or damage to, key transport and warehouse capability or assets, due to weather/natural disasters, accidents or third party provider failure.</p>	<ul style="list-style-type: none"> • Crisis, emergency and incident management framework supported by formal business contingency plans. • Formal IT systems security, continuity and disaster recovery procedures. • Alternative transport options and providers for Aviation, Marine, Rail and Road operations. • Investment in new fleet, facilities and technologies, with engineering and design innovation and preventative maintenance programs. • Appropriate levels of 'business interruption' insurance cover are held.

Directors' Report (continued)

For the year ended 30 June 2014

Material business risks (continued)

Risk area	Risk description	Risk mitigation
Health, safety and environment – in road, sea, air environments or depot/warehouses	<p>Serious injury or fatality in the workplace (road, rail, sea or air) or the community has a personal cost for our people, customers, suppliers or members of the public and can impact our reputation.</p> <p>Toll provides specialist hazardous chemicals transport and warehousing and fuel cartage services to customers. Any major spill (on site or in transit) or other environmental incident could have safety, reputation and financial consequences.</p>	<ul style="list-style-type: none"> • Group wide Health and Safety strategy, supported by policies, procedures, training, incident reporting and performance measures. Compliance audits are conducted. • Management incentive schemes aligned to safety performance and culture, supported by safety leadership training. • Specialist dangerous goods transport and warehousing operations, and aviation and marine environments are subject to regulatory certification, and have adopted formal policies, procedures and training, with regular audit assessments completed. • Group crisis and emergency management framework to respond to incidents.
Regulatory compliance and ethical conduct	<p>Toll operates in many jurisdictions that have different regulatory, operational, and ethical frameworks. Any non-compliance can attract serious financial penalties and can impact Toll's reputation.</p> <p>Any serious breach of Australian transport and operational regulations can place at risk our 'licences to operate' in road transport, aviation and marine environments, impacting profitability and our reputation.</p>	<ul style="list-style-type: none"> • Group wide ethical and anti-corruption framework underpinned by Code of Practice and Code of Ethics, policies, standards and training to support decision making. • Toll operates a 'Disclosure Hotline' in Australia which supports Toll's Code of Practice, values and beliefs. The Hotline is currently being rolled out globally. • Compliance with transport and operational regulations (for road transport, marine and aviation operations) is governed by policies and procedures, incident and performance reporting and training. • Audits are used to support continuous improvement in regulation compliance.
Industrial relations	<p>Toll has a large unionised workforce – if there is insufficient engagement and collaboration with all employees, there is a risk of service disruption for our customers.</p>	<ul style="list-style-type: none"> • Industrial relations strategy which includes continuous improvement in the level of engagement with Toll's workforce. • Maintaining fair pay and employment conditions for all employees.




Information on Directors



Director	Experience and qualifications	Special responsibilities*
 <p>Ray Horsburgh AM BEng(Chem), Hon DUniv, FAICD FIEAust</p> <p>Independent Non-Executive Director</p>	<p>Director since 24 November 2004.</p> <p>Appointed Chairman from 14 September 2007.</p> <p>Extensive management experience in the glass and steel sector, and in merger and acquisitions.</p> <p>Roles, responsibilities and directorships include:</p> <ul style="list-style-type: none"> • Chairman of Calibre Global Limited. • Chairman of National Can Industries Limited. • Former Managing Director of Smorgon Steel Group Limited from 1998 to 30 June 2007. • Former Non-Executive Director of CSR Limited. • Former Non-Executive Director of Traffic Technologies Limited. 	<p>Chairman of the Board of Directors.</p> <p>Chairman of the Nomination and Corporate Governance Committee.</p>
 <p>Brian Kruger BEc (Monash)</p>	<p>Managing Director since 1 January 2012. CFO from 1 July 2009 to 31 December 2011.</p> <p>Extensive experience in senior corporate finance and management roles.</p> <p>Former roles and responsibilities include:</p> <ul style="list-style-type: none"> • Senior positions with BlueScope Steel Limited including: <ul style="list-style-type: none"> – President, North America, Corporate Strategy and Innovation. – President, Australian Manufacturing Markets. – Inaugural Chief Financial Officer. • Senior financial and operational roles with BHP Billiton Limited. • Partner at Greenstone Partners. 	<p>Member of the Nomination and Corporate Governance Committee.</p>
 <p>Harry Boon LLB(Hons), BCom (Melb)</p> <p>Independent Non-Executive Director</p>	<p>Director since 1 November 2006.</p> <p>Extensive experience in global marketing and sales, large scale manufacturing operations and product development.</p> <p>Roles, responsibilities and directorships include:</p> <ul style="list-style-type: none"> • Chairman of Tatts Group Limited. • Non-Executive Director and Chairman of Asaleo Care Limited. • Former Chief Executive Officer and Managing Director of Ansell Limited. • Former Chairman of PaperLinX Limited. • Former Non-Executive Director of Hastie Group Limited. 	<p>Chairman of the Remuneration Committee.</p> <p>Member of the Nomination and Corporate Governance Committee.</p> <p>Member of the Occupational Health & Safety and Environment Committee.</p>

Directors' Report (continued)

For the year ended 30 June 2014

Information on Directors (continued)

Director	Experience and qualifications	Special responsibilities*
 <p>Mark Smith DipBus (Mktg) Monash, FAMI, CPM, FAIM, FAICD</p> <p>Independent Non-Executive Director</p>	<p>Director since 1 July 2007.</p> <p>Extensive experience in the fast moving consumer goods (FMCG) industry, including general management roles and senior marketing roles globally with Cadbury Schweppes, and senior marketing roles with Unilever and Uncle Toby's.</p> <p>Roles, responsibilities and directorships include:</p> <ul style="list-style-type: none"> • A number of key positions with Cadbury Schweppes; former roles include: <ul style="list-style-type: none"> – Managing Director of Cadbury Schweppes Australia and New Zealand from 2003 to 2007. – Member of the Cadbury Schweppes Asia Pacific Regional Board. – Managing Director of Confectionery Australia and New Zealand. – Director of Marketing for Cadbury Trebor Basset in the UK. • Senior positions in Cadbury Schweppes' North American and Australian operations. • Senior positions, including marketing roles, with Unilever and Uncle Toby's. • Director and Chairman of Patties Foods Limited. • Non-Executive Director of GUD Holdings Limited. • Former Non-Executive Chairman of Manassen Foods Group. • Former Chairman of the Confectionery Manufacturers of Australasia (CMA). • Former Member of the Board of the Australian Food and Grocery Council (AFGC). 	<p>Member of the Audit and Risk Committee.</p> <p>Member of the Nomination and Corporate Governance Committee.</p> <p>Member of the Occupational Health & Safety and Environment Committee.</p>
 <p>Barry Cusack BEng(Hons), MEngSci, FTSE, FAusIMM, FAIM, FAICD</p> <p>Independent Non-Executive Director</p>	<p>Director since 1 October 2007.</p> <p>Extensive experience in the minerals and resources sector.</p> <p>Roles, responsibilities and directorships include:</p> <ul style="list-style-type: none"> • Over 40 years with the Rio Tinto Group; former roles include: <ul style="list-style-type: none"> – Managing Director of Dampier Salt, Hismelt Corporation. – Hamersley Iron Operations and Rio Tinto Australia. – Chairman of Rio Tinto Asia and Rio Tinto Shipping. • Former Director and Chairman of Brockman Resources Limited. • Deputy Chairman of MacMahon Holdings Limited. • Past President of the Minerals Council of Australia from 2001 to 2003. 	<p>Chairman of the Occupational Health & Safety and Environment Committee.</p> <p>Member of the Nomination and Corporate Governance Committee.</p> <p>Member of the Remuneration Committee.</p>
 <p>Frank Ford MTax(Melb), BBus(Acc) (with distinction), FCA</p> <p>Independent Non-Executive Director</p>	<p>Director since 14 January 2008.</p> <p>Extensive experience as a professional advisor specialising in taxation.</p> <p>Roles, responsibilities and directorships include:</p> <ul style="list-style-type: none"> • Senior positions with Deloitte; former roles include: <ul style="list-style-type: none"> – Managing Partner, Victoria. – Managing Partner, Taxation Services. – Member of the Global Board. – Member of the Global Governance Committee. • Director of Citigroup Pty Limited. • Non-Executive Director of Nufarm Limited. • Former Non-Executive Director of Manassen Foods Group. 	<p>Chairman of the Audit and Risk Committee.</p> <p>Member of the Nomination and Corporate Governance Committee.</p> <p>Member of the Remuneration Committee.</p>

Director	Experience and qualifications	Special responsibilities*
 <p>Nicola Wakefield Evans BJuris/BLaw(UNSW) Independent Non-Executive Director</p>	<p>Director since 10 May 2011.</p> <p>Extensive experience as a mergers and acquisitions (M&A) and equity capital markets lawyer and adviser to some of the world's largest and most successful companies in Australia, China, Asia and internationally.</p> <p>Roles, responsibilities and directorships include:</p> <ul style="list-style-type: none"> • Member of the Law Advisory Council of the University of New South Wales Law School. • Board Member of AsiaLink (University of Melbourne). • Non-Executive Director of BUPA Australia. • Non-Executive Director of Lend Lease Australia. • Non-Executive Director of Macquarie Group Limited. • Non-Executive Director of Macquarie Bank Limited. • Former 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). 	<p>Member of the Audit and Risk Committee.</p> <p>Member of the Nomination and Corporate Governance Committee.</p> <p>Member of the Occupational Health & Safety and Environment Committee.</p>
 <p>Ken Ryan AM BCom (Melb Uni) Independent Non-Executive Director</p>	<p>Director since 3 September 2013.</p> <p>Extensive experience in marketing and senior management, particularly within the aviation sector both domestically in Australia and throughout Asia.</p> <p>Roles, responsibilities and directorships include:</p> <ul style="list-style-type: none"> • Senior positions with Qantas; former roles include: <ul style="list-style-type: none"> – Regional General Manager, Victoria and Southern Australia. – Chief Executive Jetstar Asia. – Group General Manager, Marketing. – Regional General Manager, South East Asia, Qantas and British Airways. – Chief Executive's Representative Asia. • Commissioner of the Australian Sports Commission (Federal Government appointed). • Non-Executive Director of the Australian Grand Prix Corporation (State Government appointed). • Non-Executive Director of Victorian Major Events Company (State Government appointed). • Former Non-Executive Director of Ambulance Victoria (State Government appointed). • Former Committee Member of the Singapore Australia Business Council. • Former Non-Executive Director of both the Melbourne Convention and Visitor's Bureau and Step Back Think. 	<p>Member of the Nomination and Corporate Governance Committee.</p> <p>Member of the Occupational Health & Safety and Environment Committee.</p>

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

Directors' Report (continued)

For the year ended 30 June 2014

Information on Directors (continued)

Company Secretary

Bernard McNerney (AICS, CPA, AICD, B Bus Acc) has held the position of Company Secretary since April 1994. Mr McNerney has over 30 years' experience in the transport sector with extensive experience in merger and acquisitions, accounting and financial management. Former roles and responsibilities include Director of Virgin Blue Holdings Limited, Group Financial Controller of Chalmers Limited and various management roles within Mayne Nickless Limited.

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 Securities Exchange in accordance with section 205G(1) of the *Corporations Act 2001*, at 19 August 2014 is as follows:

	Ordinary Shares	Options over Ordinary Shares	Rights Restricted	Performance Rights
Brian Kruger	96,049	4,404,706	51,821	584,540
Ray Horsburgh	86,501	—	—	—
Harry Boon	19,985	—	—	—
Mark Smith	48,232	—	—	—
Barry Cusack	49,630	—	—	—
Frank Ford	30,000	—	—	—
Nicola Wakefield Evans	10,000	—	—	—

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 2014 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.

Director	Directors' meetings		Audit and Risk Committee meetings		Remuneration Committee meetings		Nomination and Corporate Governance Committee meetings		Occupational Health & Safety and Environment Committee meetings	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Ray Horsburgh	18	18	4*	5*	3*	4*	3	3	3	4
Brian Kruger	17	18	—	—	—	—	3	3	—	—
Harry Boon	18	18	—	—	4	4	3	3	4	4
Mark Smith	18	18	5	5	—	—	3	3	4	4
Barry Cusack	16	18	—	—	4	4	3	3	4	4
Frank Ford	17	18	5	5	4	4	2	3	—	—
Nicola Wakefield Evans	18	18	4	5	—	—	3	3	3	4
Ken Ryan	15	15	—	—	—	—	1	1	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 2014.

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 2013/2014 financial year (FY14). It also discloses the details of remuneration entitlements, opportunities and the value of grants made to Toll's 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 Committee met on four occasions in FY14 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 FY14 were as follows:

- We undertook a comprehensive review of the remuneration framework and considered possible alternative remuneration structures that could further strengthen and simplify the links between performance/shareholder alignment and executive reward. However, after reviewing alternative models, we decided to maintain the current remuneration arrangements for the immediate future as they currently provide appropriate focus on the key financial, safety and strategic targets and there is a clear and strong link between performance and reward.
- Lifting the weighting of Return on Investment metrics within STI scorecards to support the focus on this key financial measure.

- We applied even greater differentiation to the threshold and stretch levels of performance having regard to prior year performance and perceived difficulty of achieving target performance.
- FY14 was the first full year in which all KMP had a portion of their STI outcome deferred into equity which was restricted for the year. This was a key change introduced to align an even greater portion of executive reward with shareholder interests.
- We continued to implement the People Performance and Growth framework, explained further in the Remuneration Report.
- Participants in the Long Term Incentive (LTI) Plan may elect to receive their equity either as performance **options**, performance **rights**, or as a combination of both. This gives participants greater flexibility over the type of equity they receive and, by including performance hurdles, ensures that the incentives remain aligned with shareholder interests.
- The performance measures under the LTI Plan were Group Return on Capital (ROC) and Total Shareholder Return (TSR). We believe these measures better support the current strategic goals of the Group. There are no re-tests of performance hurdles in the FY14 LTI Plans.
- We continued our ongoing commitment to clearly disclosing our remuneration strategy and framework in this Remuneration Report.

Appointments/movements

A major organisational restructure was undertaken with effect from 1 July 2014. The main change was the reduction in the number of Divisions, with Toll Domestic Forwarding (TDF) and Toll Specialised & Domestic Freight (TSDF) Divisions merged. Mal Grimmond, the previous Divisional Director of TSDF, was announced as the Divisional Director for the newly formed Division with effect from 1 July 2014. As a result of this change, Paul Ebsworth ceased in the role of Divisional Director TDF effective 30 June 2014 and will cease employment with Toll in FY15.

Chris Pearce, formerly the Divisional General Manager for Customised Solutions in Australia was appointed as President and Chief Executive Officer of Toll Global Logistics (TGL) based in Singapore, with effect from 1 July 2014.

Previously, we had announced that the current President and Chief Executive Officer of TGL, Wayne Hunt, would be leaving Toll in late 2014.

Governance

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

- Assessed external remuneration trends, received general remuneration advice from independent experts, and consulted with corporate governance advisers.
- Reviewed the remuneration framework and its ongoing 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.

Directors' Report (continued)

For the year ended 30 June 2014

Remuneration Report – audited (continued)

Remuneration opportunity

The statutory remuneration table in section 7 of this Remuneration Report provides a breakdown of Toll's 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 or loss in relation to the Managing Director and executive remuneration.

The table below shows the remuneration package for the Managing Director and executives and reflects their fixed remuneration as at 30 June 2014 and the at risk remuneration, being the STI target opportunity and the LTI grant allocation value for FY14. All amounts are shown in Australian dollars. Note that the table in section 7 reflects remuneration which is expensed by the Company under the Accounting Standards.

Summary of executive remuneration opportunity in FY14

	Fixed remuneration	At risk remuneration	
	as at 30 June 2014 \$'000	STI target opportunity for FY14 \$'000	LTI granted during FY14 ¹ \$'000
Managing Director			
Brian Kruger	1,810	1,810	1,810
Executives			
Paul Coutts ²	587	311	263
Grant Devonport	785	490	450
Paul Ebsworth	695	325	285
Mal Grimmond	710	340	285
Wayne Hunt ³	760	420	410
David Jackson	860	495	435
Bernard McInerney	720	320	325
Shane O'Neill	720	385	375

1. This represents the value of the LTI at the date of grant (that is, the executives' 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.

2. Mr Paul Coutts is based in Singapore as a long-term assignee. His remuneration is expressed and paid in Singapore dollars and has been converted to Australian Dollars in the above table using an exchange rate of AUD1.0 = SGD1.1582. Paul Coutts also receives certain allowances in addition to his fixed remuneration, STI and LTI. The actual remuneration paid as disclosed in the statutory remuneration tables includes the impact of assignment allowances and other benefits paid in relation to the overseas posting.

3. Mr Wayne Hunt continues to serve in Singapore as a long-term assignee and receives certain allowances in addition to his fixed remuneration, STI and LTI. The actual remuneration paid as disclosed in the statutory remuneration tables includes the impact of assignment allowances and other benefits paid in relation to the overseas posting. Mr Hunt's remuneration is expressed in Australian Dollars but converted to Singapore Dollars and paid locally.

Looking ahead to 2014/15 (FY15)

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. Each year, Directors review the remuneration framework and make appropriate adjustments to ensure alignment between Toll's strategy and the framework as a means to grow shareholder value and motivate our people. Previous annual reviews have resulted in a number of modifications to the framework. The following table highlights the major changes and provides an overview of the evolution of the current remuneration approach:

Year	Changes
FY12	<ul style="list-style-type: none"> • Greater flexibility on equity instruments – performance rights introduced for LTI grants and participants able to elect to receive options and/or rights • Return on Capital measures introduced for STI • STI Deferral and a clawback mechanism for use in special circumstances introduced for the Managing Director and Chief Financial Officer
FY13	<ul style="list-style-type: none"> • STI upper targets established to drive outperformance on quantifiable outcomes • A 'gateway' introduced (based on performance at least at a threshold level of Group net profit after tax) which must be met before any above target payments can be made • STI threshold targets lifted and the amount payable for achievement of threshold performance reduced • STI Deferral and a clawback mechanism for use in special circumstances extended to all KMP
FY14	<ul style="list-style-type: none"> • Shift in weightings between earnings and return on capital measure • Return on capital introduced as a replacement for EPS growth in the LTI plans

A number of changes to the overall organisational structure and the senior executive team are occurring and FY15 will provide an opportunity for the benefit of these changes to be realised. The current remuneration practices and plan designs are considered appropriate to assist in galvanising the new team to achieve the required FY15 business outcomes. Accordingly, FY15 will be a year of consolidation in relation to remuneration practices with the current overall plan designs being retained providing a continued strong focus on key financial, safety and strategic targets.

Directors' Report (continued)

For the year ended 30 June 2014

Remuneration Report – audited (continued)

Full remuneration report

This report contains 12 sections:

- | | | |
|---|---|---|
| 1. Key management personnel | 6. Service contracts | 10. Non-Executive Director remuneration framework |
| 2. Remuneration philosophy and strategy | 7. Statutory remuneration table: Managing Director and executives | 11. Remuneration Committee |
| 3. Executive remuneration framework | 8. Performance-related remuneration | 12. Statutory remuneration table: Non-Executive Directors |
| 4. Toll's performance | 9. Director and executive equity instruments | |
| 5. Managing Director remuneration | | |

1. Key management personnel

Toll's key management personnel (KMP) for FY14 are listed below. The KMP were Toll's Non-Executive Directors, the Managing Director and the executives who had authority and responsibility for planning, directing and controlling the activities of Toll for the year ended 30 June 2014 (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	
Ken Ryan	Non-Executive Director	Appointed 3 September 2013
Mark Smith	Non-Executive Director	
Nicola Wakefield Evans	Non-Executive Director	
Managing Director		
Brian Kruger	Managing Director	
Executives		
Paul Coutts	Toll Global Forwarding, CEO	
Grant Devonport	Chief Financial Officer	
Paul Ebsworth	Toll Domestic Forwarding, Divisional Director	Ceased in role 30 June 2014
Mal Grimmond	Toll Specialised & Domestic Freight, Divisional Director	
Wayne Hunt	Toll Global Logistics, President and CEO	Ceased in role 30 June 2014
David Jackson	Toll Global Resources, CEO	
Bernard McInerney	Company Secretary	
Shane O'Neill	Toll Global Express, Divisional Director	

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 contribution 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 executives and their senior managers so that our people are focused on what matters most to the business and our shareholders.

The KRAs 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

While this report discusses the year ended 30 June 2014, 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 of Toll's stakeholders.

The People Performance and Growth KRAs have been rolled out globally for our executives and senior management since 1 July 2010.

Directors' Report (continued)

For the year ended 30 June 2014

Remuneration Report – audited (continued)

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 FY14. We are determined that our remuneration framework continues to reflect market best practice, meets 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 KRAs and their annual performance objectives.
Short-term incentive (STI) – at risk	Incentive for the achievement of stretch performance budgets and goals for the year.	<p>For FY14, incentives were based on:</p> <ul style="list-style-type: none"> • earnings measures; • return on capital measures; • safety performance improvements; and • other key strategic initiatives. <p>The STI metrics were assessed at Group, divisional and individual levels (as applicable to each role).</p> <p>See the STI section for more information.</p>
Long-term incentive (LTI) – at risk	Incentive for long-term shareholder value creation; assists in the retention of key talent.	<p>For FY14, the performance options and/or performance rights granted were subject to performance targets based on two independently tested hurdles:</p> <ol style="list-style-type: none"> 1. return on capital (compound average growth rate); and 2. relative total shareholder return. <p>See the LTI section for more information.</p>

Remuneration mixes

Our remuneration mixes (i.e. fixed remuneration, STI target opportunity and the LTI grant allocation value) for the Managing Director and executives are shown at right. 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 average remuneration opportunity for the Managing Director and executives are shown based on the 30 June 2014 remuneration mix levels.

Remuneration mix

Managing Director

Fixed remuneration 33.3%	STI 33.3%	LTI 33.3%
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Executives

Fixed remuneration 49.7%	STI 26.2%	LTI 24.1%
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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; and
- 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.

Fixed remuneration determination



Role contribution and impact
(assessment against KRAs)

Market data

Individual skills, capability/
experience and performance

Fixed remuneration
decision

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.

The Board determines the fixed remuneration for the Managing Director having regard to performance and external relativities. Recommendations for executive fixed remuneration levels are made by the Managing Director. These are then considered by the Remuneration Committee and recommendations are then made for approval by the Board.

Short-term incentive (STI) – at risk remuneration

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

The Board approves the Managing Director's annual performance objectives with reference to Board-approved corporate objectives, plans and budgets. The Managing Director approves the executives' performance objectives in the same way. The performance objectives are then considered by the Remuneration Committee and recommendations are then made for approval by the Board.

At the end of each annual performance period, individual performance evaluations are conducted by the Chairman for the Managing Director and by the Managing Director for his direct reports. The Remuneration Committee reviews and ratifies the individual performance evaluations provided by the Managing Director for other executives. The proposed STI payments are then reviewed by the Remuneration Committee and recommendations are then made for approval by the Board.

STI deferral

Historically, all STI payments were paid in cash (or as salary-sacrificed superannuation contributions). However, STI deferral was introduced for the Managing Director and Chief Financial Officer to apply to the STI payments for FY12 and extended to the executive team to apply to the FY13 STI payments.

The deferred amount is 25% of the earned STI payment. This deferred amount is awarded as equity (in the form of restricted rights), with the balance of the STI paid in cash. The restricted rights for the FY13 deferral were restricted until the end of FY14. The allocation value for the restricted rights 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' in section 9 of this report).

As the grants of deferred equity (in the form of restricted rights) represent the STI performance in a previous year, no performance condition applies to the restricted rights, only a service condition.

FY14 STI

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

The key STI metrics in FY14 were:

- Group Net Profit After Tax (NPAT);
- Group Return on Invested Capital (ROIC);
- Divisional Earnings Before Interest and Tax (EBIT);
- Divisional Return on Capital Employed (ROCE);
- Group and Divisional Safety measures – target reductions in Lost Time Injury Frequency Rate (LTIFR) and Total Recordable Injury Frequency Rate (TRIFR); and
- Other non-financial measures such as strategic initiatives or specific asset and people capability projects that are required to be undertaken.

Directors' Report (continued)

For the year ended 30 June 2014

Remuneration Report – audited (continued)

NPAT, EBIT, ROIC and ROCE were selected as key STI metrics because they are directly linked to the financial performance of Toll at both a Group and Divisional level. Within Toll, ROIC refers to the return on invested capital measure applied at a Group-wide level which is NPAT, excluding interest expense, over shareholder equity and net debt. ROCE refers to Divisional EBIT over net assets and is considered most appropriate at the Divisional level as it excludes tax and interest expense, which are both controlled at the Group level. LTIFR/TRIFR reductions were selected because workplace safety is one of Toll's core values. Other non-financial measures were selected because of their strategic importance to Toll. A breakdown of the Managing Director's STI metrics appears in section 5.

Recognising that targets are set at a challenging level, thresholds have been used to progressively reward outcomes approaching the target. The threshold for each metric (previously set at a common 90% of target) was individually determined and ranged from 90%-96% in the FY14 STI scorecards for KMP. The amount awarded for achieving threshold performance was unchanged from the reduced level introduced in FY13 of 35% of the maximum available for each particular metric.

'Above target' hurdles were also established together with an opportunity for executives to receive up to 150% of the target amount for achieving outstanding performance. The Board considered that as target performance levels were set at a stretch level, the achievement of above target outcomes would require exceptional performance.

A gateway hurdle based on Group NPAT was again established for FY14, which serves to cap payments at the target amount if the gateway hurdle is not achieved, i.e. above target payments will not be available if the gateway is not achieved.

Any metrics which are non-quantifiable, e.g. some strategic project initiatives, are capped at the target performance level. Exceptional performances on these metrics do not attract additional STI reward but feed into talent and succession planning considerations.

In August 2014, the Board assessed whether the key STI metrics had been achieved on the basis of the audited financial results for FY14 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. The STI payment outcome was determined based on this assessment. See tables in sections 7 and 8 of this report for details.

Toll's Group NPAT result was below target but above the threshold level which had been determined at the start of the year by the Board. As a result, the STI payment awarded was only around half of the actual opportunity attached to this measure. The Group ROIC result was at the FY14 target level and therefore the STI payment awarded was at the target level. Based on the Group NPAT achieved, the Board determined that KMP could receive above target payments for other quantifiable measures where the result exceeded the target levels in FY14. The Group's target reduction in LTIFR was not achieved, so no STI was awarded for Group safety outcomes.

A minimum of 25% of each KMP's FY14 STI will be deferred into equity (in the form of restricted rights) and subject to a service condition until 30 June 2015.

FY15 STI

For FY15, the overall plan design will remain unchanged from the prior year, although threshold and stretch target levels will again be individually set. Financial and non-financial measures will continue to align individuals' contribution and focus 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 60% of the targets will be non-financial metrics (i.e. 50% on strategic initiatives and 10% on safety improvements). 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. Toll grants performance options and/or performance rights to nominated executives 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 LTI rewards sustainable long-term performance, aligns executive remuneration with shareholder value creation, and helps us retain talent. The LTI is equity-based. In FY14, that equity was provided through the shareholder-approved Senior Executive Option and Rights Plan in the form of performance options and/or performance rights.

Performance options entitle an executive to purchase shares after 'vesting' (that is, once the Board has determined that all performance hurdles are met), and have an 'exercise price'. This price is based on the full market value of a share at the time the Board approves the grant. Performance rights do not have an exercise price.

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 amount 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. The 'allocation value' is based on the full market value of a share at the time the Board approves the grant, adjusted for several factors. As there is no future exercise price for performance rights, the allocation value for each performance right is significantly higher than the allocation value for each performance option.

Each performance option or performance right gives the holder the right to acquire a fully paid ordinary share in the Company (on payment of the applicable exercise price, in the case of performance options) provided that individual meets performance hurdles 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.

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

Dual performance hurdles were applied to all FY14 LTI grants. Those hurdles were:

1. Return on Capital (ROC) compound average growth rate (CAGR); and
2. Relative TSR.

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

Directors' Report (continued)

For the year ended 30 June 2014

Remuneration Report – audited (continued)

The key terms and conditions of the FY14 LTI grant are described below:

	Relative TSR (50% of \$ allocation)	ROC CAGR (50% of \$ allocation)		
Offer approval date	25 September 2013 ¹			
Issue/grant date	24 October 2013			
Instrument	Performance options and/or performance rights (a right to an ordinary share subject to performance conditions)			
Exercise price	Options – \$5.48 (volume-weighted average price of ordinary company shares traded on the ASX for five days up to and including the grant date) Rights – Nil			
Performance period	Three years from 1 July 2013, with no retests.			
Performance hurdle	Toll's Total Shareholder Return performance relative to entities within the S&P/ASX 100 comparator group, with no exclusions [relative TSR] for 50% of the allocation.	Compound average growth rate above a specified target in return on capital over the performance period. Calculated as: Group Net Operating Profit After Tax (NOPAT)/Group Capital Employed (CE) [ROC CAGR] for 50% of the allocation.		
Shareholder approval	Shareholders approved grants under the Senior Executive Option and Right Plan at Toll's 2009 AGM			
Reason for hurdle	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.	Aligns the objectives of the Company and various stakeholders, as there is a strong correlation between return on invested capital and shareholder value.		
Performance conditions (what needs to be achieved for vesting to occur)	Company's TSR ranking in the comparator group	% that vest (subject to Board approval)	ROC CAGR over the period	% that vest (subject to Board approval)
	Up to 50th percentile	Nil	Up to 5.5% p.a.	Nil
	50th percentile up to the 75th percentile	Progressive/pro rata vesting from 50% to 100%	5.5% p.a. up to 7.5% p.a.	Progressive/pro rata vesting from 50% to 100%
	75th percentile or better	100%	7.5% p.a. or better	100%
Measurement date (i.e. end of performance period)	30 June 2016			
Method for assessing performance	At the appropriate time, relative TSR and ROC CAGR 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 ROC CAGR calculations. This method has been selected because the Board believes that independent assessment of Toll's performance against the hurdles is appropriate.			
Vesting date (subject to Board approval)	25 September 2016			
Lapsing and forfeiture	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 or permanent disablement), 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.			
Expiry date	24 September 2018			

1. The Managing Director's 2013 LTI grant was subject to shareholder approval at the 2013 Annual General Meeting (AGM). To enable details of the proposed grant to be included in the AGM Notice of Meeting, Board approval for Brian Kruger's LTI grant occurred on 2 September 2013. Options and rights were issued on 24 October 2013 following shareholder approval at the AGM, i.e. at the same time as LTI grants to other executives.

Engagement of remuneration consultants

The Committee has adopted a formalised process for directly engaging with remuneration consultants if it requires independent recommendations in relation to KMP remuneration. This process was designed to ensure Toll's compliance with the requirements under the Corporations Act.

In FY14, the Committee undertook a review of Toll's remuneration structure. To assist in this review, information was provided by independent consultants on current market practice and the modelling of possible alternative remuneration structures. However, no remuneration recommendations for KMP were sought directly from remuneration consultants.

Policies on equity remuneration

Short-term trading

Directors and 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.

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

Risk-limiting products on unvested entitlements

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

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 FY14 were aligned with some of these measures are detailed in the relevant STI and LTI sections that follow:

Financial year	Share performance			Earnings		Returns	Safety
	Closing share price ¹ (\$)	Dividend p/share (cents)	Adjusted EPS ² (cents)	EBIT ^{2,3} (\$M)	NPAT ³ (\$M)	ROIC ⁴ (%)	LTIFR ⁴
2013/14	5.47	28	41.1	444	293	8.1	1.81
2012/13	5.32	27	41.3	426	92	7.6	1.65
2011/12	3.98	25	41.5	411	71	7.4	2.13
2010/11	4.85	25	44.6	465	295	8.3	2.31
2009/10	5.48	25	45.1	435	284	10.2	4.02

1. The closing share price as at 2008/09 was \$6.25.

2. Pre-amortisation for continuing operations and excluding individually significant items. This is a non-IFRS measure which has not been audited.

3. Calculated in accordance with relevant AASB requirements.

4. This is a non-IFRS measure which has not been audited.

Directors' Report (continued)

For the year ended 30 June 2014

Remuneration Report – audited (continued)

5. Managing Director remuneration

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

Fixed remuneration

In FY14, the Board increased Brian Kruger's fixed remuneration by 3.4% to \$1.81 million per annum with effect from 1 July 2013.

Short-Term Incentive (STI)

For FY14 Brian Kruger's STI target opportunity was also increased by 3.4%. Brian Kruger's STI target of \$1.81 million was based on the following measures for FY14:

Targets	Allocation %	Outcome %	Comments
Group Net Profit After Tax (NPAT)	35.0	17.7	Below target but exceeded threshold
Group Return on Invested Capital (ROIC)	25.0	25.0	At target
Group Safety (Lost Time Injury Frequency Rate reduction)	10.0	–	Target reductions not achieved
Strategic Objectives relating to:			
• Cost reduction targets	20.0	27.0	Above target performance
• Mitigation of specific commercial risk exposures	10.0	10.0	Fully achieved
Total	100.0	79.7	

On measuring Brian Kruger's performance against these hurdles, the Board determined that his actual STI award for FY14 was \$1,442,118 or 79.7% of target. Of this amount, 25% or \$360,529 will be deferred into equity (in the form of rights) subject to a service condition of one year (to be issued, subject to shareholder approval, in October 2014), with the balance to be paid in cash in October 2014.

Long-Term Incentive (LTI)

As approved by shareholders at the 2013 AGM, Brian Kruger received an LTI award for FY14 in accordance with the Company's Senior Executive Option and Right Plan (SEORP). The allocation value of this award was set at the same level as the Fixed Remuneration and STI opportunity, that is, \$1.81 million.

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) contain a range of terms and conditions, including the contracted notice periods. All remain in place until they are terminated, i.e. there are no fixed term contracts.

Variations to the terms and conditions among different ESAs result from the different times at which the ESA were entered into with the respective executives. Contracts were approved for five key executives at the Company's extraordinary General Meeting on 28 May 2007, which was at the time of the Asciano de-merger. As Mr Bernard McInerney is the only one of those five key executives remaining at Toll, the terms of his contract, as approved by shareholders, continue to apply.

Details of service contracts

Executive ¹	Terms and conditions
Bernard McInerney	<ul style="list-style-type: none"> • Notice periods are six (6) months for the employee and eighteen (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.
Paul Coutts Grant Devonport Paul Ebsworth Mal Grimmond Wayne Hunt David Jackson Brian Kruger Shane O'Neill	<ul style="list-style-type: none"> • Notice periods are six (6) months for the employee and twelve (12) 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 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.

Directors' Report (continued)

For the year ended 30 June 2014

Remuneration Report – audited (continued)

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		Equity-based benefits		Post-employment benefits		
		Cash salary ¹ \$'000	Non-monetary ² \$'000	Cash STI ³ \$'000	STI deferred rights ⁴	LTI options/ rights ⁵ \$'000	Super \$'000	Total \$'000
Managing Director								
Brian Kruger	FY14	1,792	–	1,082	295	1,791	18	4,978
	FY13	1,734	–	801	110	1,324	16	3,985
Executives								
Paul Coutts ⁶	FY14	587	260	99	20	160	–	1,126
	FY13	219	116	53	–	26	–	414
Grant Devonport	FY14	760	–	282	79	411	25	1,557
	FY13	735	–	214	28	210	25	1,212
Paul Ebsworth	FY14	670	–	201	71	303	25	1,270
	FY13	650	–	194	–	211	25	1,080
Mal Grimmond	FY14	670	15	130	93	222	25	1,155
	FY13	627	33	254	–	194	25	1,133
Wayne Hunt ⁷	FY14	857	238	276	101	57	–	1,529
	FY13	753	219	275	–	228	–	1,475
David Jackson	FY14	835	–	369	82	240	25	1,551
	FY13	810	–	222	–	214	25	1,271
Bernard McInerney	FY14	537	166	168	66	15	18	970
	FY13	520	164	180	–	51	16	931
Shane O'Neill	FY14	639	56	107	63	366	25	1,256
	FY13	625	53	170	–	260	21	1,129
Total								
	FY14	7,347	735	2,714	870	3,565	161	15,392

1. Cash salary includes amounts paid for annual and long service leave taken during the year.

2. Non-monetary benefit includes: Amounts which an executive elects to salary sacrifice for novated 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 6 and 7 below.

3. Short-term incentives: This reflects the cash STI amounts earned during FY14. The STI for FY14 was approved by the Board on 18 August 2014 and will be paid in October 2014. 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 FY14 is nil. The maximum potential value of STI may be higher than the targets shown on 'Remuneration Outcomes' if the result against a financial measure is considered 'exceptional'. The maximum possible value of the FY14 STI is 150% of the relevant KMP's target STI opportunity. The STI amount shown above represents only 75% of the total STI awarded for the FY14 year and the portion which will be paid as cash in October 2014. The remaining 25% of the STI awarded will be deferred into equity to be granted as rights, restricted for the FY15 year. The deferred component will be expensed in accordance with accounting treatment for share based payments in FY15.

4. The rights issued for FY13 STI deferral were expensed in FY14, in accordance with accounting treatment for share based payments and based on the fair value at the time of grant.

5. The total FY14 expense reflects the reversal of amounts previously expensed for equity which lapsed during the FY14 year. This treatment is in accordance with Accounting Standards for equity which has a non-market condition, such as EPS growth.

6. Paul Coutts commenced as a KMP on 1 February 2013. Therefore, the 2013 figures are the remuneration for the period 1 February to 30 June 2013 only. Mr Coutts is based in Singapore as a long-term assignee. His remuneration is expressed and paid in Singapore dollars and has been converted to Australian dollars in the above table using an exchange rate of AUD1.0 = SGD1.1582 for FY14 and AUD1.0 = SGD1.2742 for FY13. In addition to the fixed remuneration, STI and LTI, the Company meets expenses for local housing and children's education in Singapore. The benefits and currency fluctuations may result in the amounts disclosed for Mr Coutts being different to the figures which are benchmarked against the external market.

7. Wayne Hunt is an Australian expatriate employee who, up until 30 June 2014, was the CEO & President of the Toll Global Logistics business based in 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 AUD1.0 = SGD1.1582 has been used to convert any foreign currency amounts for FY14 and AUD1.0=SGD1.2742 for FY13. 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.

8. Performance-related remuneration

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

		Fixed remuneration (not linked to Company performance) (%)	Value of actual cash 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 (including STI and LTI) (%)
Managing Director							
Brian Kruger	FY14	36.4	21.7	79.7	20.3	41.9	57.7
	FY13	43.9	20.1	61.0	39.0	36.0	56.1
Executives							
Paul Coutts	FY14	75.3	8.8	70.4	29.6	15.9	23.0
	FY13	80.9	12.8	61.9	38.1	6.3	19.1
Grant Devonport	FY14	50.4	18.1	76.6	23.4	31.5	44.5
	FY13	62.7	17.6	60.0	40.0	19.7	37.3
Paul Ebsworth	FY14	54.7	15.8	82.5	17.5	29.5	39.7
	FY13	62.5	18.0	82.1	17.9	19.5	37.5
Mal Grimmond	FY14	61.5	11.2	50.8	49.2	27.3	30.4
	FY13	60.4	22.4	104.1	0.0	17.2	39.6
Wayne Hunt	FY14	71.6	18.1	87.6	12.4	10.3	21.8
	FY13	65.9	18.7	89.5	10.5	15.4	34.1
David Jackson	FY14	55.4	23.8	99.4	0.6	20.8	39.3
	FY13	65.7	17.5	61.8	38.2	16.8	34.3
Bernard McInerney	FY14	74.2	17.4	70.1	29.9	8.4	18.9
	FY13	75.2	19.4	77.5	22.5	5.4	24.8
Shane O'Neill	FY14	57.3	8.5	37.0	63.0	34.2	37.7
	FY13	62.0	15.0	61.2	38.8	23.0	38.0

Directors' Report (continued)

For the year ended 30 June 2014

Remuneration Report – audited (continued)

9. Director and executive equity instruments

Equity holdings drive long-term shareholder value. Details of the equity grants Toll provided to executives in FY14 are detailed below:

Name	Type of equity ¹	Number granted	Offer approval date ²	Issue/ grant date ³	First possible vesting date	Date of expiry	Exercise price (\$)	Equity fair value at grant (\$) ⁴
Managing Director								
Brian Kruger	LTI Options Tranche 1 – ROC	587,663					5.48	1.10
	LTI Options Tranche 2 – TSR	587,662					5.48	0.98
	LTI Rights Tranche 1 – ROC	176,758	02 Sep 2013	24 Oct 2013	25 Sep 2016	24 Sep 2018	Nil	5.02
	LTI Rights Tranche 2 – TSR	176,758					Nil	3.06
	STI Deferral Rights	51,821	02 Sep 2013	24 Oct 2013	01 Jul 2014	24 Sep 2018	Nil	5.69
Executives								
Paul Coutts	LTI Options Tranche 1 – ROC	79,221					5.48	1.10
	LTI Options Tranche 2 – TSR	79,221					5.48	0.98
	LTI Rights Tranche 1 – ROC	23,829	25 Sep 2013	24 Oct 2013	25 Sep 2016	24 Sep 2018	Nil	5.02
	LTI Rights Tranche 2 – TSR	23,828					Nil	3.06
	STI Deferral Rights	3,508	25 Sep 2013	24 Oct 2013	01 Jul 2014	24 Sep 2018	Nil	5.69
Grant Devonport	LTI Options Tranche 1 – ROC	146,104					5.48	1.10
	LTI Options Tranche 2 – TSR	146,104					5.48	0.98
	LTI Rights Tranche 1 – ROC	43,946	25 Sep 2013	24 Oct 2013	25 Sep 2016	24 Sep 2018	Nil	5.02
	LTI Rights Tranche 2 – TSR	43,945					Nil	3.06
	STI Deferral Rights	13,835	25 Sep 2013	24 Oct 2013	01 Jul 2014	24 Sep 2018	Nil	5.69
Paul Ebsworth	LTI Rights Tranche 1 – ROC	55,665	25 Sep 2013	24 Oct 2013	25 Sep 2016	24 Sep 2018	Nil	5.02
	LTI Rights Tranche 2 – TSR	55,664					Nil	3.06
	STI Deferral Rights	12,554	25 Sep 2013	24 Oct 2013	01 Jul 2014	24 Sep 2018	Nil	5.69
Mal Grimmond	LTI Rights Tranche 1 – ROC	55,665	25 Sep 2013	24 Oct 2013	25 Sep 2016	24 Sep 2018	Nil	5.02
	LTI Rights Tranche 2 – TSR	55,664					Nil	3.06
	STI Deferral Rights	16,424	25 Sep 2013	24 Oct 2013	01 Jul 2014	24 Sep 2018	Nil	5.69
Wayne Hunt	LTI Rights Tranche 1 – ROC	80,079	25 Sep 2013	24 Oct 2013	25 Sep 2016	24 Sep 2018	Nil	5.02
	LTI Rights Tranche 2 – TSR	80,078					Nil	3.06
	STI Deferral Rights	17,814	25 Sep 2013	24 Oct 2013	01 Jul 2014	24 Sep 2018	Nil	5.69
David Jackson	LTI Options Tranche 1 – ROC	141,234					5.48	1.10
	LTI Options Tranche 2 – TSR	141,234					5.48	0.98
	LTI Rights Tranche 1 – ROC	42,481	25 Sep 2013	24 Oct 2013	25 Sep 2016	24 Sep 2018	Nil	5.02
	LTI Rights Tranche 2 – TSR	42,480					Nil	3.06
	STI Deferral Rights	14,394	25 Sep 2013	24 Oct 2013	01 Jul 2014	24 Sep 2018	Nil	5.69
Bernard McInerney	LTI Options Tranche 1 – ROC	105,520					5.48	1.10
	LTI Options Tranche 2 – TSR	105,519					5.48	0.98
	LTI Rights Tranche 1 – ROC	31,739	25 Sep 2013	24 Oct 2013	25 Sep 2016	24 Sep 2018	Nil	5.02
	LTI Rights Tranche 2 – TSR	31,738					Nil	3.06
	STI Deferral Rights	11,663	25 Sep 2013	24 Oct 2013	01 Jul 2014	24 Sep 2018	Nil	5.69
Shane O'Neill	LTI Options Tranche 1 – ROC	121,754					5.48	1.10
	LTI Options Tranche 2 – TSR	121,753					5.48	0.98
	LTI Rights Tranche 1 – ROC	36,622	25 Sep 2013	24 Oct 2013	25 Sep 2016	24 Sep 2018	Nil	5.02
	LTI Rights Tranche 2 – TSR	36,621					Nil	3.06
	STI Deferral Rights	10,990	25 Sep 2013	24 Oct 2013	01 Jul 2014	24 Sep 2018	Nil	5.69

1. Executives could elect to receive their grant as 100% options, 100% rights or a combination of 50% options/50% rights. The grants are split evenly into two tranches, with each tranche subject to different performance hurdles.
2. The date the offer for each KMP was approved by the Board. As Brian Kruger's grant was subject to shareholder approval being obtained at the 2013 AGM, separate Board approval occurred earlier to enable details to be included in the AGM Notice of Meeting, which was distributed in early September. All other relevant dates are consistent with the grants made to other KMP.
3. The date on which options/rights were issued. This is also the 'grant date' for determining the fair value of the equity instruments for expensing purposes.
4. The estimated maximum value of the grant can be determined by multiplying the number of options/rights 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.

Each STI Deferral right, LTI Option and LTI Right will, on exercise, result in one ordinary share in the Company.

Ordinary shares issued to KMP during or since the end of the financial year on the exercise of options granted under the Senior Executive Option and Right Plan are detailed in the table on the next page titled 'Option and right holdings – movements in FY14'.

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. This value is used for expensing of the relevant equity grants.

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

Type of equity	Offer approval date ¹	Issue/grant date ²	Equity fair value (\$)	First possible vesting date	Exercise price (\$)	Share closing price at valuation (\$)	Toll expected volatility (%)	Equity term (years)	Expected dividend yield (%)	Risk free interest rate (%)	Vesting period (years)
LTI Options – Tranche 1 (ROC) – MD only	2 Sep 2013	24 Oct 2013	\$1.10	25 Sep 16	\$5.48	\$5.90	30%	5	5.5	2.97–3.19	3
LTI Options – Tranche 2 (TSR) – MD only	2 Sep 2013	24 Oct 2013	\$0.98	25 Sep 16	\$5.48	\$5.90	30%	5	5.5	2.97–3.19	3
LTI Rights – Tranche 1 (ROC) – MD only	2 Sep 2013	24 Oct 2013	\$5.02	25 Sep 16	Nil	\$5.90	30%	5	5.5	2.97–3.19	3
LTI Rights – Tranche 2 (TSR) – MD only	2 Sep 2013	24 Oct 2013	\$3.06	25 Sep 16	Nil	\$5.90	30%	5	5.5	2.97–3.19	3
LTI Options – Tranche 1 (ROC)	25 Sep 2013	24 Oct 2013	\$1.10	25 Sep 16	\$5.48	\$5.90	30%	5	5.5	2.97–3.19	3
LTI Options – Tranche 2 (TSR)	25 Sep 2013	24 Oct 2013	\$0.98	25 Sep 16	\$5.48	\$5.90	30%	5	5.5	2.97–3.19	3
LTI Rights – Tranche 1 (ROC)	25 Sep 2013	24 Oct 2013	\$5.02	25 Sep 16	Nil	\$5.90	30%	5	5.5	2.97–3.19	3
LTI Rights – Tranche 2 (TSR)	25 Sep 2013	24 Oct 2013	\$3.06	25 Sep 16	Nil	\$5.90	30%	5	5.5	2.97–3.19	3
Restricted Rights – STI Deferral – MD only	2 Sep 2013	24 Oct 2013	\$5.69	1 Jul 14	Nil	\$5.90	30%	5	5.5	2.4	1
Restricted Rights – STI Deferral	25 Sep 2013	24 Oct 2013	\$5.69	1 Jul 14	Nil	\$5.90	30%	5	5.5	2.4	1

1. The date the offer for each participant was approved by the Board (subject to any necessary shareholder approval being obtained). As shareholder approval was required for the grant to the Managing Director, this approval occurred earlier than other LTI recipients to enable details to be included in the 2013 AGM Notice of Meeting.

2. The date on which options/rights were first issued. This is also the grant date for determining the fair value of the equity instruments for expensing purposes.

Option and right holdings – movements in FY14

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

	Balance as at 1 July 2013	Granted during the year as remuneration	Exercised during the year ¹	Lapsed during the year ²		Balance as at 30 June 2014	Vested and exercisable as at 30 June 2014	Balance as at date of report sign off
Nov 08 grant	Nov 10 grant							
Managing Director								
Brian Kruger	3,779,286	1,580,662	(26,573)	–	(292,308)	5,041,067	–	5,041,067
Executives								
Paul Coutts	197,549	209,607	–	–	(23,077)	384,079	–	384,079
Grant Devonport	765,212	393,934	(6,711)	(20,000)	(23,077)	1,109,358	–	1,109,358
Paul Ebsworth	394,314	123,883	–	(22,500)	(76,924)	418,773	–	418,773
Mal Grimmond	446,319	127,753	–	(70,795)	(76,924)	426,353	–	426,353
Wayne Hunt	1,188,302	177,971	–	(259,091)	(131,539)	975,643	–	975,643
David Jackson	895,045	381,823	–	(158,333)	(134,616)	983,919	–	983,919
Bernard McInerney	1,023,374	286,179	–	(204,545)	(103,847)	1,001,161	–	1,001,161
Shane O'Neill	767,832	327,740	–	(30,000)	(115,385)	950,187	–	950,187

1. The actual values of the rights which vested during FY14 (and which were subsequently exercised) were \$131,271 (i.e. 26,573 x \$4.94) for Brian Kruger and \$33,152 (i.e. 6,711 x \$4.94) for Grant Devonport (the value has been calculated based on the opening price of Toll shares on the ASX as at the date of vesting multiplied by the number of rights exercised).

2. Details of the lapsing are provided in the commentary on the following page. The value of the options which lapsed during FY14 can be calculated based on the expensed value of the relevant options by the number of options which lapsed. The expensed values (per option) are Nov 08 grant – \$1.63; Nov 10 grant – \$1.30.

Directors' Report (continued)

For the year ended 30 June 2014

Remuneration Report – audited (continued)

Restricted rights previously granted to Brian Kruger and Grant Devonport for the FY12 STI Deferral vested on 1 July 2013 and both Brian Kruger and Grant Devonport exercised their restricted rights and received Toll shares (which were purchased on market). No exercise price was payable on Brian Kruger's or Grant Devonport's restricted rights.

No other options or rights vested during FY14 year. However, the restricted rights granted to Brian Kruger and all other KMP in relation to last year's STI deferral, which were restricted during FY14, vested on 1 July 2014 but remain unexercised as at the date of this report.

The final performance hurdle tests for options granted in November 2008 occurred based on EPS growth over the period 1 July 2008 to 30 June 2013. The Board determined that the performance hurdles were not met so all unvested options lapsed.

The first and final performance hurdle test for the options granted in November 2010 occurred based on relative TSR performance over the period 1 January 2011 to 31 December 2013. The Board determined that the performance hurdle was not met so all unvested options lapsed.

The exercise and lapsing of the relevant options for KMP is shown in the table on the previous page.

Share holdings – movements in FY14

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

	Balance as at 1 July 2013	Purchased	Option/right exercise	Dividend reinvestment	Sold	Balance as at 30 June 2014	Balance as at date of report sign off
Managing Director							
Brian Kruger	69,476	–	26,573	–	–	96,049	96,049
Executives							
Paul Coutts	5,657	–	–	–	–	5,657	5,657
Grant Devonport	25,000	5,000	6,711	–	(6,711)	30,000	30,000
Paul Ebsworth ¹	8,401	–	–	–	–	8,401	n/a
Mal Grimmond	13,379	–	–	–	(13,179)	200	200
Wayne Hunt ¹	1,200	–	–	–	–	1,200	n/a
David Jackson	2,100	–	–	–	–	2,100	2,100
Bernard McInerney	368,096	–	–	–	–	368,096	368,096
Shane O'Neill	–	–	–	–	–	–	–

1. Final balance reflects balance as at date of cessation as a KMP.

Further details of unissued shares and interests under options as at the date of this report are set out in note 25 to the financial statements.

10. Non-Executive Director remuneration framework

For FY14 the base fees for the Chairman and other Non-Executive Directors were increased by \$10,000 and \$5,000 respectively but there was no increase to any of the Committee fees.



In FY14, Non-Executive Directors' fees, including superannuation, were based on the following schedule:

FY14 Board fees (\$ per annum)	Chairman	Director/Member
Board	440,000	155,000
Audit and Risk Committee	45,000	25,000
Remuneration Committee	45,000	25,000
OH&S and Environment Committee	45,000	25,000
Nomination and Governance Committee	Nil	Nil

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.

At the 2013 Annual General Meeting, shareholders approved an aggregate cap for Non-Executive Director fees of \$2.5 million per annum (actual payments in FY14 totalled less than \$1.7 million). No further increase will be sought at the 2014 Annual General Meeting.

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.

Directors' Report (continued)

For the year ended 30 June 2014

Remuneration Report – audited (continued)

11. Remuneration Committee

Governance and transparency in remuneration is the key focus of the Remuneration Committee. The Committee has primary responsibility for remuneration matters such as ensuring performance and reward alignment, and assessing and reviewing Toll's remuneration strategy.

The Remuneration Committee is a Board sub-committee. 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 are shown opposite.

At 30 June 2014, the Remuneration Committee members were Harry Boon (Chairman), Barry Cusack and Frank Ford, all of whom are independent Non-Executive Directors. The Board Chairman has the right to attend as an ex-officio member 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.

External remuneration consultants

Remuneration Committee focus

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's) 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 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.
- Reviews senior executive, Director and Non-Executive Director retirement and termination payments (if any).

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

12. Statutory remuneration tables for Non-Executive Directors

The remuneration for Non-Executive Directors is detailed below:

		Short-term benefits Cash fees \$'000	Post-employment benefits Super \$'000	Total \$'000
Non-Executive Directors				
Ray Horsburgh	FY14	422	18	440
	FY13	420	10	430
Harry Boon	FY14	207	18	225
	FY13	204	16	220
Barry Cusack	FY14	207	18	225
	FY13	216	4	220
Frank Ford	FY14	207	18	225
	FY13	204	16	220
Ken Ryan ¹	FY14	134	15	149
	FY13	–	–	–
Mark Smith	FY14	187	18	205
	FY13	184	16	200
Nicola Wakefield Evans	FY14	187	18	205
	FY13	184	16	200
Total	FY14	1,551	123	1,674
	FY13	1,412	78	1,490

1. Appointed 3 September 2013.

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 2013	Purchased	Dividend reinvestment	Sold	Other changes	Balance as at 30 June 2014	Balance as at date of report sign off
Non-Executive Directors							
Ray Horsburgh	86,501	–	–	–	–	86,501	86,501
Harry Boon	19,985	–	–	–	–	19,985	19,985
Barry Cusack	49,630	–	–	–	–	49,630	49,630
Frank Ford	30,000	–	–	–	–	30,000	30,000
Ken Ryan ¹	–	–	–	–	–	–	–
Mark Smith	38,982	9,250	–	–	–	48,232	48,232
Nicola Wakefield Evans	4,000	6,000	–	–	–	10,000	10,000

1. Opening balance reflects balance as at date of commencement.

Directors' Report (continued)

For the year ended 30 June 2014

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 Annual 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 off 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 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 and Risk 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.

Auditors' 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 services are also disclosed.

	2014 \$'000
Audit and review of financial statements services	
Auditors of the Company – KPMG	3,650
Other auditors (non-KPMG firms)	187
Total audit and review of financial statements services	3,837
Other services	
Auditors of the Company – KPMG	
Taxation services	1,090
Other assurance services	84
Other services	430
Other auditors (non-KPMG firms)	
Taxation services	390
Total other services	1,994

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 and forms part of the Directors' Report for the year ended 30 June 2014.

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 19th day of August 2014.



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 2014 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

Alison Kitchen
Partner

Melbourne
19 August 2014

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (KPMG International), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Corporate Governance Statement

For the year ended 30 June 2014

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 corporate governance practices comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 3rd 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/corporate-governance

Board of Directors

The Toll Board currently has eight members. Ken Ryan was appointed as a Non-Executive Director on 3 September 2013 and was re-elected at the Annual General Meeting on 24 October 2013. This appointment was made following the completion of appropriate background checks. The Board considers that all relevant information was disclosed in relation to Mr Ryan at the Annual General Meeting. For more information on each Director (including their experience, expertise, qualifications, term of office and independent status) see the Directors' Report on pages 31 to 34. Toll has an appointment letter in place with each current Non-Executive Director that sets out the terms of their appointment. Each new Director also receives a detailed induction pack, presentations and tour of local sites.

The Board is chaired by Mr Ray Horsburgh, an independent, Non-Executive Director, and the roles of Chairman and Managing Director are kept separate. Mr Brian Kruger, 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 stakeholders.

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

- **Strategy:** The Board is responsible for overseeing 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 61 to 63.

Those matters which are specifically reserved for the Board or its Committees include:

- appointment of a Chair;
- following the prior consultation with the Managing Director to endorse the Managing Director's appointment and/or removal of the Company Secretary;

- appointment and removal of the Managing Director;
- appointment of Directors to fill a vacancy or as additional Director;
- establishment of Board Committees, their membership and delegated authorities;
- approval of dividends;
- approval of statutory accounts, Directors' Reports and Directors' Statements;
- approval of trading halts (it should be noted that the Board has delegated this authority to the Chair acting together with the Toll Disclosure Committee);
- approval of additional or development capital expenditure (both planned and unplanned) above the CEO's delegated authority as set by the Board from time to time;
- approval of all acquisitions, mergers and divestitures of material business operations and entities;
- approval of all equity and significant debt funding requirements;
- calling of meetings of shareholders; and
- any other specific matter nominated by the Board from time to time.

Role of the Chairman

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

The Chairman does this by:

- having appropriate processes in place for preparation of Board information which is accurate, timely and clear;
- ensuring the efficient organisation and conduct of the Board's function;
- briefing Toll's Directors as necessary on issues that arise or may arise at Board meetings;
- leading and making sure the Board is able to discuss and analyse matters effectively;
- facilitating effective contribution by all Directors and monitoring Board performance; and
- promoting collaboration between Board members and between the Board and Group management.

Corporate Governance Statement (continued)

For the year ended 30 June 2014

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.

The Board annually reviews the performance of the Managing Director against agreed measures and other relevant facts. The Managing Director undertakes a similar exercise in relation to senior executives. 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 35 to 55.

Role of the Company Secretary

The Company Secretary is responsible for coordination of all Board business, including agendas, board papers, minutes, communication with regulatory bodies, ASX and all statutory and other filings.

The Company Secretary is accountable to the Board, and all Directors have access to the Company Secretary.

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.

An external advisor has been engaged and is in the process of conducting performance reviews of the Board, its Committees and individual Directors.

Board composition

As outlined at last year's Annual General Meeting, the Board is in a transitional phase as it expands its size to incorporate new Directors. The Board will continue to seek to identify new talented and experienced candidates for the Board, to ensure that it is well placed to maintain a strong overall Board composition. A key focus in this process will be to become a more gender balanced board, as well as enhancing the Board's overall logistics experience.

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 ensures the Board has the expertise to meet both its responsibilities to stakeholders and its strategic objectives. As part of this process, the Board is aware of the need for diversity among its Directors, both in gender and experience. The Board and the Nomination and Corporate Governance Committee closely assess diversity criteria when considering Board candidates.

The Board's policy for the nomination, selection and appointment of Directors can be found on the Group's website at www.tollgroup.com/corporate-governance

A summary of the breadth and depth of the Board's experience and skills appears below.

Experience and skills	Number of Directors
International business	8
Industrial/manufacturing	6
Mining resource industries	4
Professional services	3
Accounting, finance and banking	5
Equity, capital markets, mergers and acquisitions	5
Transport and logistics	2
Governance and compliance	7
Regulatory compliance	7
Human resources management	7
Business development	7
OH&S/risk management	7
Marketing	6
Remuneration	5
Community development	5
Government relations	6
CEO, CFO or COO experience	8
General management	8
Retail FMCG	2

Geographic experience	Number of Directors
Australia and New Zealand	8
Asia	6
China	5
India	1
Europe	1
United Kingdom	2
Unites States of America	4

For more information on each Director, see the Directors' Report on pages 31 to 34.

Independence of Directors

The Board Charter, which can be found at the Group website www.tollgroup.com/corporate-governance 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 judgement.

The Board confirms that none of its Non-Executive Directors had any relationship that could have materially interfered, or be perceived to materially interfere, with their independent and unfettered judgement.

The Board also considered the circumstances of each Director and determined that all Non-Executive Directors were independent as described in box 2.3 of the ASX Principles and Recommendations. The Board's guidelines for assessing independence notes that a Director will be considered to be independent if they are not members of the management and they are free from any business interest or other relationship which could, or could reasonably be perceived to, interfere with the exercise of their unfettered and independent judgement.

The *Corporations Act 2001*, the Company's Constitution and the monthly Board meeting process requires 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.

Independent advice, induction and training

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

As Directors join the Board, they undertake a comprehensive induction program, which includes information on Toll's core values, key strategies and objectives, as well as its governance framework and global operations. New Directors also meet with key senior management and participate in selected site tours to gain a better appreciation of the Group's services and capabilities.

The Board also receives ongoing governance updates 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 management through Board presentations and site visits.

Each Director, at any time, is able to seek reasonable independent professional advice on any business-related matter at the expense of the Group. Directors also have access to adequate internal resources to seek any information from any officer or employee of the Group, or to require the attendance of management at meetings to enable them as Directors to fulfil their duties.

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 will seek the recommendations of the Nomination and Corporate Governance Committee and consider the strategic direction of the Group and the required mix of skills and experience required by the Board from time to time.

For further information on Directors' tenure, please refer to the Directors' Report on pages 31 to 34.

Board Committees

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

- Nomination and Corporate Governance Committee
- Occupational Health & Safety and Environmental Committee
- Remuneration Committee
- Audit and Risk Committee

Each Committee has its own Charter, and these are reviewed and updated at least annually. Copies of the Board and its Committee Charters can be found on the Group's website at www.tollgroup.com/corporate-governance

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 in the following pages. Details of Committee membership and meeting attendance can be found in the Directors' Report on page 34.

Corporate Governance Statement (continued)

For the year ended 30 June 2014

Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee is responsible for the composition, independence and operation of the Board. Prior to appointing or recommending a new Director be elected, the Company has processes in place to undertake appropriate checks on the candidate's background. The Board will ensure it provides security holders with all material information relevant to decisions on whether or not to elect or re-elect a Director.

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, Committee and Director performance;
- ensuring that the Group's corporate governance framework meets the recommendations of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 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 independent Directors, and must be chaired by an independent Director.

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

Occupational Health & Safety and Environment Committee

The Occupational Health & Safety (OH&S) and Environment Committee focuses on safety in the workplace and on protecting the environment in which the business operates.

The responsibilities of the Committee include:

- monitoring the Group's compliance with relevant OH&S and environmental laws, regulations and standards;
- monitoring the culture of health, safety, environment and energy efficiency within the Group;
- establishing and tracking measurable workplace health, safety and environment objectives and targets;
- monitoring compliance of the regulatory framework and changes in OH&S and environmental law, including climate change law and carbon reporting;
- identifying, monitoring and assessing key OH&S and environmental risks, including reviewing measures to minimise those risks;
- reviewing management reports on OH&S and environmental performance and issues;
- monitoring the Group's strategic and operational approach to energy efficiency;
- reviewing outcomes of any investigation of a major OH&S or environmental incident; and
- reporting to the Board and making recommendations on the Group's OH&S and environmental policies and procedures, compliance and energy efficiency initiatives.

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

The Committee met four times during the reporting period.

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

Remuneration Committee

The Remuneration 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. 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 35 to 55.

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, offers, performance hurdles and offer terms with regard to employee share, rights, units and option 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
- approving and engaging remuneration consultants where independent advice is required to set remuneration for key management personnel.

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

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

Audit and Risk Committee

The Audit and Risk Committee oversees all matters that relate to the financial affairs of the Group, including the external audit as well as key risks for the Group.

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 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/corporate-governance

The Audit and 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 the following page.

This Committee must only be made up of 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 isn't 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 five times during the reporting period.

Diversity

We believe that the contributions and efforts made by the richly varied talent base that makes up our workforce is a key component of our success. We value the vast range of capabilities, experience and perspectives that comes from people of varying ethnicities, cultures, backgrounds, gender, age and other differences that we find across the more than 50 countries in which we operate and employ over 40,000 people.

For the first time at Toll, in the last year we conducted an employee engagement survey that found 75% of our employees feel proud to work for Toll. Equally pleasing was that men and women equally felt that they have the same chances of promotion.

Overall employee numbers reduced during the period as a result of some business disposals and a reduction due to restructuring and a focus on efficiencies. Unfortunately, this resulted in fewer women in our senior management ranks, down from 13% in 2013 to 11% in 2014. Whilst our overall male representation increased, the number of men who left during the period was double the number of women for the same population of management. Women represent 23% of all Toll employees.

Toll developed its second Reconciliation Action Plan (RAP) and made progress on all our objectives in RAP1 as we continue to focus on building indigenous engagement and employment opportunities. Please refer to page 69 of the Corporate Social Responsibility Report for further details.

During the period, we continued to support our women in leadership roles which saw a 21% female participation in our flagship Leadership@Toll program.

Our objective to provide two female candidates for every senior management vacancy improved to 55% and where we did not achieve this, one female candidate was included 60% of the time. Our pipeline of women, who continue to be under-represented in operational roles,

is a key challenge and this is an area we will continue to take a long term strategic view on to attract and develop women into these traditionally male dominated industry roles.

Our focus on pay equity analysis across the Group continued and it is pleasing that our most senior women in operational roles are paid equitably, in comparison to their male counterparts. We have identified gaps further down the organisation and we now have greater visibility of this for which we have provided managers more data and guidelines on how to address these gaps over time.

We have also rolled out more online learning modules aimed at our One Toll values and ethics, safety, privacy and environment with over 12,000 learners participating in new online training.

With the addition of new Non-Executive Board member Ken Ryan to the Board on 3 September 2013, Toll has a 13% female representation on the Board, 11% in senior management and 23% overall.

The Board considers that these measurable objectives remain appropriate for the next financial year.

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 Practice sets out our obligations in relation to bribery and corruption, fair trading, insider trading, equal opportunity, health and safety, the environment, gifts and favours, conflicts of interest, expenses and claims, confidentiality and more.

Toll's Code of Ethics further reflects the Group's commitment to the highest standards of integrity, honesty and accountability.

All Group employees are encouraged to report unacceptable behaviour to their nominated supervisors at first instance. Toll operates a Disclosure Hotline, which

Corporate Governance Statement (continued)

For the year ended 30 June 2014

allows employees to anonymously report unethical behaviour through an independent third party.

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 summary of the Code of Practice, the Code of Ethics, the Code of Conduct for Directors and Senior Executives and the Code of Conduct with Stakeholders are all available on the Toll website at www.tollgroup.com/governance-policies

Securities trading policy

Toll's Securities Trading Policy sets out the procedures and guidelines that must be followed by Directors, executives and employees of the Group who wish to deal in Toll securities. This policy has recently been reviewed 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 to the market.

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.

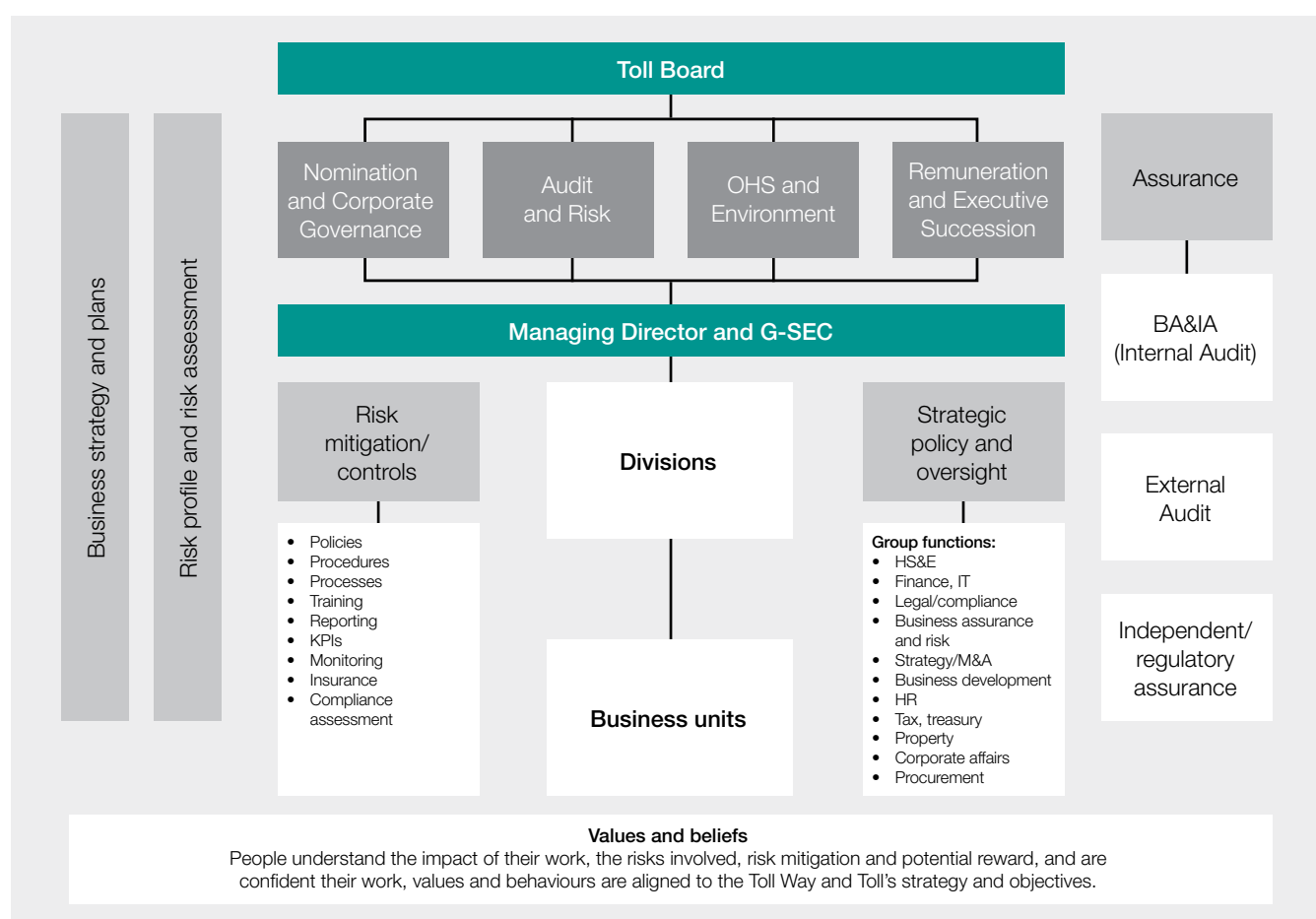
While we need to accept a level of risk in achieving our goals, sound risk management helps us to make the most of each business opportunity.

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

The Group will formerly review its risks on an annual 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 judgement, 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/corporate-governance. An overview of the risk framework is shown below.



Risk management accountability framework

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

The framework also assigns responsibility for managing risk activities using a '3 lines of defence' approach:

- Divisional and Business Unit Management who own the risks – 'first line';
- Group functions – 'second line' – provide strategic framework, policy and oversight; and
- Assurance (internal audit, external audit, and external regulatory certification) – 'third line' – to provide independent assurance and monitor compliance.

The Board, through its Audit and Risk Committee and OH&S and Environment 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, Operational, Financial and Regulatory/Legal risks. The Audit and 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 OH&S and Environment Committee monitors the Group's compliance with relevant OH&S and environmental laws and identifies and monitors key health, safety and environmental risks. It also 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 Health, Safety and Environment 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 Risk Committee and OH&S and Environment Committee.

Group Function Executives and Group General Managers have specific functional responsibility Group-wide for establishing strategic policy, direction, monitoring and reporting, and perform an oversight role. The main oversight functions include Health, Safety and Environment (including Road Transport Compliance and Dangerous/Hazardous Goods), IT, Finance, Legal and Ethical Compliance, HR, Property, Corporate Affairs, Security, Tax, and Treasury.

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

The OH&S and Environmental Group function specifically supports Group-wide risk management and compliance activities in the key risk areas such as OH&S, environment, dangerous goods and hazards by:

- developing policies and procedures that act to manage and mitigate risks; and
- ensuring regular reporting to senior management and the Board on matters of OH&S, environment, dangerous goods and hazards.

The Business Assurance and Risk (which includes the Group's Internal Audit team) function supports Group-wide risk management and compliance activities. These functions have joint or individual responsibility for:

- ensuring regular reporting to senior management and the Board on matters of security, 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; and
- consulting with other Group functions as needed.

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

- **Strategic risks** – such as market and industry models, customers and suppliers, growth and returns, and mergers and acquisitions.
- **Operational risks** – such as OH&S, environment, business continuity, IT and technology innovation, security, talent and capability, and industrial relations.
- **Financial reporting risks** – including the integrity of financial reports, treasury and tax.
- **Regulatory/Legal risks** – including compliance with industry regulations and relevant legislation, ethics and continuous disclosure requirements.

Further details of how some of these risks are managed are included in the Corporate Governance section of the Group's website at www.tollgroup.com/corporate-governance

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

Corporate Governance Statement (continued)

For the year ended 30 June 2014

Financial risk reporting

In relation to the financial statements for the financial year ended 30 June 2014, and the half-year ended 31 December 2013, the Managing Director and Chief Financial Officer have provided the Board with declarations that:

- in their opinion, the financial records of Toll have been properly maintained;
- in their opinion, the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of Toll; and
- in their opinion, there are reasonable grounds to believe that Toll is able to pay its debts as and when they become due and payable.

The Managing Director and Chief Financial Officer also provided statements 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 control which is operating effectively (as described in the 3rd Edition and 2nd Edition (respectively) of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations).
- Nothing has come to their attention since 30 June 2014 that would indicate any material change to the statements made above.
- 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 designed 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 and its Continuous Disclosure Procedures Manual outline the Group's disclosure 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 and manual also outline the role and operations of the Group's Disclosure Committee.

The Disclosure Committee (consisting of the Board Chairman, 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 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 procedures manual was reviewed and updated 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/corporate-governance

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/corporate-governance

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/investors

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, www.tollgroup.com, continues to be developed and enhanced.

The following information can be found in the Investors section:

- latest AGM 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 10 years, and presentations made to the market about annual results;
- corporate announcements;
- information on significant developments;
- 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.

Investors are also able to provide feedback and seek further information about the Company via this section of the website.

Corporate Social Responsibility Report

For the year ended 30 June 2014

"Our focus on road safety is a key part of our safety commitment to our people and the communities in which we operate."

Through our various corporate social responsibility programs we aim to become the industry-leading provider of safe transport and logistics services. Many of these key programs promote safety, specifically road safety, among our employees and the communities in which we operate. We also aim to provide an inclusive workplace that encourages a healthy, rewarding work environment and lifestyle for our people.

Some of the goals of our corporate social responsibility activities include:

- ensuring the communities in which we operate value our presence, including our economic and social contributions;
- boosting support from our people, customers and shareholders by providing increasingly sustainable services;
- reducing our and the community's costs by driving operational efficiency; and
- helping to secure our future by aligning economic returns with the creation of long-term sustainable social progress.

The highlights of our corporate social responsibility programs during the reporting period include:

- the continued roll-out of our *Think safe. Act safe. Be safe.* global safety campaign with a strong focus on developing leadership skills to more effectively engage and involve our workforce in our safety journey;

- the launch of our partnership with leading road safety advocacy group the Amy Gillett Foundation in November 2013;
- the continued implementation of our Smarter Green environmental program initiatives, including our continuous improvement program focused on managing and reducing carbon emissions and energy across all of our Australia-based businesses;
- our active support for a range of community organisations and charities, in particular our partnership with the First Step program, our own Second Step program and Whitelion; and
- the completed implementation of our 2013 Reconciliation Action Plan (RAP) and launch of our 2014-16 RAP.

Safety and our people

As the largest mover of freight in Australia by air, sea, rail and road we are committed to operating safely. Safety is at the forefront of everything we do, and creating a safety-first culture at Toll has been, and continues to be, a priority.

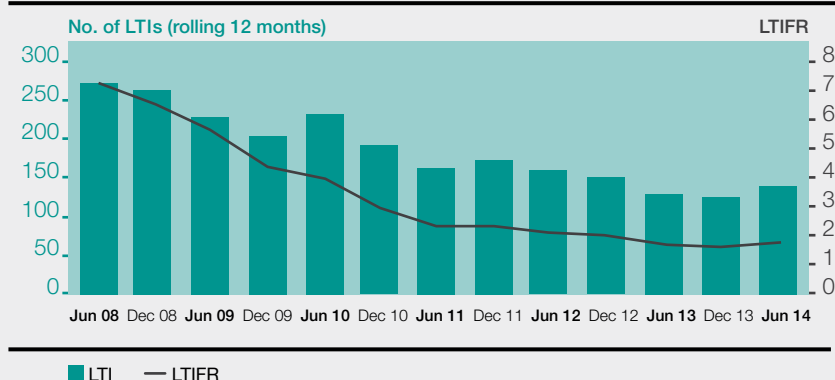
Throughout the reporting period we continued the roll-out of our *Think safe. Act safe. Be safe.* global safety campaign with a strong focus on developing leadership skills to more effectively engage and involve our workforce in our safety journey. There was a concerted effort to improve safety standards across the Group, simplify safe work procedures and instructions and improve the quality and shared learning from incident investigations.

Some of the highlights from this approach include:

- the participation of a further 1,300 people in the safety leadership training program;
- the roll-out and implementation of health and safety management standards;
- the inaugural Toll Global Safety Awards that recognise excellence in safety leadership, innovation and performance; and
- the successful roll-out of a range of initiatives from our fleet safety networks, which has led to significant improvements in road transport safety and compliance across the Group.

Most of our performance indicators continued to improve, although for the first time in many years our Lost Time Injury Frequency Rate (LTIFR) – the number of lost time injuries (LTIs) per one million hours worked – increased from 1.65 to 1.81. In analysing the cause of this we have identified a need to focus more on manual handling activities and generating greater awareness of the safety risks during peak operating periods. This work is already underway and we look to improve our performance in this area.

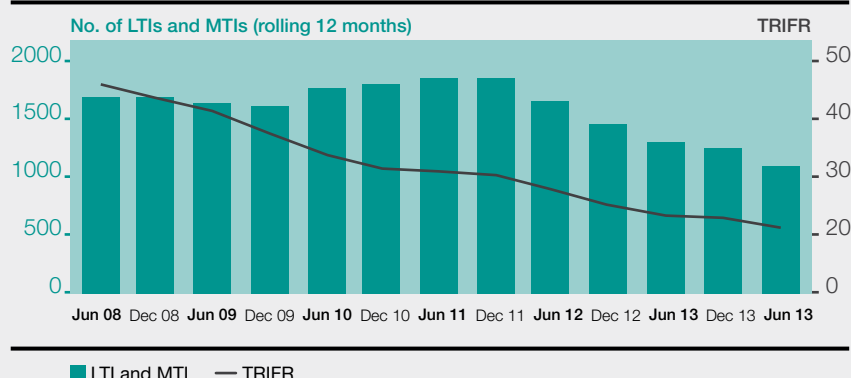
Toll Group LTIFR Performance



Corporate Social Responsibility Report (continued)

For the year ended 30 June 2014

Toll Group TRIFR Performance



Our Total Recordable Injury Frequency Rate (TRIFR) – the number of LTIs plus the number of medically-treated injuries (MTIs) per one million hours worked – continued to improve, reducing 15% from 16.82 down to 14.29.

Perhaps most encouraging was the improvement in our key lead indicators that measure workplace safety observations and hazard and incident reporting. This highlights the success of our efforts in encouraging staff to take ownership of safety in their workplace.

The need to never stop our focus on improving safety was reinforced by the tragic fatality of one of our stevedores at our Toll Shipping business in Port Melbourne in May 2014.

It has further galvanised the business in our efforts to continue to improve safety in all aspects of our workplace.

Road safety

The safety of our people, including contractors working for us, and the communities in which we operate is always our priority. Our focus on road safety is therefore a key part of our safety commitment to those communities.

As one of Australia's largest road users, we have a role to play in helping educate people to safely share the road.

In November 2013 we announced our partnership with leading road safety advocacy group the Amy Gillett Foundation. This historic partnership demonstrates our commitment to working with all road users, including cyclists, to share the road safely.

Key elements of our partnership with the Amy Gillett Foundation include:

- Toll as a key sponsor of the *A Metre Matters* campaign nationally, including *A Metre Matters*-branded trucks and billboard campaigns.
- Toll as a key sponsor of the *Share the Road* tour in Tasmania.
- Toll promoting road safety and Amy Gillett Foundation key messages with our people and their families, including hosting AustCycle courses for our people and their families.

We look forward to continuing this initiative, and other key road safety initiatives in the years ahead.

More information on the Amy Gillett Foundation can be found at www.amygillett.org.au

More information on our commitment to safety and our people can be found at www.tollgroup.com/safety

Environment

Toll is focused on reducing its environmental footprint and impact, while continuing to provide superior service and value to our customers.

Throughout the reporting period we continued to strengthen business systems across the Group to help manage risks from key environmental aspects such as emissions, energy use, spills and conformance to environmental regulations. This work delivered improved environmental performance and risk reduction, and better operating and cost efficiencies across the Group.

All of Toll's Australia-based business units have implemented Toll's Smarter Green environmental program, our continuous improvement program focused on managing and reducing carbon emissions and energy. There are currently some 150 improvement projects underway.

Since introducing the Smarter Green program in 2010 we have been able to reduce our carbon emissions intensity in our Australian operations by 7% and the energy intensity of our operations by more than 5%.

Innovation in equipment design and the application of best operational practices underpin these improvements. For example, our fleet upgrade program is replacing old fleet with newer low-emission vehicles. Our increasing use of higher productivity vehicles and improved fleet utilisation practices means we are carrying more freight and using less fuel across all transport modes.

We have improved driver operational behaviour via the Smarter Green driver program that trains drivers to adopt more fuel-efficient and emissions-lowering behaviours. More than 6,700 drivers have been trained through this program to date.

We are also increasing the use of alternative fuels such as natural gas, electricity and biofuel across our operations, where possible, to provide emission reductions and cost benefits. Our Smarter Green vehicles and fuel efficiency programs will be extended over the coming year to include trials of hydrogen, next generation electric diesel hybrids and further natural gas applications. We are also actively assessing a number of energy efficiency technologies including vehicle aerodynamics, fluid dynamics, lightweight materials for our fleet, and the application of environmentally sustainable design principles to existing and new facilities.

We are also progressively rolling-out the Smarter Green program to our operations outside Australia.

More information on Toll's commitment to environmental sustainability can be found at www.tollgroup.com/environmental-sustainability

Community and partnerships

Our active support for a range of community organisations and charities reflects the importance we place on supporting the communities in which we operate.

We are proud to support a range of initiatives and programs around the world that align with our company values. Where appropriate, we support the selected organisation through in-kind support, fundraising, volunteering and other employee engagement opportunities.

Sometimes our support takes the form of financial assistance, but it is mostly in the form of drawing on our resources and logistics capabilities to provide in-kind support for charities and community organisations. Supporting community groups and charities by doing what we do best allows these organisations to direct their funds to their core work.

Some of the organisations which Toll supports include the First Step program, the Amy Gillett Foundation, Make a Wish Foundation, Cancer Council, Foodbank and Whitelion.

In addition to the programs Toll supports at a corporate level, our individual businesses also support the local and international communities in which they work. We encourage our people to become involved with community organisations and activities, and are proud of their contribution across the globe in undertaking volunteer work for a range of local initiatives.

First Step

Based in Melbourne, Australia, this not-for-profit organisation has pioneered comprehensive and innovative approaches to overcoming all forms of addiction and substance misuse in the community.

The First Step program provides its clients with a multidisciplinary range of support services which include social and mental health services, general health care, family support, specialist addiction medicine, and legal and employment support.

Since we began working with the First Step program in 2000, the clinic has expanded its range of services beyond its original heroin-specific program. During this time thousands of people have benefited from the program and taken the 'first steps' to reclaim their lives from addiction. It now offers support and treatment for all manner of addiction, including all forms of behavioural and substance abuse.

We are proud to provide the First Step program with its core operational, financial and technological support.

More information on the First Step program can be found at www.firststepprogram.org

Second Step

Commencing in 2001, the Second Step program was originally designed to offer employment opportunities to people who had managed their addiction through the First Step program.

Today, Second Step works with a wide range of candidates whose employment prospects are limited as a result of a history of addiction, substance misuse, prior criminal records or other circumstances that render them marginalised from the potential to engage in mainstream employment.

To support 'Second Steppers' we work with a number of partner programs that offer the specialist support that the participants require to make a successful transition into the working world. Among these diverse partner programs are the First Step program and Whitelion, both not-for-profit organisations that work with individuals to become ready to work. Second Step then supports the individuals during the sometimes-difficult first stages of their working life. Second Step also works directly with a number of Indigenous programs and several correctional facilities.

The program now offers dozens of positions a year throughout Australia in a variety of supported and mentored employment positions within Toll. The majority of participants are offered full-time positions at the end of their initial 12-month supported placement, a testament to the success of the program.

To date, we've helped more than 400 people get their lives back on track and maintain satisfying and rewarding careers.

We continue to encourage other leading employers and organisations to emulate our program to increase the number of people who can become reintegrated into their community through employment and the associated social and emotional benefits.

After 14 years we are now seeing the multigenerational turn around that long-term employment has provided for the Second Steppers and their families.

More information on our community programs and partnerships, including the Second Step program, can be found at www.tollgroup.com/community-programs

Indigenous engagement

Our Indigenous Engagement Program is directed largely by our involvement in the Reconciliation Action Plan (RAP), an initiative of Reconciliation Australia. Toll's work in this area demonstrates our commitment to improve opportunities for Aboriginal and Torres Strait Islander people and create long term sustainable relationships with select Indigenous communities. We aim to create an environment that welcomes people of all backgrounds and embraces diversity. We are doing this with a long-term focus in line with our capacity to deliver quality outcomes in the current business climate.

The strategic development of our Indigenous engagement program is led by our Indigenous Engagement Steering Committee, comprising members of our senior executive, and our Indigenous Engagement Manager.

Corporate Social Responsibility Report (continued)

For the year ended 30 June 2014

Over the past 12 months, we have completed implementation of our 2013 RAP. We also launched our 2014-16 RAP. This next RAP will run over two years and builds on the previous successes.

Highlights from Toll's 2013 RAP include:

- development of the RAP Working Group (comprising staff from around Australia);
- initial engagement with select Aboriginal and Torres Strait Islander communities;
- commencement of cultural awareness training and education regarding Aboriginal and Torres Strait Islander history and traditions;
- introduction of piloted training and employment opportunities within some of our businesses;
- membership with Supply Nation to enhance our capacity to provide procurement opportunities to Aboriginal and Torres Strait Islander businesses; and
- participation in, and celebration of, National Reconciliation Week and NAIDOC Week.

This next phase, delivered through the 2014-16 RAP will see further development and deepening of our commitment. We aim to:

- expand our training and educational programs to ensure that our employees have an enhanced knowledge and awareness of Indigenous culture, history and traditions;
- review our practices and procedures to ensure, where possible, that any barriers to opportunities are addressed;
- develop protocols and procedures for respectful engagement, including inclusion of Welcome to Country ceremonies and Acknowledgement of Country;
- provide training and employment opportunities in select businesses;
- provide procurement opportunities through our membership with Supply Nation, where applicable;
- offer sponsorship and in-kind support to select communities;
- introduce the Aboriginal and Torres Strait Islander Employee Network; and
- evaluate and report on the effect of our RAP and Indigenous Engagement Program.

The success of these initiatives is largely dependent on the quality of our relationships with Indigenous communities and organisations. Developing these relationships will continue to be our central focus.

For more information on Toll's Indigenous engagement, or to view Toll's Reconciliation Action Plan, visit www.tollgroup.com/news/the-rap-on-indigenous-engagement

Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

	Note	2014 \$M	2013 \$M
Revenue	5	8,811.2	8,719.4
Other income		45.7	20.2
Share of profit of associates and joint ventures	31	14.7	8.4
Direct transport and logistics costs		(4,143.8)	(4,237.8)
Repairs and maintenance costs		(178.6)	(175.8)
Employee benefits expense		(2,592.0)	(2,515.4)
Fuel, oil and electricity costs		(391.6)	(374.9)
Occupancy and property costs		(446.2)	(437.6)
Depreciation and amortisation	6	(279.8)	(285.0)
Other operating costs		(395.2)	(285.3)
Restructuring costs		(44.3)	(10.3)
Results from operating activities		400.1	425.9
Net profit on disposal of controlled entities		34.0	55.8
Impairment losses on intangible assets and property, plant and equipment	6	–	(245.5)
Finance income		8.2	10.1
Finance expenses	6	(49.8)	(46.7)
Net finance costs		(41.6)	(36.6)
Profit before income tax expense		392.5	199.6
Income tax expense	7	(99.4)	(107.9)
Profit for the year		293.1	91.7
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gains and losses		(1.4)	(0.4)
Disposal of controlled entities		0.3	–
		(1.1)	(0.4)
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences, net of hedges of net investments in foreign controlled entities		(8.0)	80.2
Effective portion of changes in fair value of cash flow hedges		(5.6)	(27.1)
		(13.6)	53.1
Other comprehensive income/(loss) for the year, net of income tax		(14.7)	52.7
Total comprehensive income for the year		278.4	144.4
Profit attributable to:			
Owners of the Company		286.1	84.5
Non-controlling interests		7.0	7.2
Profit for the year		293.1	91.7
Total comprehensive income attributable to:			
Owners of the Company		271.6	137.3
Non-controlling interests		6.8	7.1
Total comprehensive income for the year		278.4	144.4
Earnings per share:			
Basic earnings per share (cents)	10	39.9	11.8
Diluted earnings per share (cents)	10	39.5	11.7

The notes on pages 78 to 144 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

Attributable to the equity holders of the Company

	Note	Contributed equity \$M	Treasury shares \$M
Balance at 1 July 2013		2,976.7	(4.1)
Total comprehensive income for the year			
Profit for the year		–	–
<i>Other comprehensive income</i>			
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		–	–
Disposal of controlled entities		–	–
Total other comprehensive income for the year		–	–
Total comprehensive income for the year		–	–
Transactions with owners, recorded directly in equity			
<i>Contributions by and distributions to owners</i>			
Dividends to equity holders	11	–	–
Dividends paid to non-controlling interests		–	–
Share option expense	6	–	–
Share options vested		–	–
Share options lapsed		–	–
Repayment of treasury shares		–	0.2
Total contributions by and distributions to owners		–	0.2
<i>Changes in ownership interest in controlled entities that do not result in a loss of control</i>			
Acquisition of non-controlling interests		–	–
Liquidation of subsidiaries with non-controlling interests		–	–
Total transactions with owners		–	0.2
Balance at 30 June 2014		2,976.7	(3.9)

The notes on pages 78 to 144 are an integral part of these consolidated financial statements.

Retained earnings \$M	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
(278.6)	(47.4)	28.1	(9.9)	10.0	2,674.8	21.6	2,696.4
286.1	–	–	–	–	286.1	7.0	293.1
–	(7.8)	–	–	–	(7.8)	(0.2)	(8.0)
–	–	–	(5.6)	–	(5.6)	–	(5.6)
(1.2)	–	–	–	(0.2)	(1.4)	–	(1.4)
1.6	–	–	–	(1.3)	0.3	–	0.3
0.4	(7.8)	–	(5.6)	(1.5)	(14.5)	(0.2)	(14.7)
286.5	(7.8)	–	(5.6)	(1.5)	271.6	6.8	278.4
(197.2)	–	–	–	–	(197.2)	–	(197.2)
–	–	–	–	–	–	(4.9)	(4.9)
–	–	2.8	–	–	2.8	–	2.8
–	–	(1.1)	–	–	(1.1)	–	(1.1)
–	–	(3.4)	–	3.4	–	–	–
–	–	–	–	–	0.2	–	0.2
(197.2)	–	(1.7)	–	3.4	(195.3)	(4.9)	(200.2)
(37.7)	–	–	–	–	(37.7)	(1.0)	(38.7)
–	–	–	–	–	–	(3.2)	(3.2)
(234.9)	–	(1.7)	–	3.4	(233.0)	(9.1)	(242.1)
(227.0)	(55.2)	26.4	(15.5)	11.9	2,713.4	19.3	2,732.7

Consolidated Statement of Changes in Equity (continued)

For the year ended 30 June 2014

Attributable to the equity holders of the Company

	Note	Contributed equity \$M	Treasury shares \$M
Balance at 1 July 2012		2,976.7	(4.5)
Total comprehensive income for the year			
Profit for the year		–	–
<i>Other comprehensive income</i>			
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		–	–
Disposal of controlled entities		–	–
Total other comprehensive income for the year		–	–
Total comprehensive income for the year		–	–
Transactions with owners, recorded directly in equity			
<i>Contributions by and distributions to owners</i>			
Dividends to equity holders	11	–	–
Dividends paid to non-controlling interests		–	–
Conversion of loan to equity		–	–
Share option expense	6	–	–
Share options vested		–	–
Share options lapsed		–	–
Repayment of treasury shares		–	0.4
Total contributions by and distributions to owners		–	0.4
Total transactions with owners		–	0.4
Balance at 30 June 2013		2,976.7	(4.1)

The notes on pages 78 to 144 are an integral part of these consolidated financial statements.

Retained earnings \$M	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
(176.9)	(127.6)	35.7	17.2	6.5	2,727.1	19.3	2,746.4
84.5	–	–	–	–	84.5	7.2	91.7
–	80.2	–	–	0.1	80.3	(0.1)	80.2
–	–	–	(27.1)	–	(27.1)	–	(27.1)
–	–	–	–	(0.4)	(0.4)	–	(0.4)
0.2	–	–	–	(0.2)	–	–	–
0.2	80.2	–	(27.1)	(0.5)	52.8	(0.1)	52.7
84.7	80.2	–	(27.1)	(0.5)	137.3	7.1	144.4
(186.4)	–	–	–	–	(186.4)	–	(186.4)
–	–	–	–	–	–	(6.0)	(6.0)
–	–	–	–	–	–	1.2	1.2
–	–	(3.1)	–	–	(3.1)	–	(3.1)
–	–	(0.5)	–	–	(0.5)	–	(0.5)
–	–	(4.0)	–	4.0	–	–	–
–	–	–	–	–	0.4	–	0.4
(186.4)	–	(7.6)	–	4.0	(189.6)	(4.8)	(194.4)
(186.4)	–	(7.6)	–	4.0	(189.6)	(4.8)	(194.4)
(278.6)	(47.4)	28.1	(9.9)	10.0	2,674.8	21.6	2,696.4

Consolidated Statement of Financial Position

For the year ended 30 June 2014

	Note	2014 \$M	2013 \$M
Current assets			
Cash and cash equivalents	12	504.4	515.5
Receivables	13	1,240.1	1,241.1
Inventories	14	59.5	61.6
Assets held for sale	8	73.1	56.2
Prepayments		58.0	67.9
Current tax receivable		2.7	3.5
Other assets	15	7.2	20.9
Total current assets		1,945.0	1,966.7
Non-current assets			
Receivables	13	8.7	13.1
Investments accounted for using the equity method	31	172.1	170.8
Investments	16	3.1	4.3
Property, plant and equipment	17	1,936.2	1,999.4
Intangible assets	18	1,686.6	1,660.3
Deferred tax assets	7	132.5	138.6
Prepayments		3.9	4.5
Other assets	15	13.8	16.9
Total non-current assets		3,956.9	4,007.9
Total assets		5,901.9	5,974.6
Current liabilities			
Payables	20	828.7	868.2
Interest bearing liabilities	21	333.5	934.3
Current tax liabilities		36.2	79.6
Provisions	22	352.3	345.1
Other liabilities	23	18.9	25.4
Total current liabilities		1,569.6	2,252.6
Non-current liabilities			
Interest bearing liabilities	21	1,402.1	854.4
Deferred tax liabilities	7	17.0	18.4
Provisions	22	169.6	142.0
Other liabilities	23	10.9	10.8
Total non-current liabilities		1,599.6	1,025.6
Total liabilities		3,169.2	3,278.2
Net assets		2,732.7	2,696.4
Equity			
Contributed equity	24	2,976.7	2,976.7
Treasury shares		(3.9)	(4.1)
Reserves		(32.4)	(19.2)
Retained earnings		(227.0)	(278.6)
Total equity attributable to equity holders of the Company		2,713.4	2,674.8
Non-controlling interests		19.3	21.6
Total equity		2,732.7	2,696.4

The notes on pages 78 to 144 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2014

	Note	2014 \$M	2013 \$M
Cash flows from operating activities			
Cash receipts in the course of operations		9,504.2	9,296.6
Cash payments in the course of operations		(8,879.5)	(8,759.9)
Cash generated from operations		624.7	536.7
Interest received		8.2	10.1
Dividends received from associates		2.0	5.9
Interest and other costs of finance paid		(41.8)	(38.6)
Income taxes paid		(112.0)	(132.7)
Net cash inflow from operating activities	33	481.1	381.4
Cash flows from investing activities			
Payments for entities and businesses, net of cash acquired		(24.3)	(6.5)
Payments for property, plant and equipment and intangible assets		(418.5)	(391.6)
Payments for acquisition of associates and other investments		(0.6)	(1.0)
Payments for divestment costs on disposal of controlled entities		(1.7)	(4.0)
Payments for deferred settlements		(1.1)	–
Proceeds from disposal of entities and businesses, net of cash		53.2	94.9
Proceeds from sale of property, plant and equipment		148.9	84.0
Proceeds from sale of associates and other investments		0.4	0.3
Proceeds from return of capital on associates		2.8	–
Proceeds from repayment of loans with other entities		2.4	0.5
Net cash outflow from investing activities		(238.5)	(223.4)
Cash flows from financing activities			
Proceeds from borrowings		859.5	179.9
Repayments of borrowings		(888.4)	(193.6)
Dividends paid to ordinary shareholders		(197.1)	(186.3)
Dividends paid to non-controlling interests		(4.9)	(6.0)
Payments for shares to satisfy share option vesting		(1.1)	(0.5)
Proceeds from repayment of employee loans		0.1	0.3
Net cash outflow from financing activities		(231.9)	(206.2)
Net increase/(decrease) in cash and cash equivalents held		10.7	(48.2)
Cash and cash equivalents at 1 July		467.2	505.1
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		0.2	10.3
Cash and cash equivalents at 30 June	12	478.1	467.2

The notes on pages 78 to 144 are an integral part of these consolidated financial statements.

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Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

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 19 August 2014.

(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; and
- assets classified as held for sale are measured at the lower of carrying value and fair value less costs of disposal.

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. 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

The Group assesses whether goodwill is 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 is 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 at fair value

The Group measures a number of financial instruments at fair value. These fair values are based on observable market data which is used to estimate future cash flows and discount them to present value. Management's aim is to use and source this data consistently from period to period. While management

believes the assumptions used are appropriate, a change in assumptions would impact the fair value calculations.

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 charge to profit or loss.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

3. Significant accounting policies

(a) Changes in accounting policies

With exception to the below, the accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2013.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

- AASB 10: *Consolidated Financial Statements*
- AASB 11: *Joint Arrangements*
- AASB 13: *Fair Value Measurement*
- AASB 2013-3: *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*
- AASB 119: *Employee Benefits*

The nature and the effect of the changes are further explained below.

Subsidiaries

As a result of AASB 10, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, AASB 10 requires the Group to consolidate investees that it controls on the basis of de facto circumstances.

In accordance with the transitional provisions of AASB 10, the Group reassessed the control conclusion for its investees at 1 July 2013. The control conclusion remained unchanged.

Joint arrangements

As a result of AASB 11, the Group has changed its accounting policy for its interests in joint arrangements. Under AASB 11, the Group classifies its interests

in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

As a result of the Group's re-evaluation of its involvement in its joint arrangements, the joint venture classification has remained unchanged. The investments continue to be accounted for using the equity method; accordingly, there has been no impact on the recognised assets, liabilities and comprehensive income of the Group.

Fair value measurement

AASB 13, and its associated amendment, establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required in financial statements for financial instruments; accordingly, the Group has included additional disclosures in this regard.

In accordance with the transitional provisions of AASB 13 and its associated amendment, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

Employee benefits

The adoption of the revised AASB 119 *Employee Benefits* standard does not have a material impact on the consolidated financial statements.

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities that are controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction cost. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

(iii) 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 joint ventures 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 joint ventures or, if not consumed or sold by the associates or joint ventures, when the Group's interest in such entities is disposed of.

(c) 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. 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 profit or loss upon disposal of the foreign entity.

(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.

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.

(d) Financial instruments

(i) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures arising from operational and financing activities. In accordance with its treasury policy the Group does not hold or issue financial instruments for trading purposes. 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.

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.

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 liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of the interest rate swaps hedging fixed rate borrowings is recognised in profit or loss 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.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

3. Significant accounting policies (continued)

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(n)(iv).

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.

(e) 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 mid price at the reporting date. For financial instruments which are not traded in an active market fair values are determined using observable market prices (level 2 as defined by AASB 13 *Fair Value Measurement*), using techniques such as estimated discounted cash flows. 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 discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract. Estimated cash flows for interest rate swaps and forward exchange contracts are discounted using a risk-adjusted discount rate.

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.

(f) 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' or 'other operating costs' in profit or loss.

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 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 aircrafts 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 maintenance is derecognised.

(g) Leased assets

Leases, the terms of which provide that 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 Consolidated Statement of Financial Position.

(h) 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.

(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

(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

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

3. Significant accounting policies (continued)

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 non-current assets on a pro rata basis, except that no loss is allocated to 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 and rights 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 and rights. The amount recognised as an expense is adjusted to reflect the actual number of share options and rights 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, sick leave and rostered days off 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.

(m) Revenue and receivables

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.
- 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.

Receivables represent the contractual right to receive fixed or determinable payments from another entity, but exclude derivative financial assets or financial assets that are quoted in an active market. Receivables shall be recognised once the Group becomes a party to the contractual provisions of the agreement/contract. Receivables are initially measured at fair value.

(n) 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, which are then capitalised to the cost of the assets using a weighted average capitalisation rate. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. 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.

(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, amortisation of capitalised transaction costs in relation to financial 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.

(o) 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

3. Significant accounting policies (continued)

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 Consolidated Statement of Financial Position and their tax values applying under tax consolidation.

Due to the existence of a tax sharing agreement, 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. 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.

(p) Segment reporting

The Group determines and presents reporting 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.

(q) 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 the profit or loss attributable to ordinary shareholders, adjusted for 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.

(r) 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 2014, but have not been applied in preparing this financial report:

- AASB 2014-1 Amendments to Australian Accounting Standards – Part E: Financial Instruments. Defers the mandatory application date of AASB 9 *Financial Instruments* to annual reporting periods beginning on or after 1 January 2018. This aligns with the IASB's decision that IFRS 9 will be mandatorily effective for years beginning on or after 1 January 2018. The Group has not determined the potential effect of the revised standard on the Group's financial report.
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (December 2013) – Part C – Financial Instruments. Introduces a new hedge accounting model to simplify hedge accounting requirements and more closely align

hedge accounting with risk management activities. Includes additional scope for component general hedge accounting. AASB 9 is available for early adoption, with some conditions. The Group has not determined the potential effect of the revised standard on the Group's financial report.

- AASB 9 *Financial Instruments* (December 2010) (includes financial assets and financial liability requirements), AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 9 *Financial Instruments* (Financial Asset Requirements only) and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9. In AASB 9 (December 2010), the AASB added requirements for the classification and measurement of financial liabilities that are generally consistent with the equivalent requirements in AASB 139 except in respect of the fair value option; and certain derivatives linked to unquoted equity instruments. The AASB also added the requirements in AASB 139 in relation to the derecognition of financial assets and financial liabilities to AASB 9. AASB 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets; amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in AASB 139 on hedge accounting continues to apply as long as hedge accounting provisions in AASB 2013-9 are not applied. The Group has not determined the potential effect of the revised standard on the Group's financial report.
- AASB 2014-1 Amendments to AASB 1053 – Part A: Annual Improvements 2010-2012 and 2011-2013 cycles. Amendments to existing accounting standards, particularly in relation to clarifying share-based payments vesting and non-vesting conditions, operating segment asset disclosures, clarification of current/non-current classification of debt, clarification of KMP when an entity has a management entity/responsible entity (such as a trustee), the meaning of effective IFRS, exemptions for joint

ventures from business combination requirements, clarification of the scope exception for measuring the fair value of financial assets and liabilities on a portfolio basis, and clarifying the interrelationship between business combinations and investment property when classifying property as investment property or owner-occupied. The standard will become mandatory for the Group's 30 June 2015 financial statements and is not expected to have a significant impact on the financial statements.

- AASB 2014-1 Amendments to Australian Accounting Standards – Part C: Materiality. Further to AASB 2013-9 Part B, amendments are made to particular Australian Accounting Standards to delete their references to AASB 1031. This is part of the AASB's program to delete references to AASB 1031 in all Australian Accounting Standards prior to final withdrawal of AASB 1031. The standard will become mandatory for the Group's 30 June 2015 financial statements and is not expected to have a significant impact on the financial statements.
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (December 2013) – Part B – Materiality. Guidance on materiality removed from AASB 1031 and cross references inserted to other standards and the Framework for the Preparation and Presentation of Financial Statements where guidance on materiality is located. The standard will become mandatory for the Group's 30 June 2015 financial statements and is not expected to have a significant impact on the financial statements.
- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities. Amendments to AASB 132 clarify when an entity has a legally enforceable right to set-off financial assets and financial liabilities permitting entities to present balances net on the balance sheet. The Group has not determined the potential effect of the revised standard on the Group's financial report.

- Interpretation 21 Levies. Provides clarity on when a liability should be recognised in respect of a levy in accordance with AASB 137. The standard will become mandatory for the Group's 30 June 2015 financial statements and is not expected to have a significant impact on the financial statements.

The following are standards, amendments to standards and interpretations that have been issued by the IASB that the AASB are yet to endorse. They have been identified as those which may impact the Group in the period of initial application however they are not available for early adoption at 30 June 2014.

- IFRS 15 Revenue from Contracts with Customers. Application date 1 January 2017. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The Group has not determined the potential effect of the revised standard on the Group's financial report.
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38). Application date 1 January 2016. Introduces a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. Limited opportunity for presumption to be overcome. Clarifies that revenue-based depreciation for property, plant and equipment cannot be used. The standard will become mandatory for the Group's 30 June 2017 financial statements and is not expected to have a significant impact on the financial statements.
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). Application date 1 January 2016. Business combination accounting required to be applied to acquisitions of interests in a joint operation that meets the definition of a business. The standard will become mandatory for the Group's 30 June 2017 financial statements and is 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 oil and gas, mining and government and defence sectors in Australia, Asia and Africa.
- Toll Global Logistics – Contract logistics solutions in the Asia Pacific region.
- Toll Global Forwarding – International freight forwarding and advanced supply chain management services.
- Toll Global Express – Express freight operations providing time-sensitive freight distribution in Australia and logistics services in Japan.
- Toll Domestic Forwarding – Domestic freight forwarding across Australia and New Zealand.
- Toll Specialised & Domestic Freight – Comprehensive suite of options Australia-wide for palletised freight, liquids distribution, chemicals distribution and warehousing through to relocation services.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

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 – 2014		
Revenue	2,227.0	1,154.1
Result		
Segment result	119.3	65.8
Share of profit of associates and joint ventures	(0.1)	0.3
Total segment result	119.2	66.1
Unallocated profit/(loss), net of tax:		
– Restructuring costs		
– Profit on sale of Zimbery Ltd in Toll Global Forwarding		
– Profit on sale of Kyushu Sanko Unyo Co Limited in Toll Global Express		
Net finance costs		
Income tax expense		
Profit for the year		
Total segment assets	795.1	533.6
Unallocated tax assets		
Total assets		

	Toll Global Express \$M	Toll Domestic Forwarding \$M
Business segments – 2013		
Revenue	2,233.8	1,129.6
Result		
Segment result	127.7	62.3
Share of profit of associates and joint ventures	(1.7)	0.1
Total segment result	126.0	62.4
Unallocated profit/(loss):		
– Impairment of Toll Global Forwarding goodwill and intangible assets		
– Impairment of Toll Marine Logistics plant and equipment		
– Profit on sale of Automotive finished vehicle distribution business, Refrigerated Australian interstate linehaul and warehousing operations and Sanko Mic Corporation, net of tax		
Net finance costs		
Income tax expense		
Profit for the year		
Total segment assets	805.8	564.5
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
1,354.9	1,354.6	1,122.7	1,556.5	8,769.8	41.4	8,811.2
95.7	88.7	97.6	8.0	475.1	(45.4)	429.7
-	3.3	3.5	7.3	14.3	0.4	14.7
95.7	92.0	101.1	15.3	489.4	(45.0)	444.4
						(32.0)
						19.3
						7.3
						(41.6)
						(104.3)
						293.1
431.3	1,168.4	1,236.1	1,010.9	5,175.4	591.3	5,766.7
						135.2
						5,901.9
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
1,379.5	1,266.6	1,178.8	1,506.6	8,694.9	24.5	8,719.4
101.2	77.3	102.9	(5.5)	465.9	(48.4)	417.5
-	1.4	3.9	4.4	8.1	0.3	8.4
101.2	78.7	106.8	(1.1)	474.0	(48.1)	425.9
						(215.4)
						(30.1)
						54.8
						(36.6)
						(106.9)
						91.7
424.2	1,195.1	1,225.4	997.4	5,212.4	620.1	5,832.5
						142.1
						5,974.6

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

4. Segment information (continued)

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; and
- 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 – 2014					
Revenue by location	6,254.7	1,638.7	634.3	283.5	8,811.2
Non-current assets by location	2,000.1	1,596.0	162.3	66.0	3,824.4

	Australia and New Zealand \$M	Asia \$M	EMEA \$M	North America \$M	Total \$M
Geographical segments – 2013					
Revenue by location	6,186.1	1,713.7	534.4	285.2	8,719.4
Non-current assets by location	1,971.5	1,687.6	141.5	68.7	3,869.3

5. Revenue

	2014 \$M	2013 \$M
Transport and logistics services rendered	8,811.2	8,719.4
Total revenue	8,811.2	8,719.4

6. Expenses

Profit before income tax expense includes the following specific expenses:

	Note	2014 \$M	2013 \$M
Depreciation			
Buildings		14.2	14.4
Leasehold improvements		16.6	20.8
Plant and equipment		223.3	209.5
Leased plant and equipment		2.5	3.3
Total depreciation	17	256.6	248.0
Amortisation			
Capitalised software and technology		20.2	16.6
Customer contracts and relationships		2.0	19.5
Other intangibles		1.0	0.9
Total amortisation	18	23.2	37.0
Finance expenses			
Unwinding of discount on long-term provisions		6.3	6.2
Other interest and finance charges paid/payable		43.5	40.5
Total finance expenses		49.8	46.7
Impairment losses			
Goodwill		-	204.0
Other intangible assets		-	11.4
Property, plant and equipment		-	30.1
Total impairment losses		-	245.5
Other expenses			
Impairment losses on receivables		7.0	7.4
Operating lease expense			
Property		288.1	285.9
Plant and equipment		80.9	82.8
Share option expense		2.8	(3.1)
Employee benefit expenses			
Defined contribution superannuation expense		148.7	132.4

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

7. Income tax expense

Recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income

	2014 \$M	2013 \$M
Tax recognised in profit for the year		
Current tax expense		
Current year	97.1	109.2
Over/(under) provision in prior years	(2.0)	0.4
Total current tax expense	95.1	109.6
Deferred tax expense		
Origination and reversal of temporary differences	4.3	(1.7)
Total deferred tax expense	4.3	(1.7)
Total income tax expense	99.4	107.9
Numerical reconciliation between income tax expense and pre-tax net profit		
Profit before income tax expense	392.5	199.6
Income tax expense using the domestic corporation income tax rate of 30% (2013: 30%)	117.8	59.9
Increase in income tax expense due to:		
Change in corporate tax rate in foreign jurisdictions	0.6	–
Non-deductible expenditures	17.5	52.5
Tax losses not recognised	18.7	9.9
Capital gains on disposal of controlled entities and property, plant and equipment	–	11.6
Effect of tax rates in foreign jurisdictions	–	23.1
Decrease in income tax expense due to:		
Non-assessable income	(22.9)	(23.5)
Tax exempt income	(9.9)	(4.2)
Utilisation and recognition of tax losses not previously recognised	(5.5)	(20.0)
Effect of tax rates in foreign jurisdictions	(12.4)	–
Share of net profit of associates and joint ventures	(2.5)	(1.8)
	101.4	107.5
Over/(under) provision in prior years	(2.0)	0.4
Total income tax expense	99.4	107.9
Tax recognised in other comprehensive income		
Deferred tax expense		
Relating to:		
Changes in fair value of cash flow hedges	(2.0)	4.4
Hedges of net investments in foreign controlled entities	0.4	(0.2)
Total	(1.6)	4.2

Deferred income tax

Deferred tax assets and liabilities are attributed to the following:

	2014 \$M	2013 \$M
Deferred tax assets		
Property, plant and equipment	22.7	22.6
Intangible assets	14.9	14.2
Payables	23.4	19.2
Provisions	92.7	101.9
Other liabilities	1.2	1.1
Unrealised foreign exchange losses	2.7	4.3
Tax losses recognised	42.8	43.2
Set off of tax (see below)	(67.9)	(67.9)
Total deferred tax assets	132.5	138.6
Deferred tax liabilities		
Receivables	0.9	0.3
Inventories	2.0	1.4
Prepayments	6.5	6.0
Property, plant and equipment	47.9	44.4
Intangible assets	3.9	5.7
Other assets	12.5	14.3
Unrealised foreign exchange gains	11.2	14.2
Set off of tax (see above)	(67.9)	(67.9)
Total deferred tax liabilities	17.0	18.4

There is a legally enforceable right to offset the deferred tax assets and liabilities of the Australian consolidated tax group.

Refer note 3(o).

Within the Toll Group there are unutilised revenue losses of \$273.9 million (2013: \$311.9 million) and capital losses of \$3.2 million (2013: \$3.2 million) both for which no tax benefit has been recognised.

8. Assets held for sale

	2014 \$M	2013 \$M
Assets held for sale		
Property, plant and equipment	73.1	56.2
Total assets held for sale	73.1	56.2

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

9. Acquisitions and disposals

(a) Acquisitions finalised during the year ended 30 June 2014

During the year ended 30 June 2013, the Group acquired the Linfox Trans-Bass Strait business, a logistics company in the Toll Domestic Forwarding division. At 30 June 2013, the fair value of the assets and liabilities of this acquisition was provisional. Acquisition accounting has now been finalised.

The following summarises the major classes of consideration transferred for the acquisition and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	\$M
Consideration transferred	
Cash	6.5
Total consideration	6.5

Identifiable assets acquired and liabilities assumed

	Final balance recognised at 30 June 2014 \$M
Property, plant and equipment	0.9
Total identifiable assets	0.9

Goodwill

Goodwill was recognised as a result of the acquisition as follows:

	\$M
Total consideration transferred	6.5
Less fair value of net identifiable assets acquired	(0.9)
Goodwill	5.6

(b) Provisional acquisitions

During the year ended 30 June 2014, the Group acquired Nationwide Transport Solutions Pty Ltd and AJS Industries Pty Ltd, heavy haulage transportation businesses in the Toll Global Logistics division.

The following summarises the major classes of consideration transferred for the acquisition and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	\$M
Consideration transferred	
Cash	21.4
Total consideration	21.4

Identifiable assets acquired and liabilities assumed

	Provisional balance recognised at 30 June 2014 \$M
Property, plant and equipment	7.5
Provisions	(0.1)
Total identifiable assets	7.4

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 12 months from the acquisition date.

Goodwill

Goodwill was recognised as a result of the acquisition as follows:

	\$M
Total consideration transferred	21.4
Less fair value of net identifiable assets acquired	(7.4)
Goodwill	14.0

(c) Acquisition of non-controlling interest – Toll ANL Bass Strait Shipping Pty Ltd

In October 2013, the Group assumed 100% ownership of Toll ANL Bass Strait Shipping Pty Ltd by acquiring the remaining 15% of shares previously not held. The excess of the purchase price over the carrying value of the non-controlling interest acquired has been recorded in retained earnings.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

9. Acquisitions and disposals (continued)

(d) Disposal of operations

During the year ended 30 June 2014, the Group disposed of Kyushu Sanko Unyu Co Limited (KSU), a 3PL logistics business within Toll Express Japan and Zimbery Ltd, a warehouse operation within Toll Global Forwarding.

The following summarises the book values of the net assets disposed of, the sales proceeds and the net profit:

	\$M
Assets and liabilities disposed	
Cash at bank	1.0
Receivables	10.6
Property, plant and equipment	17.7
Prepayments	0.3
Investments	0.9
Other assets	1.8
Payables and other liabilities	(9.2)
Interest bearing liabilities	(1.9)
Provisions	(7.8)
Net assets disposed	13.4
Sales proceeds	
Cash	48.4
Deferred consideration	2.1
Total net proceeds	50.5
Less	
Directly attributable costs	(3.1)
Net assets disposed	(13.4)
Net profit before tax on disposals	34.0
Income tax expense	(7.4)
Net profit after tax on disposals	26.6

10. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2014 was based on the profit attributable to owners of the Company of \$286.1 million (2013: \$84.5 million) and a weighted average number of ordinary shares outstanding of 717.1 million (2013: 717.1 million), calculated as follows:

	2014 \$M	2013 \$M
Profit attributable to owners of the Company		
Profit for the year	293.1	91.7
Profit attributable to non-controlling interests	(7.0)	(7.2)
Profit attributable to owners of the Company	286.1	84.5

	2014 Million shares	2013 Million shares
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	717.1	717.1
Effect of shares issued	–	–
Weighted average number of ordinary shares at 30 June	717.1	717.1

	2014	2013
Basic earnings per share		
Profit attributable to owners of the Company (\$M)	286.1	84.5
Weighted average number of ordinary shares at 30 June (million shares)	717.1	717.1
Basic earnings per share (cents)	39.9	11.8

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

10. Earnings per share (continued)

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2014 was based on the profit attributable to owners of the Company of \$286.1 million (2013: \$84.5 million) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 723.9 million (2013: 721.2 million), calculated as follows:

	2014 \$M	2013 \$M
Profit attributable to owners of the Company (diluted)	286.1	84.5

	2014 Million shares	2013 Million shares
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares at 30 June (basic)	717.1	717.1
Effect of potential dilutive shares issued	6.8	4.1
Weighted average number of ordinary shares at 30 June (diluted)	723.9	721.2

	2014	2013
Diluted earnings per share		
Profit attributable to owners of the Company (diluted) (\$M)	286.1	84.5
Weighted average number of ordinary shares at 30 June (diluted) (million shares)	723.9	721.2
Diluted earnings per share (cents)	39.5	11.7

11. 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				
2014				
2013 Final dividend	14.5	104.0	Franked	28/10/2013
2014 Interim dividend	13.0	93.2	Franked	04/04/2014
		197.2		
2013				
2012 Final dividend	13.5	96.8	Franked	22/10/2012
2013 Interim dividend	12.5	89.6	Franked	02/04/2013
		186.4		

Franked dividends paid or determined during the year were franked at the tax rate of 30% (2013: 30%).

	The Company	
	2014 \$M	2013 \$M
Dividend franking account		
Net Class C (30%) franking credits (2013: 30%) available to shareholders of the parent entity for subsequent financial years	67.9	76.0

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 \$46.1 million (2013: \$44.6 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 (2013: 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 2014 and 30 June 2013, were as follows:

	2014 \$M	2013 \$M
Dividends paid		
Total dividends paid in cash	197.1	186.3
Satisfied by reduction in employee share plan loans	0.1	0.1
Total dividends paid	197.2	186.4

The Dividend Reinvestment Plan was suspended from the 2012 interim dividend. See note 24 for further details.

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	15.0	107.6	Franked	01/10/2014

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2014 and will be recognised in subsequent financial reports.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

12. Cash and cash equivalents

	Note	2014 \$M	2013 \$M
Cash at bank and on hand		244.4	228.9
Deposits at call		260.0	286.6
Cash and cash equivalents		504.4	515.5
Bank overdraft	21	(26.3)	(48.3)
Net cash and cash equivalents		478.1	467.2

13. Receivables

		2014 \$M	2013 \$M
Current			
Trade receivables	26	952.7	953.2
Allowance for impairment losses	26	(16.7)	(18.8)
Net trade receivables		936.0	934.4
Other receivables		304.1	306.7
Total current receivables		1,240.1	1,241.1
Non-current			
Loans to associates		2.2	4.2
Other receivables		6.0	8.3
Other loans		0.5	0.6
Total non-current receivables		8.7	13.1
Total receivables		1,248.8	1,254.2

14. Inventories

	2014 \$M	2013 \$M
Stores and materials	33.1	31.2
Finished goods at net realisable value	26.4	30.4
Total inventories	59.5	61.6

15. Other assets

	2014 \$M	2013 \$M
Current		
Derivative financial instruments	7.2	20.8
Other loans	–	0.1
Total current other assets	7.2	20.9
Non-current		
Derivative financial instruments	3.0	3.9
Other cash deposits	10.8	13.0
Total non-current other assets	13.8	16.9
Total other assets	21.0	37.8

16. Investments

	2014 \$M	2013 \$M
Listed equity securities – at market value	–	0.2
Unlisted equity securities – at cost	3.1	4.1
Total investments	3.1	4.3

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 does not currently intend to sell these securities.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

17. Property, plant and equipment

	Note	Freehold land \$M
Carrying amount		
Balance as at 1 July 2013		312.9
Acquisitions through business combinations	9	–
Disposal of controlled entities	9	(5.7)
Additions		7.6
Transfer from capital work in progress		0.2
Reclassification to assets held for sale		(33.2)
Disposals		–
Depreciation	6	–
Reclassifications (to)/from other assets		(1.8)
Effect of movements in foreign exchange		(6.9)
Balance as at 30 June 2014		273.1
Cost		328.3
Accumulated depreciation and impairment		(55.2)
Balance as at 30 June 2014		273.1
Carrying amount		
Balance as at 1 July 2012		357.3
Acquisitions through business combinations		–
Additions		–
Transfer from capital work in progress		1.7
Reclassification to assets held for sale		(29.0)
Disposals		(3.2)
Depreciation	6	–
Reclassifications (to)/from other assets		–
Effect of movements in foreign exchange		(13.9)
Impairment loss		–
Balance as at 30 June 2013		312.9
Cost		376.2
Accumulated depreciation and impairment		(63.3)
Balance as at 30 June 2013		312.9

Buildings \$M	Leasehold improvements \$M	Plant and equipment \$M	Leased plant and equipment \$M	Capital work in progress \$M	Total \$M
423.4	151.6	1,050.2	9.8	51.5	1,999.4
–	–	7.5	–	–	7.5
(1.8)	(0.1)	(9.3)	(0.8)	–	(17.7)
0.5	14.1	238.3	–	110.3	370.8
15.9	19.3	27.8	–	(63.2)	–
(88.8)	–	(6.1)	–	–	(128.1)
(7.4)	(3.2)	(19.5)	(3.5)	–	(33.6)
(14.2)	(16.6)	(223.3)	(2.5)	–	(256.6)
0.8	(1.2)	14.5	(0.1)	–	12.2
(2.1)	(0.4)	(8.2)	(0.3)	0.2	(17.7)
326.3	163.5	1,071.9	2.6	98.8	1,936.2
381.6	340.6	2,255.4	19.6	98.8	3,424.3
(55.3)	(177.1)	(1,183.5)	(17.0)	–	(1,488.1)
326.3	163.5	1,071.9	2.6	98.8	1,936.2
379.6	111.1	1,049.6	14.6	98.5	2,010.7
–	–	0.9	–	–	0.9
3.0	8.1	231.4	–	109.9	352.4
79.6	40.2	32.6	–	(154.1)	–
(25.7)	(1.9)	(30.2)	–	–	(86.8)
(0.3)	(0.5)	(21.8)	(0.1)	(0.3)	(26.2)
(14.4)	(20.8)	(209.5)	(3.3)	–	(248.0)
(8.3)	9.2	20.0	(0.5)	(5.1)	15.3
9.9	6.2	7.0	(0.9)	2.9	11.2
–	–	(29.8)	–	(0.3)	(30.1)
423.4	151.6	1,050.2	9.8	51.5	1,999.4
503.4	326.6	2,143.3	32.4	51.5	3,433.4
(80.0)	(175.0)	(1,093.1)	(22.6)	–	(1,434.0)
423.4	151.6	1,050.2	9.8	51.5	1,999.4

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

18. 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 2013		1,527.2	121.8	5.2	6.1	1,660.3
Acquisitions through business combinations	9	14.0	–	–	–	14.0
Additions		–	37.8	–	7.5	45.3
Disposals		–	(4.1)	–	–	(4.1)
Amortisation	6	–	(20.2)	(2.0)	(1.0)	(23.2)
Reclassifications (to)/from other assets		–	(12.8)	–	–	(12.8)
Effect of movements in foreign exchange		7.4	(0.3)	–	–	7.1
Balance as at 30 June 2014		1,548.6	122.2	3.2	12.6	1,686.6
Cost						
Cost		1,865.3	264.5	189.0	25.5	2,344.3
Accumulated amortisation and impairment		(316.7)	(142.3)	(185.8)	(12.9)	(657.7)
Balance as at 30 June 2014		1,548.6	122.2	3.2	12.6	1,686.6
Carrying amount						
Balance at 1 July 2012		1,635.3	117.9	35.7	6.2	1,795.1
Acquisitions through business combinations	9	5.6	–	–	–	5.6
Disposal of controlled entities		(11.3)	–	–	–	(11.3)
Additions		–	36.8	–	0.2	37.0
Disposals		–	(2.8)	–	–	(2.8)
Amortisation	6	–	(16.6)	(19.5)	(0.9)	(37.0)
Reclassifications (to)/from other assets		–	(15.4)	–	–	(15.4)
Effect of movements in foreign exchange		101.6	1.9	0.4	0.6	104.5
Impairment loss		(204.0)	–	(11.4)	–	(215.4)
Balance as at 30 June 2013		1,527.2	121.8	5.2	6.1	1,660.3
Cost						
Cost		1,855.3	245.6	190.1	18.1	2,309.1
Accumulated amortisation and impairment		(328.1)	(123.8)	(184.9)	(12.0)	(648.8)
Balance as at 30 June 2013		1,527.2	121.8	5.2	6.1	1,660.3

19. Impairment

(a) 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 six business segments in 2014 and the comparable 2013 disclosures are presented below:

	Goodwill as at 30 June 2014 \$M	Goodwill as at 30 June 2013 \$M
Toll Global Express	136.3	136.3
Toll Domestic Forwarding	80.6	79.8
Toll Specialised & Domestic Freight	18.7	18.7
Toll Global Logistics	506.0	492.3
Toll Global Resources	345.2	345.0
Toll Global Forwarding	461.8	455.1
	1,548.6	1,527.2

There were no specific intangible assets with indefinite useful lives at 30 June 2014 (2013: nil).

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

19. Impairment (continued)

(b) Impairment testing

- (i) Impairment testing compares the carrying value of assets to be tested to the recoverable amount of future cash flows 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 which are aligned with strategic plans. Forecasts use current management estimates, based on past management experience and future expectations to determine revenue, expenses, capital expenditure and cash flows. Toll Global Forwarding EBIT margin over the current five year forecast is a range from 1.19% to 3.43% (2013: 1.13% to 3.12%).

The following key assumptions have been used in determining the recoverable amounts of CGUs to which goodwill has been allocated:

	Discount rate as at 30 June 2014 ^(a) %	Discount rate as at 30 June 2013 ^(a) %	Terminal value growth rate as at 30 June 2014 ^{(b)(c)} %	Terminal value growth rate as at 30 June 2013 ^(b) %
Toll Global Express	12.0	11.8	2.00	2.00
Toll Domestic Forwarding	12.0	11.6	2.00	2.00
Toll Specialised & Domestic Freight	12.0	11.7	2.00	2.00
Toll Global Logistics	10.8	10.0	2.50	2.50
Toll Global Resources	10.5	10.1	2.50	2.50
Toll Global Forwarding ^(d)	12.6	10.4	2.50	2.00

(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. An additional risk premium was applied to the Toll Global Forwarding discount rate to reflect uncertainties in cash flow projections.

(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 of logistics assets in the appropriate markets.

(c) The terminal value growth rate for Toll Global Forwarding increased to 2.50% (2013: 2.00%) to align with long-term international growth rates.

(d) At 30 June 2013, following the completion of intangible asset impairment testing, a \$204.0 million charge was taken against Toll Global Forwarding goodwill and an \$11.4 million charge was taken against Toll Global Forwarding customer relationships. Post the impairment charge, the carrying value of the Toll Global Forwarding CGU was \$637.5 million as at 30 June 2013.

- (ii) The recoverable amount in Toll Express Japan is based on fair value less cost of disposal, using Directors' valuations, supported by an observable market price.

(c) Reasonably possible change

With the exception of Toll Global Forwarding, management have determined that, given the significant excess of future cash flows over asset carrying value (head room), there are no reasonably possible changes in key assumptions which could occur to cause the carrying amount of these CGUs to exceed their recoverable amounts. The recoverable amount of goodwill relating to Toll Global Forwarding would be impacted by an adverse movement in earnings, discount rates or terminal growth rates.

20. Payables

	2014 \$M	2013 \$M
Trade creditors	350.2	383.6
Other creditors and accruals	478.5	484.6
Total payables	828.7	868.2

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 32.

21. Interest bearing liabilities

	Note	2014 \$M	2013 \$M
Current			
Term and other loans – unsecured		307.2	884.7
Finance lease liabilities – secured		–	1.3
Bank overdraft – unsecured	12	26.3	48.3
Total current interest bearing liabilities		333.5	934.3
Non-current			
Term and other loans – unsecured		1,402.1	850.2
Finance lease liabilities – secured		–	4.2
Total non-current interest bearing liabilities		1,402.1	854.4
Total interest bearing liabilities		1,735.6	1,788.7

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

21. Interest bearing liabilities (continued)

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Weighted average rate	Year of maturity	Face value 2014 \$M	Carrying amount 2014 \$M	Face value 2013 \$M	Carrying amount 2013 \$M
Bank overdraft	DKK		On demand	–	–	2.0	2.0
Bank overdraft	EUR	2.21%	On demand	10.3	10.3	21.5	21.5
Bank overdraft	GBP		On demand	–	–	6.9	6.9
Bank overdraft	HKD		On demand	–	–	2.9	2.9
Bank overdraft	ZAR	7.50%	On demand	16.0	16.0	15.0	15.0
Unsecured bank facility	CNY	5.60%	On demand	4.7	4.7	11.2	11.2
Unsecured bank facility	EUR	1.12%	On demand	5.3	5.3	–	–
Unsecured bank facility	GBP	1.12%	On demand	3.6	3.6	12.5	12.5
Unsecured bank facility	GBP	1.48%	FY17	86.8	86.6	80.3	80.0
Unsecured bank facility	HKD		On demand	–	–	1.3	1.3
Unsecured bank facility	IDR	1.75%	On demand	0.1	0.1	–	–
Unsecured bank facility	JPY		FY14	–	–	116.7	116.7
Unsecured bank facilities	JPY	1.24%	FY15	30.9	30.9	12.4	12.4
Unsecured bank facility	JPY	1.14%	FY16	72.9	72.9	–	–
Unsecured bank facility	JPY		FY17	–	–	18.0	18.0
Unsecured bank facility	JPY	1.36%	FY18	47.6	47.6	–	–
Unsecured bank facility	JPY		FY19	–	–	14.1	14.1
Unsecured bank facility	TRY	3.00%	On demand	1.5	1.5	–	–
Unsecured bank facility	TWD		On demand	–	–	0.4	0.4
Unsecured bank facility	USD	1.14%	FY15	2.4	2.4	–	–
Unsecured bank facility	USD	2.05%	FY16	70.3	70.3	72.2	72.2
Unsecured syndicated bank facility	HKD		FY14	–	–	249.5	249.0
Unsecured syndicated bank facility	HKD	1.54%	FY19	216.3	215.0	–	–
Unsecured syndicated bank facility	SGD		FY14	–	–	424.8	424.2
Unsecured syndicated bank facility	SGD	1.37%	FY15	255.0	254.8	254.9	254.4
Unsecured syndicated bank facilities	SGD	1.26%	FY16	352.7	352.5	102.0	101.7
Unsecured syndicated bank facility	USD		FY14	–	–	69.4	69.3
USPP notes	HKD	4.46%	FY24	53.1	52.8	–	–
USPP notes	SGD	3.29%	FY21	106.0	105.6	–	–
USPP notes	SGD	1.35%	FY21	21.2	21.1	–	–
USPP notes	USD	2.95%	FY16	106.1	106.8	108.5	108.1
USPP notes	USD	3.65%	FY18	106.1	108.0	108.5	108.1
USPP notes	USD	4.34%	FY21	79.6	81.3	81.4	81.2
USPP notes	USD	4.37%	FY24	84.9	85.4	–	–
Finance lease and hire purchase liabilities	Various	3.60%	FY15	–	–	5.5	5.5
Loan from non-controlling interest shareholders	USD	1.25%	FY15	0.1	0.1	0.1	0.1
Total interest bearing liabilities				1,733.5	1,735.6	1,792.0	1,788.7

The differences between some carrying amounts and face values above are due to the transaction costs directly attributable to the establishment of bank facilities and USPP notes. These costs are deducted from the amount of interest bearing liabilities initially recognised and expensed over the life of the bank facilities and notes.

(a) USPP notes

The Group guaranteed senior notes issued in the US Private Placement (USPP) debt market in 2010 and 2013. The notes have maturities between 2015 and 2023 (2013: 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 2014 and April 2019 (2013: July 2013 and September 2018) and are guaranteed. During the year a number of bank facilities were renegotiated and extended resulting in a longer period of time for the loans to be repayable. All unsecured bank facilities are subject to negative pledge arrangements.

(c) Defaults and breaches

During the current and prior year, there were no defaults or breaches of covenants on any loans.

22. Provisions

	2014 \$M	2013 \$M
Current		
Employee benefits	256.9	255.0
Workers' compensation/self-insurance	28.4	30.2
Property related	2.6	5.8
Restructure	23.9	6.5
Other	40.5	47.6
Total current provisions	352.3	345.1
Non-current		
Employee benefits	37.3	44.0
Workers' compensation/self-insurance	54.6	48.6
Property related	37.5	37.0
Other	40.2	12.4
Total non-current provisions	169.6	142.0
	521.9	487.1

Reconciliation of provisions

	Employee benefits \$M	Workers' compensation/ self-insurance \$M	Property related \$M	Restructure \$M	Other \$M	Total \$M
Balance as at 1 July 2013	299.0	78.8	42.8	6.5	60.0	487.1
Acquisitions through business combinations	0.1	-	-	-	-	0.1
Disposal of controlled entities	(7.6)	-	(0.2)	-	-	(7.8)
Provision additions	198.0	44.3	3.7	23.7	93.9	363.6
Provisions utilised	(187.5)	(38.5)	(1.6)	(5.7)	(73.6)	(306.9)
Provisions reversed	(7.7)	(3.2)	(4.1)	(0.7)	(6.4)	(22.1)
Reclassification (to)/from other liabilities	0.2	(0.7)	0.9	-	5.6	6.0
Reclassification (to)/from liabilities held for sale	(1.5)	-	-	-	-	(1.5)
Effects of movements in foreign exchange	(1.9)	0.2	(1.4)	0.1	0.1	(2.9)
Unwinding of discount on long-term provisions	3.1	2.1	-	-	1.1	6.3
Balance as at 30 June 2014	294.2	83.0	40.1	23.9	80.7	521.9
Current	256.9	28.4	2.6	23.9	40.5	352.3
Non-current	37.3	54.6	37.5	-	40.2	169.6
Balance as at 30 June 2014	294.2	83.0	40.1	23.9	80.7	521.9

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

22. Provisions (continued)

(i) Employee benefits

	2014 \$M	2013 \$M
Other employee benefit liabilities	277.8	273.6
Defined benefit obligations		
Present value of unfunded obligations	16.4	25.4
Present value of funded obligations	–	–
Total present value of defined benefit obligations	16.4	25.4
Total employee benefit liabilities as at 30 June	294.2	299.0

The defined benefit plan entitles a retired employee to receive a one-off lump sum payment calculated on the basis of competency grade and qualifying years of service. The actuarial assessed liability has been fully provided for. The structure of the plan is that there are no plan assets. The plan was acquired as part of the Toll Express Japan acquisition in 2010.

Movement in the present value of the defined benefit obligations

	2014 \$M	2013 \$M
Defined benefit obligations as at 1 July	25.4	30.2
Disposal of controlled entities	(7.1)	–
Benefits paid by the plan	(1.4)	(3.1)
Current service costs and interest	0.7	1.2
Foreign exchange movements	(1.4)	(3.3)
Actuarial gains/losses	0.2	0.4
Defined benefit obligations as at 30 June	16.4	25.4

Expenses recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income

	2014 \$M	2013 \$M
Current service costs	0.5	0.9
Interest on obligation	0.2	0.3
Total expenses	0.7	1.2

The expense is recognised in the following line items in the Consolidated Statement of Profit or Loss and Other Comprehensive Income:

	2014 \$M	2013 \$M
Employee benefits expense	0.5	0.9
Finance expenses	0.2	0.3
Total expenses	0.7	1.2

Actuarial gains and losses recognised in Other Comprehensive Income

	2014 \$M	2013 \$M
Cumulative amount as at 1 July	1.3	0.9
Recognised during the period	0.2	0.4
Cumulative amount as at 30 June	1.5	1.3

Actuarial assumptions

The principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2014 %	2013 %
Discount rate at 30 June	0.8	1.1
Future salary increases	–	–
Future superannuation increases	0.8	1.1

Historical information

	2014 \$M	2013 \$M
Present value of the defined benefit obligation	16.4	25.4

The Group expects \$1.5 million in contributions to be paid to its defined benefit plan during the year ending 30 June 2015.

(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) Restructuring

This relates to provisions recognised under the Group restructuring.

(v) Other

This relates mainly to provisions for legal claims and other liabilities arising from acquisitions.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

23. Other liabilities

	2014 \$M	2013 \$M
Current		
Derivative financial instruments	6.3	9.3
Other	12.6	16.1
Total current other liabilities	18.9	25.4
Non-current		
Derivative financial instruments	8.6	7.4
Other	2.3	3.4
Total non-current other liabilities	10.9	10.8
Total other liabilities	29.8	36.2

24. Contributed equity

	2014 \$M	2013 \$M
Issued and paid up capital		
717,133,875 ordinary shares fully paid (2013: 717,133,875)	2,976.7	2,976.7

There was no movement in issued and paid up ordinary share capital of the Company during the year.

Date	Details	Number of shares	Issue price \$	Contributed equity \$M
01/07/13	Opening balance	717,133,875	–	2,976.7
30/06/14	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 from the 2012 interim dividend, and the Directors have determined to continue its suspension for the 2014 final dividend.

25. Share based payments

Toll operates a number of employee equity schemes under the Senior Executive Option and Rights Plan (SEORP). No modifications of terms of share based payments transactions have been made for the FY14 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 2014, unissued ordinary shares of the Company under option are:

Offer approval date ¹	Issue/grant date ²	First possible vesting date	Expiry date	Exercise price \$	Opening balance as at 1 July 2013 '000	Options granted '000	Options forfeited/lapsed '000	Options expired '000	Options exercised '000	Closing balance as at 30 June 2014 '000
26 Nov 2008	29 Jun 2009	25 Nov 2011 ³	25 Nov 2013	5.75	5,247	–	(5,247)	–	–	–
24 Feb 2010	31 Mar 2010	23 Feb 2013 ⁴	12 Mar 2015	8.52	2,601	–	(108)	–	–	2,493
05 Nov 2010	21 Dec 2010	04 Nov 2013 ⁵	04 Nov 2015	6.25	4,862	–	(2,806)	–	–	2,056
28 Sep 2011	16 Dec 2011	27 Sep 2014	27 Sep 2016	4.70	3,610	–	(297)	–	–	3,313
28 Sep 2011	16 Dec 2011	27 Sep 2014	27 Sep 2016	nil	1,727	–	(190)	–	–	1,537
05 Sep 2012	26 Oct 2012	25 Sep 2015	25 Sep 2017	4.61	2,083	–	–	–	–	2,083
26 Sep 2012	26 Oct 2012	25 Sep 2015	25 Sep 2017	4.61	2,814	–	(660)	–	–	2,154
26 Sep 2012	26 Oct 2012	25 Sep 2015	25 Sep 2017	nil	2,358	–	(196)	–	–	2,162
02 Sep 2013	24 Oct 2013	25 Sep 2016	24 Sep 2018	5.48	–	1,175	–	–	–	1,175
02 Sep 2013	24 Oct 2013	25 Sep 2016	24 Sep 2018	nil	–	354	–	–	–	354
25 Sep 2013	24 Oct 2013	25 Sep 2016	24 Sep 2018	5.48	–	2,510	(87)	–	–	2,423
25 Sep 2013	24 Oct 2013	25 Sep 2016	24 Sep 2018	nil	–	2,405	(83)	–	–	2,322
Total					25,302	6,444	(9,674)	–	–	22,072

1. The date the Board approved the offer for each participant (subject to any necessary shareholder approval being obtained).

2. The date on which options were issued. This is also the grant date for determining the fair value of the options for expensing purposes.

3. The final test for this grant was undertaken during FY14. The performance hurdle was not met and, accordingly, all unvested equity lapsed.

4. The second test for this grant was undertaken but the hurdle was not met and, therefore, no vesting has occurred as at 30 June 2014.

5. The grant comprised two separate tranches. The first and final test for the tranche subject to a relative TSR hurdle was undertaken and the performance hurdle was not met. Accordingly, that tranche of equity lapsed. The first test for the tranche that is subject to the EPS growth hurdle was also undertaken and the hurdle was also not met. Therefore, this tranche has not vested but is still subject to further testing.

No options vested during the year ended 30 June 2014 (2013: nil shares). Nil ordinary shares were issued during the financial year on the exercise of options granted under the SEORP (2013: nil shares).

The final test against the performance hurdle for the November 2008 grant was undertaken during FY14. The performance hurdle was not met, so all options awarded under this grant lapsed.

The November 2010 grant had dual measures of relative total shareholder return (TSR) and earnings per share (EPS) growth. The relative TSR performance hurdle was measured but did not achieve the required threshold level. Accordingly, the portion of the grant subject to this measure also lapsed during FY14.

All other forfeitures during FY14 relate to LTI grants which were forfeited by executives on cessation of employment.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

25. Share based payments (continued)

September 2013 grant

Under the 2013 grant, participants were able to elect to receive their grant as all options, all rights or half options and half rights. Irrespective of the election, two independently tested performance criteria apply being relative TSR against the ASX 100 for 50% of the dollar allocation and Compound Average Growth Rate in Return on Capital (CAGR ROC) for the other 50% of the dollar allocation.

- Relative TSR against the ASX 100
 - The performance period is 1 July 2013 to 30 June 2016
 - TSR options and rights will vest, subject to Board approval, if the following performance criteria are 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.

- CAGR ROC
 - The performance period is 1 July 2013 to 30 June 2016
 - CAGR ROC options and rights will vest, subject to Board approval, if the following performance criteria are achieved:

CAGR ROC over the period	% that vest (subject to Board approval)
Up to 5.5% p.a. growth	Nil
5.5% p.a. up to 7.5% p.a. growth	Progressive/pro rata vesting from 50% to < 100%
7.5% p.a. growth or better	100%

- There will be no retest periods for unvested TSR options or rights.

September 2012 and September 2011 grants

In 2011 performance rights were introduced as an alternative equity vehicle under the LTI Plan. In both 2012 and 2011, participants have been able to elect to receive their grant as all options, all rights or half options and half rights. Irrespective of the election, two independently tested performance criteria apply being 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 (EPS growth) for the other 50% of the dollar allocation.

- Relative TSR against the ASX 100
 - The performance periods are:
 - September 2012 grant: 1 July 2012 to 30 June 2015
 - September 2011 grant: 1 July 2011 to 30 June 2014
 - TSR options and rights will vest, subject to Board approval, if the following performance criteria are 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.

- EPS growth

- The performance periods are:
 - September 2012 grant: 1 July 2012 to 30 June 2015, 30 June 2016 and 30 June 2017
 - September 2011 grant: 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 2012 and 2011 respectively.
- Options which do not vest in the third and final performance period will lapse.
- EPS options and rights will vest, subject to Board approval, if the following performance criteria are achieved:

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 TSR against the ASX 100 for 50% of the dollar allocation and cumulative compound growth in earnings per share (post-amortisation in November 2010 and pre-amortisation in February 2010) for ongoing business operations excluding abnormal items (EPS growth) for the other 50% of the dollar allocation.

- Relative TSR against the ASX 100

- Toll's relative TSR was measured for the November 2010 grant based on performance over the period 1 July 2010 to 30 June 2013. Toll's TSR performance was below the 50th percentile of the comparator group. Accordingly, the options granted under this tranche lapsed. (The options attached to the relative TSR performance hurdle lapsed in FY13.)
- There will be no retest periods for unvested TSR Options.

- EPS growth

- The performance periods 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)
- Toll's EPS growth measures were tested in FY14 and the relevant performance hurdles were not met. The grants are subject to one further retest in FY15.
- 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.
- EPS options and rights will vest, subject to Board approval, if the following performance criteria are achieved:

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 grant

- EPS growth

- The performance periods are 1 July 2008 to 30 June 2011, 30 June 2012 and 30 June 2013
- 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 (EPS growth).
- The final test for the November 2008 grant was undertaken in FY14. The performance hurdle was not met and, therefore, all options remaining from this grant lapsed at that time.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

25. Share based payments (continued)

Restricted Rights

High Performance Recognition (HPR) Plan

The HPR Plan 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 annual grants have been made since that time. The HPR 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 to grants made under the HPR Plan, the Board approved the grant of restricted rights for STI Deferral and some special grants of restricted rights to recognise key contributors and/or serve as retention with specific restriction periods – refer to details in the table below:

Offer approval date ¹	Issue/grant date ²	First possible vesting date	Expiry date	Exercise price \$	Opening balance as at 1 July 2013 '000	Rights granted '000	Rights forfeited '000	Rights expired '000	Rights exercised '000	Closing balance as at 30 June 2014 '000	Rights vested and exercisable '000
05 Nov 2010	21 Dec 2010	04 Nov 2012 ³	04 Nov 2015	nil	4	–	–	–	(3)	1	1
05 Nov 2010	21 Dec 2010	03 Oct 2013 ⁴	04 Nov 2015	nil	27	–	–	–	(27)	–	–
28 Sep 2011	16 Dec 2011	27 Sep 2013 ⁵	27 Sep 2016	nil	145	–	(3)	–	(99)	43	43
10 Oct 2011	17 Feb 2012	09 Oct 2013 ⁴	27 Sep 2016	nil	12	–	–	–	(12)	–	–
30 May 2012	24 Jul 2012	01 Jul 2013 ⁴	29 May 2017	nil	9	–	–	–	(9)	–	–
05 Sep 2012	26 Oct 2012	01 Jul 2013 ⁴	25 Sep 2017	nil	27	–	–	–	(27)	–	–
26 Sep 2012	26 Oct 2012	01 Jul 2013 ⁴	25 Sep 2017	nil	7	–	–	–	(7)	–	–
26 Sep 2012	14 Dec 2012	25 Sep 2014	25 Sep 2017	nil	130	–	(11)	–	–	119	–
02 Sep 2013	24 Oct 2013	01 Jul 2014	24 Sep 2018	nil	–	52	–	–	–	52	–
25 Sep 2013	24 Oct 2013	25 Sep 2015	24 Sep 2018	nil	–	159	(4)	–	–	155	–
25 Sep 2013	24 Oct 2013	01 Jul 2014	24 Sep 2018	nil	–	184	–	–	–	184	–
Total					361	395	(18)	–	(184)	554	44

1. The date the Board approved the offer for each participant (subject to any necessary shareholder approval being obtained).

2. The date on which rights were issued. This is also the grant date for determining the fair value of the rights for expensing purposes.

3. The rights fully vested in FY13, a total of 4,390 were vested and exercisable at the start of the year. A further 3,512 were exercised during FY14.

4. The rights fully vested in FY14 and have been exercised.

5. The rights fully vested in FY14, a total of 99,071 were exercised during FY14 and 42,635 remain vested and exercisable at the end of FY14.

A total of 141,706 rights granted under as HPR restricted rights in September 2011, became eligible to vest in September 2013.

The STI Deferral grants made to the Managing Director (26,573 rights) and the CFO (6,711 rights) in September 2012 (relating to the FY12 STI outcome) became eligible to vest on 1 July 2013.

Three special equity grants made to individual executives in November 2010 (27,273 rights), October 2011 (11,991 rights) and May 2012 (8,831 rights) also became eligible to vest in FY14.

The Board approved the vesting of all the above grants and ordinary shares were purchased on market to satisfy the exercise. To date all except 878 of the vested rights under the HPR November 2010 grant and 42,635 of the vested rights under the HPR September 2011 grant have been exercised and shares were issued to the participants under these Plans. 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 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, for expensing purposes, was independently determined by PricewaterhouseCoopers (PwC) taking into account factors such as the absence of dividends during the restriction period.

Equity valuations

Toll engages an external expert, PricewaterhouseCoopers (PwC), to independently value the required equity. PwC uses the Black-Scholes Option Pricing Model that includes a Monte Carlo Simulation 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, regard is had to the historic volatility of Toll shares over the past five years.

The following table provides details of the inputs and the valuations of the equity instruments issued during the year:

Type of equity	Offer approval date ¹	Issue/grant date ²	Equity fair value (\$)	First possible vesting date	Exercise price (\$)	Share closing price at valuation (\$)	Toll expected volatility (%)	Equity term (years)	Expected dividend yield (%)	Risk free interest rate (%)	Vesting period (years)
LTI Options – Tranche 1 (ROC) – MD only	02 Sep 2013	24 Oct 2013	1.10	25 Sep 2016	5.48	5.90	30	5	5.50	2.97 – 3.19	3
LTI Options – Tranche 2 (TSR) – MD only	02 Sep 2013	24 Oct 2013	0.98	25 Sep 2016	5.48	5.90	30	5	5.50	2.97 – 3.19	3
LTI Rights – Tranche 1 (ROC) – MD only	02 Sep 2013	24 Oct 2013	5.02	25 Sep 2016	nil	5.90	30	5	5.50	2.97 – 3.19	3
LTI Rights – Tranche 2 (TSR) – MD only	02 Sep 2013	24 Oct 2013	3.06	25 Sep 2016	nil	5.90	30	5	5.50	2.97 – 3.19	3
LTI Options – Tranche 1 (ROC)	25 Sep 2013	24 Oct 2013	1.10	25 Sep 2016	5.48	5.90	30	5	5.50	2.97 – 3.19	3
LTI Options – Tranche 2 (TSR)	25 Sep 2013	24 Oct 2013	0.98	25 Sep 2016	5.48	5.90	30	5	5.50	2.97 – 3.19	3
LTI Rights – Tranche 1 (ROC)	25 Sep 2013	24 Oct 2013	5.02	25 Sep 2016	nil	5.90	30	5	5.50	2.97 – 3.19	3
LTI Rights – Tranche 2 (TSR)	25 Sep 2013	24 Oct 2013	3.06	25 Sep 2016	nil	5.90	30	5	5.50	2.97 – 3.19	3
Restricted Rights – STI Deferral – MD only	02 Sep 2013	24 Oct 2013	5.69	01 July 2014	nil	5.90	30	5	5.50	2.40	1
Restricted Rights – STI Deferral	25 Sep 2013	24 Oct 2013	5.69	01 July 2014	nil	5.90	30	5	5.50	2.40	1
Restricted Rights – HPR	25 Sep 2013	24 Oct 2013	5.30	25 Sep 2015	nil	5.90	30	5	5.50	2.70	2

1. The date the offer for each participant was approved by the Board (subject to any necessary shareholder approval being obtained). As shareholder approval was required for the grant to the Managing Director, this approval occurred earlier than other LTI recipients to enable details to be included in the 2013 AGM Notice of Meeting.

2. The date on which options/rights were issued. Where grants were issued after this date, there was no adjustment made to the allocation value or fair value. This is also the grant date for determining the fair value of the equity instruments for expensing purposes.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

26. 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, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Group's overall risk management program seeks to mitigate these risks and reduce the volatility of its financial performance and financial position. Market and liquidity risk management is carried out centrally by the Group's Treasury department under policies approved by the Board of Directors. 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. The Group's policy is not to enter, issue or hold derivative financial instruments for speculative trading purposes. Derivative transactions to hedge risks such as interest rate and foreign currency movements principally include interest rate swaps, cross currency interest rate swaps and forward exchange contracts.

Credit risk

Credit risk is the potential loss from a transaction in the event of default by the counterparty during the term of the transaction or on settlement of the transaction. The Group has exposure to credit risk arising principally on its receivables from customers, cash held with financial institutions and derivatives with a positive fair value from the Group's perspective held with financial institutions. At balance sheet date there were no significant concentrations of 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 as follows:

	Note	Carrying Amount	
		2014 \$M	2013 \$M
Other cash deposits	15	10.8	13.0
Receivables	13	1,248.8	1,254.2
Cash and cash equivalents	12	504.4	515.5
Investments	16	3.1	4.3
Interest rate swaps	15	1.3	3.9
Cross currency interest rate swaps	15	8.9	18.9
Other forward exchange contracts	15	–	1.9
Total		1,777.3	1,811.7

The Group's maximum exposure to credit risk for loans and receivables at balance sheet date by geographical region was as follows:

	Carrying Amount	
	2014 \$M	2013 \$M
Australia/New Zealand	728.0	729.4
Asia	326.6	305.5
Other	194.2	219.3
Total	1,248.8	1,254.2

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 a credit policy under which each new customer is analysed individually for creditworthiness before standard payment and delivery terms and conditions are offered. Customers that fail to meet the appropriate level of creditworthiness may transact with the Group on a prepayment basis. The Group has established an allowance for impairment losses that represents an estimate of incurred losses in respect of trade and other receivables.

Impairment losses

The ageing of the Group's trade receivables at balance sheet date, aged according to their due date was as follows:

		Gross 2014 \$M	Impairment 2014 \$M	Gross 2013 \$M	Impairment 2013 \$M
Note					
Not past due		622.2	(0.2)	637.9	(0.8)
Past due 1–30 days		235.5	(0.9)	189.7	(0.5)
Past due 31–120 days		73.9	(0.9)	71.1	(0.9)
Past due 121 days to one year		21.1	(14.7)	54.5	(16.6)
Total	13	952.7	(16.7)	953.2	(18.8)

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 collectability of trade receivables is assessed continuously and at balance sheet date specific allowances are made for any doubtful trade receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2014 \$M	2013 \$M
Balance as at 1 July	18.8	18.5
Impairment loss recognised	7.1	12.5
Impairment loss reversed	(0.1)	(5.1)
Impairment loss utilised	(7.9)	(8.0)
Foreign exchange loss/(gain)	(1.2)	0.9
Balance as at 30 June	16.7	18.8

The impairment loss recognised at 30 June 2014 relates mainly to collective impairment raised on past due receivables in accordance with the Group's policy, which reflect historical default rates on similar receivables balances and prior knowledge of debtor insolvency or other credit risk. 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 2014, there were no renegotiations of trade receivables by the Group (2013: 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.

Cash and cash equivalents

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. The higher the credit rating of the counterparty, the higher the Group's allowable exposure is to that counterparty under the approved credit limit policy. Management actively monitors credit ratings and given that the Group has only invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations. The Group does not hold any credit derivatives to offset its credit exposures.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

26. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. 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 2014 the Group had unutilised committed debt facilities of \$279.8 million (2013: \$369.2 million).

The following are the contractual maturities of financial liabilities, including both estimated interest payments and the impact of netting agreements for derivatives. The amounts are gross and undiscounted.

30 June 2014

	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
Non-derivative financial liabilities							
Term and other loans and bank overdrafts	1,735.6	1,910.3	123.0	362.3	521.1	520.0	383.9
Trade and other payables	828.7	828.7	808.0	15.9	2.0	0.6	2.2
Other financial liabilities	14.9	14.9	13.9	–	0.3	–	0.7
Derivative financial liabilities							
Interest rate swaps	8.9	9.8	4.0	2.8	2.8	0.2	–
Cross currency interest rate swaps							
Outflow	35.9	337.7	–	–	117.6	130.0	90.1
Inflow	(30.3)	(322.1)	–	–	(115.0)	(122.3)	(84.8)
Other forward exchange contracts	0.4	0.4	0.2	0.1	0.1	–	–
Total financial liabilities	2,594.1	2,779.7	949.1	381.1	528.9	528.5	392.1

30 June 2013

	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
Non-derivative financial liabilities							
Term and other loans and bank overdrafts	1,783.2	1,868.7	160.6	800.1	369.6	447.3	91.1
Finance lease liabilities	5.5	5.9	0.9	0.8	4.2	–	–
Trade and other payables	868.2	868.2	854.8	13.4	–	–	–
Other financial liabilities	19.5	19.5	15.6	2.5	1.1	–	0.3
Derivative financial liabilities							
Interest rate swaps	12.1	13.0	4.3	3.7	3.8	1.2	–
Cross currency interest rate swaps							
Outflow	21.0	354.1	–	–	10.9	247.4	95.8
Inflow	(18.6)	(339.9)	–	–	(10.7)	(239.0)	(90.2)
Other forward exchange contracts	2.2	2.2	2.2	–	–	–	–
Total financial liabilities	2,693.1	2,791.7	1,038.4	820.5	378.9	456.9	97.0

The gross inflows/outflows disclosed in the above table represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity. The estimated interest payments on variable interest rate loans and on derivatives reflect foreign exchange rates and market forward interest rates at balance sheet date. The estimated interest payments on fixed interest rate loans and other non-derivative financial liabilities reflect foreign exchange rates at balance sheet date. These amounts may change as foreign exchange rates and market interest rates change.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices, will affect the Group's income or the value of its 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 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 Risk Committee. Generally the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

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. \$0.2 million relating to ineffectiveness from cash flow hedges was taken to the profit or loss in 2014 (2013: \$0.4 million).

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur, when they are expected to affect profit or loss and the carrying amounts of the related hedging instruments.

30 June 2014

	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
Interest rate swaps							
Assets	1.3	1.4	–	–	(0.6)	2.0	–
Liabilities	(8.9)	(9.8)	(4.0)	(2.8)	(2.8)	(0.2)	–
Cross currency interest rate swaps							
Assets	1.1	33.1	3.6	3.6	6.0	11.4	8.5
Liabilities	–	–	–	–	–	–	–
Forward exchange contracts							
Assets	–	–	–	–	–	–	–
Liabilities	(0.4)	(0.4)	(0.2)	(0.1)	(0.1)	–	–
Total	(6.9)	24.3	(0.6)	0.7	2.5	13.2	8.5

30 June 2013

	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
Interest rate swaps							
Assets	3.9	4.0	–	–	(0.8)	4.8	–
Liabilities	(12.1)	(13.0)	(4.3)	(3.7)	(3.8)	(1.2)	–
Cross currency interest rate swaps							
Assets	14.5	14.6	0.5	14.1	–	–	–
Liabilities	–	–	–	–	–	–	–
Forward exchange contracts							
Assets	–	–	–	–	–	–	–
Liabilities	–	–	–	–	–	–	–
Total	6.3	5.6	(3.8)	10.4	(4.6)	3.6	–

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

26. Financial instruments (continued)

Currency risk – transactional

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to movements in foreign exchange arising from significant sales and/or purchases of its operations and from significant capital expenditure in currencies other than the functional currencies of the Group's subsidiaries. The currencies giving rise to this risk are primarily Singapore Dollar, Hong Kong Dollar, United States Dollar, British Pound and Euro.

The Group conducts a review of forward exchange exposures across the business and is of the view that in relation to sales and purchases of its operations sufficient offsets exist that negate the need to hedge foreign exchange exposures. In certain circumstances, such as capital expenditure or acquisitions, the Group uses forward exchange contracts to hedge its currency risk. Only exposures that can be forecast to a high probability are hedged.

The Group designates its forward exchange contracts as cash flow hedges and they are recognised at fair value. For the year ended 30 June 2014 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 \$0.4 million (2013: nil).

Currency risk – translational

The Group has exposure to movements in foreign exchange arising from its operations in overseas controlled entities. The currencies giving rise to this risk are primarily Singapore Dollar, Hong Kong Dollar, United States Dollar, Japanese Yen and British Pound.

Foreign currency net investment translational risk is managed within the Group Treasury policy and is undertaken centrally by the Group's Treasury department primarily through originating debt in the currency of the foreign operation or by raising debt in a different currency and effectively swapping the debt to the currency of the foreign operation. Gains and losses resulting from these hedging activities are recorded in the foreign currency translation reserve within the equity section of the balance sheet and offset against the foreign exchange impact resulting from the translation of the net assets of foreign operations.

The Group has issued US Private Placement notes. The proceeds of the USD notes were converted into Singapore Dollars and Hong Kong Dollars via cross currency interest rate swaps. These provide economic hedges.

The Group's investment in its Singaporean controlled entities is hedged by SGD denominated bank loans and USPP notes which mitigates the foreign currency translation risk arising from the subsidiary's net assets. The principal amount of the bank loans and USPP

notes at 30 June 2014 was \$687.9 million (2013: \$658.5 million). These loans are designated as a net investment hedge. 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. No ineffectiveness was recognised from these net investment hedges.

The Group's investment in its Hong Kong controlled entities is hedged by a HKD denominated bank loan and USPP notes which mitigate the foreign currency translation risk arising from the subsidiary's net assets. The principal amount of the bank loans and USPP notes at 30 June 2014 was \$269.4 million (2013: \$230.6 million). These loans are designated as a net investment hedge. In addition the HKD leg of the USD/HKD cross currency interest rate swaps are designated as a net investment hedge of the Group's investment in its Hong Kong controlled entities. No ineffectiveness was recognised from these net investment hedges.

The Group's investment in its British controlled entities is hedged by a GBP denominated bank loan which mitigates the foreign currency translation risk arising from the subsidiary's net assets. The principal amount of the bank loan at 30 June 2014 was \$86.8 million (2013: \$80.3 million). The loan is designated as a net investment hedge. No ineffectiveness was recognised from the net investment hedge.

Exposure to currency risk

The Group's exposure to foreign currency risk on financial assets and liabilities at balance sheet date, based on notional amounts and in Australian Dollar equivalents, was as follows:

30 June 2014

	SGD \$M	HKD \$M	GBP \$M	USD \$M	OTHER \$M
Cash at bank	0.2	0.9	0.9	42.6	6.4
Trade receivables	–	0.1	0.2	31.2	18.6
Term and other loans	(687.9)	(269.4)	(86.8)	(377.0)	6.9
Trade payables	(2.2)	(1.2)	(0.3)	(12.0)	(12.4)
Gross statement of financial position exposure	(689.9)	(269.6)	(86.0)	(315.2)	19.5
Gross currency interest rate swaps	(331.3)	(53.1)	–	376.8	–
Net exposure	(1,021.2)	(322.7)	(86.0)	61.6	19.5

30 June 2013

	SGD \$M	HKD \$M	GBP \$M	USD \$M	OTHER \$M
Cash at bank	0.2	0.8	2.1	31.7	20.1
Trade receivables	0.1	0.9	0.2	44.9	14.2
Term and other loans	(658.5)	(230.6)	(80.3)	(371.2)	(2.1)
Trade payables	(2.4)	(0.9)	(0.5)	(18.5)	(8.7)
Gross statement of financial position exposure	(660.6)	(229.8)	(78.5)	(313.1)	23.5
Gross currency interest rate swaps	(244.1)	(54.2)	–	367.7	–
Net exposure	(904.7)	(284.0)	(78.5)	54.6	23.5

The following significant exchange rates applied during the year:

	Average rate		Year end spot rate	
	2014	2013	2014	2013
SGD	1.1566	1.2700	1.1765	1.1770
HKD	7.1214	7.9473	7.3024	7.1528
GBP	0.5650	0.6551	0.5533	0.5980
USD	0.9183	1.0246	0.9422	0.9219

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

26. Financial instruments (continued)

Sensitivity analysis

The table below shows the effect on the profit or loss and equity of the Group relating to financial instruments if exchange rates as at 30 June had been 10% higher or lower with all other variables held constant, taking into account all underlying exposures and related hedges and does not include the impact of any management actions that might take place if these events did occur. A sensitivity of 10% has been selected as this is considered reasonably possible given the current level and volatility of exchange rates based on an historical analysis. Directors cannot and do not seek to predict movements in exchange rates. It should be noted that it is unlikely that all currencies would move in the same direction and by the same percentage. The analysis is performed on the same basis for 2013.

Effect

30 June 2014

	10% strengthening of AUD		10% weakening of AUD	
	Equity \$M	Profit or loss \$M	Equity \$M	Profit or loss \$M
SGD	93.2	0.2	(113.9)	(0.2)
HKD	29.5	–	(36.0)	–
GBP	7.9	(0.1)	(9.6)	0.1
USD	–	(5.6)	–	6.9
OTHER	–	(1.8)	–	2.2

30 June 2013

	10% strengthening of AUD		10% weakening of AUD	
	Equity \$M	Profit or loss \$M	Equity \$M	Profit or loss \$M
SGD	84.7	0.2	(103.5)	(0.2)
HKD	26.3	(0.1)	(32.2)	0.1
GBP	7.3	(0.2)	(8.9)	0.2
USD	(2.4)	(5.0)	2.9	6.1
OTHER	(1.3)	(2.6)	1.6	3.2

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has exposure to movements in interest rates predominantly on its outstanding interest bearing liabilities. Non-derivative interest bearing liabilities are primarily short-term liquid assets. Interest bearing liabilities issued at fixed rates expose the Group to fair value interest rate risk while borrowings issued at variable rates expose the Group to cash flow interest rate risk.

Interest rate risk on long term interest bearing liabilities is managed within the Group Treasury policy and is undertaken centrally by the Group's Treasury department by adjusting the ratio of fixed interest debt to variable interest debt. Under the policy for each core currency between 40% to 80% of debt with a maturity of less than one year can be fixed. This reduces on a sliding scale to year five where a maximum 60% of debt with a maturity of five years or greater can be fixed. The Group enters into and designates floating-to-fixed interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk.

In terms of principal outstanding as at 30 June 2014, floating-to-fixed interest rate swaps currently in place cover approximately 36% (2013: 40%) of the Group's variable term and other loans and cross currency interest rate swaps. The fixed interest rates of all interest rate swaps range between 0.61% and 2.40% (2013: 0.61% and 5.78%) and the variable rates between 0.21% and 0.38% (2013: 0.20% and 2.84%).

Interest rate risk profile

At balance sheet date the interest rate profile of the Group's interest bearing financial instruments, after considering the impact of derivatives, was as follows:

	Carrying amount	
	2014 \$M	2013 \$M
Fixed rate instruments		
Financial assets	106.3	106.9
Financial liabilities	(788.9)	(623.1)
Total fixed rate instruments	(682.6)	(516.2)
Variable rate instruments		
Financial assets	435.6	425.4
Financial liabilities	(935.8)	(1,168.8)
Total variable rate instruments	(500.2)	(743.4)

Cash flow hedges

Cash flow hedges are used to hedge exposures relating to borrowings and ongoing business activities where there is a highly probable sale, purchase, or settlement commitment in foreign currencies.

Foreign exchange transactions

The hedging of foreign exchange transactions is described under 'Currency risk – transactional' above.

Interest rate swaps

Interest rate swaps are classified as cash flow hedges if they are used to transfer floating rate debt into fixed rate debt and are stated at fair value. These are described under 'Interest rate risk' above. The margin on the USD leg of the cross currency interest rate swaps have been classified as cash flow hedges if they are used to hedge foreign currency risk on the fixed margin portion of the USD USPP notes. All gains and losses attributable to the hedged risk are taken directly to the hedging reserve and reclassified to the Income Statement when the interest expense is recognised.

Fair value hedges

Fair value hedges are used to hedge exposures relating to fixed rate borrowings in foreign currencies.

Interest rate swaps

The USD leg (excluding margin) of the cross currency interest rate swaps have been classified as fair value hedges if they are used to hedge foreign currency and interest rate risk on the USD USPP notes. The hedged items designated were a portion of the Group's foreign currency denominated borrowings. The changes in the fair values of the hedge items resulting from movements in exchange rates are offset against the changes in the value of the cross currency interest rate swaps. A \$5.8 million gain on these cross currency swaps was recognised this year which was offset by a \$5.8 million loss on the USPP notes.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

26. Financial instruments (continued)

Cash flow sensitivity analysis for variable rate instruments

The table below shows the effect on the profit or loss and equity of the Group relating to financial instruments if interest rates as at 30 June had been 100 basis points higher or lower based on the relevant interest yield curve applicable to the underlying currency the borrowings or derivatives are denominated in with all other variables held constant, taking into account all underlying exposures and related hedges, and does not include the impact of any management actions that might take place if these events did occur. A sensitivity of 100 basis points has been selected as this is considered reasonable given the current level of both short term and long term interest rates. Directors cannot and do not seek to predict movements in interest rates. The analysis is performed on the same basis for 2013.

30 June 2014

	Profit or loss		Equity	
	100bp increase \$M	100bp decrease \$M	100bp increase \$M	100bp decrease \$M
Variable rate instruments	(11.4)	11.4	(0.9)	1.1
Interest rate swaps	5.8	(6.3)	12.7	(11.1)
Cash flow sensitivity (net)	(5.6)	5.1	11.8	(10.0)

30 June 2013

	Profit or loss		Equity	
	100bp increase \$M	100bp decrease \$M	100bp increase \$M	100bp decrease \$M
Variable rate instruments	(13.8)	13.6	(13.6)	13.2
Interest rate swaps	6.7	(6.6)	18.0	(18.1)
Cash flow sensitivity (net)	(7.1)	7.0	4.4	(4.9)

Other market price risk

Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity prices. The Group has exposure to movements in the price of diesel and jet fuel. The Group seeks to have fuel surcharge mechanisms in place within customer contracts to mitigate the effects of rising fuel prices on the Group.

During the years ended 30 June 2014 and 2013, 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.

Commodity risk is managed within the Group Treasury policy and is undertaken centrally by the Group's Treasury department 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. As at 30 June 2014 the Group held no fuel hedges (2013: 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 adjusted for unwinding of discount on long term provisions), leverage (financial indebtedness by EBITDA), return on capital employed (EBIT divided by invested capital) and also the level of dividends to owners of the Company.

These ratios and the gearing ratio are kept at appropriate levels so as to maintain a perceived investment grade credit profile which should facilitate access to borrowings.

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.

The Group continually monitors capital management and in the last 12 months, has increased the dividend payment.

Neither the Company nor any of its controlled entities are subject to externally imposed capital requirements.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

26. Financial instruments (continued)

Fair values (carrying amount/fair value)

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Consolidated Statement of Financial Position, are as follows:

	Note	30 June 2014		30 June 2013	
		Carrying amount \$M	Fair value \$M	Carrying amount \$M	Fair value \$M
Investments	16	3.1	3.1	4.3	4.3
Receivables	13	1,248.8	1,248.8	1,254.2	1,254.2
Cash and cash equivalents	12	504.4	504.4	515.5	515.5
Interest rate swaps used for hedging:					
Assets		1.3	1.3	3.9	3.9
Liabilities		(8.9)	(8.9)	(12.1)	(12.1)
Cross currency interest rate swaps:					
Assets		8.9	8.9	18.9	18.9
Liabilities		(5.6)	(5.6)	(2.4)	(2.4)
Forward exchange contracts used for cash flow hedging:					
Assets		–	–	–	–
Liabilities		(0.4)	(0.4)	–	–
Other forward exchange contracts:					
Assets		–	–	1.9	1.9
Liabilities		–	–	(2.2)	(2.2)
Term and other loans and bank overdrafts	21	(1,735.6)	(1,733.2)	(1,783.2)	(1,783.2)
Finance lease liabilities	21	–	–	(5.5)	(5.5)
Other financial liabilities	23	(14.9)	(14.9)	(19.5)	(19.5)
Payables	20	(828.7)	(828.7)	(868.2)	(868.2)
Total		(827.6)	(825.2)	(894.4)	(894.4)

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); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 June 2014

	Level 1 \$M	Level 2 \$M	Level 3 \$M
Listed equity securities	–	–	–
Derivative financial assets	–	10.2	–
Total	–	10.2	–
Derivative financial liabilities	–	(14.9)	–
Total	–	(14.9)	–

30 June 2013

	Level 1 \$M	Level 2 \$M	Level 3 \$M
Listed equity securities	0.2	–	–
Derivative financial assets	–	24.7	–
Total	0.2	24.7	–
Derivative financial liabilities	–	(16.7)	–
Total	–	(16.7)	–

27. 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.
- The Group is involved in various other legal and administrative proceedings and various claims on foot, the ultimate resolution of which, in the opinion of the Group, should not have a material effect on the combined financial position, results of operations or cash flows.
- At 30 June 2014, 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, the Group has not provided for such amounts in the financial statements where the payout of the guarantee is not probable.
- 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 Revenue Authorities around the world. Provisions for such matters will be recognised if a present obligation in relation to a taxation liability exists which can be reliably measured.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

28. Commitments for expenditure

	Note	2014 \$M	2013 \$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		92.4	79.1
Later than one year but not later than five years		–	15.2
Later than five years		–	–
Total capital expenditure commitments		92.4	94.3
<i>Comprising:</i>			
Property		56.2	74.0
Aircraft		0.6	0.6
Other plant and equipment		35.6	19.7
Total capital expenditure commitments		92.4	94.3
(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		222.8	294.9
Later than one year but not later than five years		539.0	590.9
Later than five years		348.5	276.6
Total non-cancellable operating lease commitments		1,110.3	1,162.4
<i>Comprising:</i>			
Property		1,001.4	1,047.3
Aircraft		0.7	10.9
Other plant and equipment		108.2	104.2
Total non-cancellable operating lease commitments		1,110.3	1,162.4
(c) Finance lease and hire purchase commitments			
Finance lease rentals and hire purchase payables:			
Not later than one year		–	1.3
Later than one year but not later than five years		–	4.2
Later than five years		–	–
Future lease rentals		–	5.5
Less future finance charges		–	–
Total finance lease and hire purchase commitments		–	5.5
Finance lease commitments			
Current	21	–	1.3
Non-current	21	–	4.2
Total lease liability		–	5.5
Hire purchase liability			
Current	21	–	–
Non-current	21	–	–
Total hire purchase liability		–	–
Total finance lease and hire purchase commitments		–	5.5

Certain comparative amounts have been reclassified to conform to the current year presentation.

29. 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 employee benefits expense is as follows:

	2014 \$'000	2013 \$'000
Short-term employee benefits	12,347	11,739
Post-employment benefits	284	1,214
Equity-based benefits	4,435	3,029
Total	17,066	15,982

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

During the year ended 30 June 2014, there were no other material Director-related transactions with the Group.

Ownership interests in related parties

Interests held in related parties are set out in notes 30 and 31.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

29. Related parties (continued)

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.

	2014 \$'000	2013 \$'000
Purchases of goods and services		
– Associates	1,169	1,072
Revenue from services provided		
– Associates		
Revenue for sales, rental and management fee	5,645	2,586

Other balances with related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2014 \$'000	2013 \$'000
Receivables		
– Associates	421	547
Payables		
– Associates	7	67

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.

30. Particulars in relation to controlled entities

Name of entity	Note	Date relief granted ^(a)	Country of incorporation	Ownership interest	
				2014 %	2013 %
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 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 Special Freight Ltd			Peoples Republic of China	60	60
BALtrans Logistics (Shanghai) Ltd	(d)		Peoples Republic of China	100	100
BALtrans Logistics Ltd			Hong Kong	100	100
Bulkships (Hull 4381 & 4382) Pty Ltd	(a),(e)	26 May 2010	Australia	100	100
Cat-Link Ship Investments Pty Ltd			Australia	75	75
CJ Dean Transport Pty Ltd	(a)	26 May 2010	Australia	100	100
Complete Logistics Company Ltd	(c)		Thailand	–	100
Condor Marine Services (Luxembourg) SA	(d)		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
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
FMI West (ML) Inc.			USA	100	100
Fracht Forwarding & Travels (Pvt) Ltd			India	100	100
Genesis Forwarding Group Limited			United Kingdom	100	100
Genesis Forwarding Group USA Inc.			USA	100	100
Genesis Forwarding Property Services Limited			United Kingdom	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
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	(d)		Luxembourg	100	100
Holyman (NZ) Pty Ltd			Australia	100	100
Holyman (UK) Ltd			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

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

30. Particulars in relation to controlled entities (continued)

Name of entity	Note	Date relief granted ^(a)	Country of incorporation	Ownership interest	
				2014 %	2013 %
Holyman Superannuation Pty Ltd			Australia	100	100
Holyman Transport Pty Ltd	(a)	26 May 2010	Australia	100	100
IdeaLab Solutions Pte Ltd			Singapore	100	100
Intravest Pty Ltd	(a),(e)	26 May 2010	Australia	100	100
Inverlael Pty Ltd	(a),(e)	26 May 2010	Australia	100	100
Jamison Equity Pty Ltd	(a)	26 May 2010	Australia	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	(b)		Japan	–	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
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
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	(d)		Singapore	–	75
Oil Tex (Thailand) Co. Ltd			Thailand	60	60
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),(e)	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

Name of entity	Note	Date relief granted ^(a)	Country of incorporation	Ownership interest	
				2014 %	2013 %
Roper Properties Pty Ltd			Australia	100	100
Sankyo Unyu Butsuryu Service Co. Ltd	(c)		Japan	–	100
SAT Albatross Sea Air Transport FZE			United Arab Emirates	100	100
SAT Germany GMBH			Germany	100	100
Scarabus Pty Ltd	(a)	26 May 2010	Australia	100	100
Seamaster Global Forwarding (Shanghai) Ltd			Peoples Republic of China	100	100
Seamaster Global Forwarding (HK) Limited	(d)		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
Singapore Technologies Logistics Pte Ltd			Singapore	100	100
SOPS (Cambodia) Co. Ltd			Cambodia	100	100
SOPS Orient Caspian Private Limited			Bermuda	65	65
ST Airport Services Pte Ltd			Singapore	67	67
ST Engineering and Technology Solutions Pte Ltd			Singapore	100	100
ST Healthcare Pte Ltd (formerly ST Medical Services 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
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			Peoples Republic of China	100	100
Summit Logistics International (Shanghai) Ltd			Peoples Republic of China	100	100
Summit Logistics International (SCM HK) Ltd			Hong Kong	100	100
Summit Logistics International Holdings (HK) Ltd			Hong Kong	100	100
Supreme Global Ltd			Hong Kong	100	100
Supreme Logistics (Hong Kong) Limited			Hong Kong	100	100
TGF Charitable Foundation Inc.			USA	100	100
TGF Custom House Brokers Inc.			USA	100	100
TGF Management Group Holdco Inc.			USA	100	100
TGF Unique Ltd (formerly W.T. Unique Limited)			United Kingdom	50	50
Toll (Asia) Pte Ltd			Singapore	100	100
Toll (Cambodia) Co. Ltd			Cambodia	55	55
Toll (Cambodia) Group Limited			Cambodia	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),(e)	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

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

30. Particulars in relation to controlled entities (continued)

Name of entity	Note	Date relief granted ^(a)	Country of incorporation	Ownership interest	
				2014 %	2013 %
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	(a)	27 June 2014	Australia	100	85
Toll Aviation Components Pty Ltd			Australia	100	100
Toll Aviation Engineering Pty Ltd			Australia	100	100
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 Exhibition Logistics (Macau) Ltd			Macau	100	100
Toll Express (Asia) Pte Ltd			Singapore	100	100
Toll Express Japan Insurance Service Co. Ltd			Japan	100	100
Toll Express Japan Co. Ltd			Japan	100	100
Toll Express Japan Chubu Co. Ltd	(c)		Japan	–	98
Toll Express Japan 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	100	100
Toll Funding (Singapore) Pte Ltd			Singapore	100	100
Toll Global Express (HK) Ltd			Hong Kong	100	100
Toll Global Express (Shanghai) Co. Ltd			Peoples Republic of China	100	100
Toll Global Express (Singapore) Pte Ltd			Singapore	100	100
Toll Global Express Asia Holdings Pte Ltd			Singapore	100	100
Toll Global Express Holdings Pty Ltd	(a)	23 Dec 2011	Australia	100	100
Toll Global Express Transport (Singapore) Pte Ltd			Singapore	100	100
Toll Global Forwarding (Beijing) Ltd			Peoples Republic of China	100	100
Toll Global Forwarding (BVI) Ltd			British Virgin Islands	100	100
Toll Global Forwarding (Canada) Ltd			Canada	100	100
Toll Global Forwarding (France) SAS			France	100	100
Toll Global Forwarding (Germany) GMBH			Germany	100	100
Toll Global Forwarding (Hong Kong) Ltd			Hong Kong	100	100
Toll Global Forwarding (India) Private Ltd			India	100	100
Toll Global Forwarding (Ireland) Ltd (formerly Genesis Forwarding Services (Ireland) Limited)			Ireland	100	100
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	100
Toll Global Forwarding (Shenzhen) Ltd			Peoples Republic of China	100	100
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 (UK) Ltd			United Kingdom	100	100
Toll Global Forwarding (USA) Inc.			USA	100	100
Toll Global Forwarding (Vietnam) Co. Ltd			Vietnam	100	100
Toll Global Forwarding AB			Sweden	100	100
Toll Global Forwarding Americas Inc.			USA	100	100
Toll Global Forwarding Cooperatief U.A.			Netherlands	100	100
Toll Global Forwarding Group (UK) Limited			United Kingdom	100	100
Toll Global Forwarding Holdings (SA) (Pty) Ltd			South Africa	100	100
Toll Global Forwarding Holdings (USA) Inc.			USA	100	100

Name of entity	Note	Date relief granted ^(a)	Country of incorporation	Ownership interest	
				2014 %	2013 %
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 Lanka (Private) Ltd			Sri Lanka	84	84
Toll Global Forwarding Ltd			Bermuda	100	100
Toll Global Forwarding Pty Ltd	(a)	26 May 2010	Australia	100	100
Toll Global Forwarding SCS (USA) Inc.			USA	100	100
Toll Global Forwarding Services (Malaysia) Sdn Bhd			Malaysia	100	100
Toll Global Forwarding Services Ltd			Hong Kong	100	100
Toll Global Forwarding Turkey Nakliyat Anonim Sirketi			Turkey	100	100
Toll Global Forwarding Zambia Limited			Zambia	100	100
Toll Global Logistics (China) Co. Ltd			Peoples Republic of China	100	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.			Philippines	100	100
Toll Global Logistics Vietnam Limited			Vietnam	100	100
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 Investment (Private) Ltd			Sri Lanka	100	100
Toll Investments (NA) Ltd			United Kingdom	100	100
Toll Investments (UK) Limited			United Kingdom	100	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 (formerly SembCorp Logistics (Shanghai) Co. Ltd)	(d)		Peoples Republic of China	100	100
Toll Logistics (Shanghai) Co Ltd			Peoples Republic of China	100	-
Toll Logistics (Thailand) Ltd			Thailand	100	100
Toll Logistics Asia (M) Sdn Bhd			Malaysia	100	100
Toll Mining Services (MCA) Pty Ltd	(a)	17 June 2011	Australia	100	100
Toll Mining Services (MH) Pty Ltd	(a)	17 June 2011	Australia	100	100
Toll Mining Services (MT) Pty Ltd			Australia	100	100
Toll Mining Services (MW) 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 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.			USA	100	100

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

30. Particulars in relation to controlled entities (continued)

Name of entity	Note	Date relief granted ^(a)	Country of incorporation	Ownership interest	
				2014 %	2013 %
Toll Shipping Seagoing Officers Superannuation Pty Ltd	(a)	26 May 2010	Australia	100	100
Toll Supply Chain Solutions (UK) Limited			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 Zari Holdings (Malaysia) Sdn Bhd			Malaysia	100	100
Toll Zenecon Pte Ltd			Singapore	51	51
Tridec Acquisition Co. Inc.			USA	100	100
T.S. Container Line Limited			United Kingdom	100	100
Twala Global Cargo (Pty) Ltd			South Africa	75	75
Union Corporate Services Pty Ltd			Australia	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
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
Zari Haulage Sdn Bhd			Malaysia	100	100
Zimbery Investment (Lanka) Pvt Ltd			Sri Lanka	100	100
Zimbery Ltd	(b)		Hong Kong	—	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 32.

(b) Disposed during the year.

(c) Liquidated during the year.

(d) In voluntary liquidation as at 30 June 2014.

(e) These entities entered into a Deed of Revocation dated 3 May 2013 and have been subsequently released from the Deed of Cross Guarantee (refer note 32) with effect from 22 November 2013.

31. Investments in 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:

Name of entity	Note	Principal activities	Ordinary share ownership interest		Investment carrying value	
			2014 %	2013 %	2014 \$M	2013 \$M
AMI Asia HK Ltd	(a)	Freight forwarding	50	50	0.2	0.2
BIC Logistics Ventures Limited		Freight forwarding	40	40	6.9	7.4
BES Technology Pte Ltd	(a)	Provision of biomedical equipment and technical services for medical equipment	35	35	–	–
Baharat STARS Services Pvt Ltd (Group)		Freight forwarding	34	34	2.2	3.3
Bowmans Intermodal Pty Ltd		Intermodal hub and rail services	33	33	1.7	1.4
Cargo Services Group		Freight consolidation business	25	25	59.7	59.8
Commonwealth Steamship Insurance Company Pty Ltd		Run off of insurance claims	30	30	–	–
CWT-SML Logistics LLC	(a)	Warehouse distribution	30	30	6.4	5.7
JPM Logistics Inc.		Dormant	28	28	–	–
Macquarie Textile Holdings Pty Ltd	(b)	Manufacturer of woollen and worsted fabrics	–	34	–	2.6
Prixcar Services Pty Ltd		Pre-dealer motor vehicle preparation	50	50	64.2	61.8
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	3.0	3.6
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	26	26	–	–
Toll Coral Energy Limited		Provides a multi-user oil and gas supply base, waste management and international logistics	50	–	0.6	–
Toll Dnata Airport Services Pty Ltd		Airport ground handling services	50	50	13.3	13.4
Toll Goodman Property Services Pty Ltd		Property developer and owner	50	50	0.3	0.3
Toll-Jalco Distribution Pty Ltd		Distribution	50	50	1.1	0.7
Toll Mermaid Logistics Broome Pty Ltd		Provides supply base and logistics services to oil and gas industry companies	50	50	10.9	9.0
UOT (Thailand) Limited	(a)	Oil field equipment machine and repair	29	29	1.1	1.1
					172.1	170.8

The financial year end for all associates and joint ventures is 30 June unless otherwise disclosed:

(a) Balance date of entity is other than 30 June.

(b) Return of capital received during the year.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

31. Investments in associates and joint ventures (continued)

Results of associates and joint ventures

	2014 \$M	2013 \$M
Share of net profit of associates and joint ventures, using the equity accounted method	14.7	8.4

Summarised financial information of equity accounted associates, not adjusted for the percentage ownership held by the Group

	2014 \$M	2013 \$M
Total assets	500.3	530.7
Total liabilities	219.2	243.4
Total revenue	1,157.8	1,158.1
Total profit after income tax expense	42.6	29.5

32. Deed of Cross Guarantee

Certain Australian wholly owned subsidiaries as set out in note 30 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 Profit or Loss and Other Comprehensive Income and Consolidated Statement of Financial Position as at and for the year ended 30 June 2014 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 2014 are set out below:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	2014 \$M	2013 \$M
Revenue	5,944.5	5,824.5
Results from operating activities	342.8	346.9
Net finance costs	(31.1)	(24.9)
Share of net profit of associates and joint ventures	(6.7)	(3.3)
Profit before income tax expense	305.0	318.7
Income tax expense	(54.0)	(84.3)
Profit for the year	251.0	234.4
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Effective portion of changes in fair value of cash flow hedges	(5.6)	(27.1)
Other comprehensive income/(loss) for the year	(5.6)	(27.1)
Total comprehensive income for the year	245.4	207.3
Retained earnings at the beginning of the financial year	203.0	155.0
Profit for the year	251.0	234.4
Dividends paid	(197.2)	(186.4)
Entities added to/removed from the Deed	(232.4)	–
Retained earnings at the end of the financial year	24.4	203.0

Consolidated Statement of Financial Position

	2014 \$M	2013 \$M
Cash and cash equivalents	261.6	297.6
Receivables	768.9	717.0
Inventories	23.5	21.2
Assets held for sale	52.8	22.2
Prepayments	39.6	46.3
Other financial assets	7.2	18.9
Total current assets	1,153.6	1,123.2
Receivables	138.8	195.3
Investments accounted for using the equity method	91.5	89.3
Investments	2,464.0	2,349.7
Property, plant and equipment	1,242.4	1,221.2
Intangible assets	514.6	502.8
Deferred tax assets	56.4	59.7
Prepayments	0.4	0.9
Other financial assets	3.0	3.9
Total non-current assets	4,511.1	4,422.8
Total assets	5,664.7	5,546.0
Payables	468.8	497.0
Interest bearing liabilities	246.5	592.9
Current tax liabilities	5.0	41.3
Provisions	298.5	291.5
Other liabilities	18.3	23.3
Total current liabilities	1,037.1	1,446.0
Payables	310.3	79.5
Interest bearing liabilities	1,168.3	737.6
Provisions	124.9	77.8
Other liabilities	8.7	7.4
Total non-current liabilities	1,612.2	902.3
Total liabilities	2,649.3	2,348.3
Net assets	3,015.4	3,197.7
Contributed equity	2,976.7	2,976.7
Treasury shares	(3.9)	(4.1)
Reserves	18.2	22.1
Retained earnings	24.4	203.0
Total equity	3,015.4	3,197.7

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

33. Notes to the Consolidated Statement of Cash Flows

Reconciliation of profit for the year to net cash provided by operating activities

	2014 \$M	2013 \$M
Profit for the year	293.1	91.7
Share of net profit of associates and joint ventures	(14.7)	(8.4)
Dividends received from associates	2.0	5.9
Net gain on disposal of property, plant and equipment	(19.3)	(8.5)
Net gain on disposal of investments	(0.7)	(0.4)
Net gain on disposal of controlled entities	(31.3)	(55.8)
Amortisation of debt establishment costs	2.0	2.2
Add/(less) non-cash items:		
Depreciation and amortisation	279.8	285.0
Share option expense	2.8	(3.1)
Impairment of property, plant and equipment	-	30.1
Impairment of goodwill and intangibles	-	215.4
Impairment of debtors	7.0	7.4
Net cash inflow from operating activities before changes in assets and liabilities	520.7	561.5
Changes in assets and liabilities adjusted for effect of purchase and disposal of controlled entities during the financial year:		
(Increase)/decrease in receivables	(15.1)	(107.0)
(Increase)/decrease in inventories	2.0	(8.3)
(Increase)/decrease in prepayments	10.2	(6.1)
(Increase)/decrease in other assets	0.3	3.4
Increase/(decrease) in payables	(30.5)	(22.5)
Increase/(decrease) in provisions	9.8	(7.5)
Increase/(decrease) in other liabilities	(3.6)	(7.3)
Increase/(decrease) in current tax receivables and liabilities	(22.7)	(23.3)
Increase/(decrease) in deferred tax assets and liabilities	10.0	(1.5)
Net cash inflow from operating activities	481.1	381.4

34. Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2014 the parent company of the Group was Toll Holdings Limited.

	The Company	
	2014 \$M	2013 \$M
Result of the parent entity		
Profit/ (loss) for the year	250.3	(42.7)
Other comprehensive income for the year	–	–
Total comprehensive income/ (loss) for the year	250.3	(42.7)
Financial position of parent entity at year end		
Current assets	1,704.0	1,693.7
Total assets	3,339.4	3,317.6
Current liabilities	98.4	136.9
Total liabilities	143.3	175.6
Total equity of the parent entity comprising of:		
Contributed equity	2,976.7	2,976.7
Treasury shares	(3.9)	(4.1)
Reserves	33.9	33.1
Retained earnings	189.4	136.3
Total equity	3,196.1	3,142.0

(a) Commitments for expenditure

As at 30 June 2014, the Company did not have any capital expenditure or non-controllable operating lease commitments (2013: nil).

(b) Contingent liabilities

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 exists.

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	
	2014 \$M	2013 \$M
Bank and other guarantees	–	0.3

The Company has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of certain subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the Deed are disclosed in note 30.

The Company is a guarantor for the Hong Kong and Singapore syndicated facility agreements. The Company is party to the Group guaranteed senior notes issued in the US Private Placement (USPP) debt market in 2010 and 2013. The notes have maturities between 2015 and 2023 (2013: between 2015 and 2020). Further details are disclosed in note 21.

Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2014

35. Events subsequent to the balance date

Dividends

The Directors have determined a final fully franked dividend of 15.0 cents per share, which is payable on 1 October 2014.

36. Auditor's remuneration

	2014 \$'000	2013 \$'000
Audit and review of financial statements services		
Auditors of the Company – KPMG	3,650	4,849
Other auditors (non-KPMG firms)	187	326
Total audit and review of financial statements services	3,837	5,175
Other services		
Auditors of the Company – KPMG		
Taxation services	1,090	1,289
Other assurance services	84	62
Other services	430	105
Other auditors (non-KPMG firms)		
Taxation services	390	–
Total other services	1,994	1,456

Directors' Declaration

1. In the opinion of the Directors of the Company:
 - (a) the consolidated financial statements and notes set out on pages 71 to 144, and the Remuneration Report on pages 35 to 55 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 2014 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 30 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 2014.
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 19th day of August 2014.

Independent Auditor's Report to the Members of Toll Holdings Limited



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 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date, notes 1 to 36 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 note 2(a), 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 2014 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 note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 35 to 55 of the Directors' Report for the year ended 30 June 2014. 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 2014 complies with Section 300A of the *Corporations Act 2001*.

KPMG

Alison Kitchen
Partner

Melbourne 19 August 2014

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (KPMG International), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Shareholder Information

Additional information required by the Australian Securities Exchange Listing Rules not elsewhere disclosed in this report.

The shareholder information set out below was applicable as at 19 August 2014.

A. Distribution of shareholders

Range	Total holders	Total ordinary shares	% of issued capital
1 – 1,000	30,298	14,496,212	2.02
1,001 – 5,000	35,391	87,169,100	12.16
5,001 – 10,000	7,292	52,799,286	7.36
10,001 – 100,000	3,719	74,669,273	10.42
100,001 – 9,999,999,999	115	488,000,004	68.04
Total	76,815	717,133,875	100.00

There were 3,072 holders (2013: 3,322) 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	Name	Ordinary shares	% of units
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	125,345,437	17.49
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	117,589,513	16.41
3	NATIONAL NOMINEES LIMITED	83,447,255	11.64
4	CITICORP NOMINEES PTY LIMITED	34,584,431	4.83
5	MR PAUL ALEXANDER LITTLE	36,039,091	5.03
6	BNP PARIBAS NOMS PTY LTD <DRP>	16,473,889	2.30
7	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	8,132,516	1.14
8	PGA (INVESTMENTS) PTY LTD	6,000,000	0.84
9	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <MBA A/C>	4,210,421	0.59
10	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	3,162,644	0.44
11	QIC LIMITED	2,988,916	0.42
12	ARGO INVESTMENTS LIMITED	2,888,785	0.40
13	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	2,754,597	0.38
14	THE SENIOR MASTER OF THE SUPREME COURT <COMMON FUND NO 3 A/C>	2,709,210	0.38
15	AMP LIFE LIMITED	2,665,861	0.37
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	2,521,322	0.35
17	NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	1,828,607	0.26
18	DJERRIWARRH INVESTMENTS LIMITED	1,694,178	0.24
19	QUESTOR FINANCIAL SERVICES LIMITED <TPS RF A/C>	1,501,767	0.21
20	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	1,441,074	0.20
Total		457,979,514	63.91

C. Substantial shareholders

Name	Number of ordinary shares held	Percentage of issued shares %
Paul Alexander Little and related bodies corporate	37,535,935	5.23

Ten Year Summary as at 30 June

Toll Group comparative statement

	IFRS June 2014 \$M	IFRS June 2013 \$M	IFRS June 2012 \$M
Operating results			
Revenue	8,811	8,719	8,707
EBITDA*	709	704	680
Depreciation and amortisation	280	285	283
EBIT*	429	419	398
Share of profits of associates and joint ventures	15	8	12
Net finance costs	42	37	37
Profit before income tax expense*	402	390	373
Income tax expense*	104	107	99
Profit after income tax expense*	298	283	274
Individually significant items (net of income tax expense)	5	191	203
Profit for the year	293	92	71
Profit from discontinued operations (net of income tax expense)	–	–	–
Non-controlling interests	7	7	6
Profit attributable to owners of the Company	286	85	65
CPS dividend/RPS	–	–	–
Ordinary dividends	197	186	178
Ordinary payout ratio (from continuing operations) (%)*	66.06	65.79	65.10
Overall dividend payout ratio (%)*	66.06	65.79	65.10
Financial position			
Cash and cash equivalents	504	516	569
Other current assets	1,441	1,451	1,352
Other non-current assets	2,137	2,209	2,175
Deferred tax assets	133	139	150
Intangible assets	1,687	1,660	1,795
Total assets	5,902	5,975	6,041
Other liabilities	1,433	1,489	1,587
Interest bearing liabilities	1,736	1,789	1,708
Total liabilities	3,169	3,278	3,295
Net assets	2,733	2,697	2,746
Non-controlling interests	19	22	19
Reserves and retained earnings	(263)	(302)	(250)
Contributed equity	2,977	2,977	2,977
Total equity	2,733	2,697	2,746

* Excludes individually significant items in financial years 2010 to 2014.

IFRS June 2011 \$M	IFRS June 2010 \$M	IFRS June 2009 \$M	IFRS June 2008 \$M	IFRS June 2007 \$M	IFRS June 2006 \$M	IFRS June 2005 \$M
8,225	6,944	6,492	5,605	4,857	4,894	3,778
663	630	585	554	455	545	360
243	233	192	168	136	190	126
420	397	392	387	320	355	234
16	22	21	5	16	34	49
35	37	25	33	305	88	28
401	381	389	359	30	301	255
110	71	105	104	(7)	58	56
291	310	283	254	37	243	199
(4)	26	–	–	–	–	–
295	284	283	254	37	243	199
–	–	(8)	(945)	1,249	–	–
14	5	5	4	7	12	5
281	279	270	(695)	1,279	231	194
–	–	6	16	16	16	16
176	175	173	162	204	152	88
60.48	56.49	61.19	63.55	555.86	62.55	44.22
60.48	56.49	61.19	63.55	555.86	62.55	53.61
497	580	886	354	1,743	1,208	152
1,266	1,199	801	1,620	833	1,457	487
2,124	2,012	1,739	1,531	3,188	5,375	1,601
115	142	82	73	2	3	19
1,849	1,759	1,502	1,262	1,850	6,627	185
5,851	5,692	5,010	4,840	7,616	14,670	2,444
1,531	1,447	1,163	1,115	1,738	2,293	710
1,516	1,518	1,247	1,622	2,257	6,358	462
3,047	2,965	2,410	2,736	3,995	8,651	1,172
2,804	2,727	2,600	2,104	3,621	6,019	1,272
35	23	40	42	375	341	39
(177)	(198)	(287)	(493)	753	734	424
2,946	2,902	2,847	2,555	2,493	4,944	809
2,804	2,727	2,600	2,104	3,621	6,019	1,272

Ten Year Summary as at 30 June (continued)

Toll Group comparative statement (continued)

	IFRS June 2014 \$M	IFRS June 2013 \$M	IFRS June 2012 \$M
Per ordinary share from continuing operations			
Basic earnings per ordinary share			
Based on weighted average number of shares issued during the year (\$)	0.3988	0.1178	0.0903
Based on number of shares issued at the end of the period (\$)	0.3988	0.1178	0.0901
Diluted earnings cents per share (\$)*	40.64	38.20	37.36
Dividends paid or determined cents per share (\$)	28.00	27.00	25.00
Franking (%)			
Interim	100	100	100
Final	100	100	100
Net tangible asset backing (\$)	1.459	1.445	1.327
Analytical information from continuing operations			
EBITDA to revenue (%)*	8.05	8.07	7.81
EBIT to revenue (%)*	4.87	4.80	4.57
Profit after income tax expense to revenue (%)*	3.31	3.16	3.07
EBIT to total assets (%)*	7.27	7.01	6.58
Return on shareholders equity (%)*	10.66	10.22	9.74
Current assets to current liabilities (X)	1.24	0.87	1.14
EBIT interest cover (X)*	12.11	11.32	10.75
Effective tax rate (%)*	25.83	27.46	26.55
Gearing			
Net debt to net debt + equity (%)	31.07	32.07	29.32
Net debt to equity (%)	45.08	47.21	41.48
Other			
Ordinary shares (million)			
Weighted average number of shares on issue during the year	717	717	715
Shares on issue at year end	717	717	717
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	78,341	82,980	86,887
Number of employees at year end Est.	40,000	42,500	44,500

* Excludes individually significant items in financial years 2010 to 2014.

IFRS June 2011 \$M	IFRS June 2010 \$M	IFRS June 2009 \$M	IFRS June 2008 \$M	IFRS June 2007 \$M	IFRS June 2006 \$M	IFRS June 2005 \$M
0.3980	0.3990	0.4115	0.3872	0.0472	0.5939	0.5477
0.3958	0.3968	0.4004	0.3863	0.0463	0.3446	0.5394
38.67	42.57	41.13	38.70	197.39	63.30	54.55
25.00	25.00	25.00	25.00	32.00	31.00	26.50
100	100	100	100	100	100	100
100	100	100	100	100	100	100
1.345	1.378	1.578	1.350	2.754	(0.974)	3.294
8.06	9.07	9.01	9.89	9.38	11.14	9.53
5.11	5.72	6.04	6.90	6.58	7.25	6.19
3.37	4.39	4.29	4.47	0.61	4.72	5.13
7.18	6.97	7.83	7.99	4.20	2.42	9.57
9.88	11.18	10.71	11.90	0.82	3.84	15.25
0.79	1.33	1.22	1.57	1.26	0.42	0.79
12.00	10.61	15.70	11.68	1.05	4.03	8.36
27.43	18.60	27.07	29.11	(22.33)	19.27	21.96
26.65	25.58	12.20	37.60	12.43	46.11	19.60
36.34	34.37	13.89	60.25	14.19	85.56	24.37
706	699	677	647	631	362	325
710	703	696	648	643	624	330
–	–	–	2.5	2.5	2.5	2.5
–	–	–	–	–	–	–
100,061	115,130	104,535	93,326	84,820	68,148	35,881
42,000	37,000	30,000	25,000	30,000	28,000	17,545

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

Ken Ryan AM

Secretary

Bernard McInerney

Toll Holdings Limited

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Share Register

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Sydney NSW 2000 Australia

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Telephone Australia 1800 222 722

Telephone Overseas +61 2 9290 9699

Facsimile +61 2 9290 9655

Email toll@boardroomlimited.com

Website www.boardroomlimited.com.au

Securities Exchange Listing

Toll Holdings Limited shares are listed on the Australian Securities 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, Rialto Towers

525 Collins Street

Melbourne Vic 3000

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