



**Toll Holdings Limited**  
ABN 25 006 592 089

Level 7/380 St Kilda Road  
Melbourne Victoria 3004

Tel: 61 3 9694 2888  
Fax: 61 3 9694 2880

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The Manager  
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Sydney NSW 2000

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Dear Sir

**2010 ANNUAL GENERAL MEETING – CHAIRMAN AND MANAGING DIRECTOR  
SPEECHES**

Please find attached for immediate release to the market the speeches by the Company's Chairman and Managing Director at the Annual General Meeting scheduled for 10am AEST on 29 October 2010.

Yours faithfully  
**TOLL HOLDINGS LIMITED**

  
**Bernard McInerney**  
**Company Secretary**

Encl.

# **Toll Holdings Limited**

## **Annual General Meeting 2010**

**Held at 10:00am – Friday 29 October 2010  
Melbourne Convention Exhibition Centre, Exhibition  
Centre Auditorium,  
2 Clarendon Street, South Wharf, Melbourne**

### **WELCOME**

Ladies and Gentlemen

Good morning, my name is Ray Horsburgh and as Chairman of Toll Holdings Limited it is my pleasure to welcome you to this our seventeenth Annual General Meeting. This meeting is also being streamed live over our website and we welcome all participants.

### **CONVENING THE MEETING**

Before convening this meeting, please ensure your mobile phone is now completely switched off and also please be aware that any recording devices are not permitted in the room.

The Company Secretary has now advised me that we have complied with the relevant requirements for convening this meeting, and that a quorum is present.

I therefore declare the meeting open.

## **INTRODUCTION**

It is my pleasure to introduce you to each of the Directors present today, our Chief Financial Officer, the Company Secretary and the Company's Auditors.

Starting from your left:

- ⇒ Frank Ford.
- ⇒ Mark Smith;
- ⇒ Barry Cusack;
- ⇒ Harry Boon;
- ⇒ Paul Little, our Managing Director;
- ⇒ Brian Kruger, our Chief Financial Officer; and
- ⇒ Bernard McInerney, our Company Secretary

Also with us today is Mr Paul Shannon representing our Auditors, KPMG.

## **NOTICE OF MEETING**

As the notice convening this meeting was sent to all shareholders on the Toll Holdings Limited register in accordance with the Company's Constitution, I propose to take the Notice of Meeting and Explanatory Memorandum for Shareholders as read.

## **PROXIES**

All valid Proxies received have been recorded. In accordance with generally accepted meeting protocol and in the spirit of good corporate practice, a summary of Proxy Voting for each resolution will be displayed on the overhead screen for members' information immediately before voting by the members present at this meeting. All open proxy votes directed to the Chairman will, if required, be voted in favour of the relevant resolution.

## **QUESTIONS DURING THE COURSE OF THE MEETING**

Shareholders will have the opportunity to raise questions during the course of the meeting. Following the Managing Director's address, I will invite questions on the operations of the business.

Any questions which I consider would be better addressed during the formal business of the meeting will be deferred to that point of the meeting. Thus, I request that any shareholder questions in relation to the formal business, including any matters to do with the Company's Remuneration framework and executive remuneration, will be invited as each item of business is introduced.

At this stage, I also refer to the requirements of the Corporations Act with regard shareholders questions of the Company's auditor at annual general meetings.

Shareholders at annual general meetings are able to ask our auditor questions relevant to the conduct of the audit and the preparation and content of the auditor's report.

Shareholders may also forward written questions to the auditor on these matters ahead of the meeting to be addressed in the meeting. The Company has not received any written questions of the Auditor.

Mr Paul Shannon, a partner of KPMG is in attendance representing our auditors. He is available to answer any questions regarding accounting policies adopted by the Company in relation to the preparation of the financial statements, and the independence of the auditor in relation to the conduct of the audit.

All questions should however initially be addressed to myself following the Managing Director's address.

I ask shareholders to note that the preparation and content of the financial report is the responsibility of the directors and therefore if I consider the Directors would more appropriately address any question to the auditors, I will deal with it accordingly.

## **CHAIRMAN'S ADDRESS**

Prior to presenting my normal address to the shareholders, I would like to comment further on the recent announcement relating to Paul Little's position as Managing Director.

After a quarter of a century as head of Toll Group, Paul Little will transition from his role around January 2012.

As a natural part of our ongoing succession planning process, the Board has been preparing for this day for some time now.

No Board could have asked for more from a Managing Director than Paul has given since he took over the company in 1986. As all of his friends know, he has lived and breathed Toll throughout that time – and the company's performance has been a testament to his strategic direction and strong management skills.

So, though we will be sad to see Paul transition out of his current role with Toll, we certainly can not complain that after such a committed journey, he will now be able to plan to spend time on other interests.

The Board and Paul intend to arrange a handover to his replacement in an orderly way to ensure the company maintains its strong relationships with customers, investors, governments and other stakeholders throughout the world.

An orderly transition also enables a new Managing Director to hit the ground running with Toll employees and senior management and to appreciate Toll's strategic direction.

The Board has discussed and is delighted that Paul has agreed to return to Toll as a non-executive director after an appropriate period. Paul has expressed a keen interest to remain involved with the company after standing down from his executive role and we view this as a very positive step. I am also confident the market would view Paul's return favourably given his vast knowledge of the business and the intellectual property he possesses.

I would like to assure investors that the high growth strategy the Board and senior executive have established over the last twenty years remains firmly in place. Paul's orderly transition is particularly timely given the Board has recently approved the company's strategic plan for the next five years.

The Board has appointed Egon Zehnder to undertake a global search for the Managing Director role and will consider both internal and external candidates.

Describing Paul's contribution to Toll over 25 years is an almost impossible task. He has been the leader and the face of Toll throughout that time overseeing the company's growth from less than 100 employees in 1986 to around 40,000 today.

While Paul's departure will mark the end of an era for the company which he took over in 1986, Toll is still, as it has been for a quarter of a century, a company implementing a successful high growth strategy.

As a result of these developments, I would like to inform shareholders that the Company will not be proceeding with resolution 5 relating to the issue of share options to Paul. I will address this further during the formal business of the meeting.

Having made my comments on Paul, I would now like to present my report to shareholders.

## **Results**

As you will have read in our annual report for the 2010 financial year our strong business focus and key leadership stood us in good stead through the Global Financial Crisis. Although we have seen reduced volumes in some areas, we have again improved our revenue year-on-year, up 7% on the previous period.

We saw a slight reduction in net profit after tax before non recurring items of \$5.2 million on 2009.

The Group generated \$296 million in operating cash flow after net capital expenditure, which is an excellent result given the level of sustaining and growth expenditure in the period.

Our strong balance sheet enabled us to acquire new businesses in Australia, the Asian region, the Middle East and the US as well as assuming full control of Footwork Express in Japan. We have since taken control of two strategically important businesses in the UK as well.

## **Remuneration**

As you would be aware, our senior executives adopted a pay freeze during the last financial year.

Your Board has remained conservative in its reviews of executive remuneration for key executives in line with its approved framework. Our remuneration policies and framework continue to be evaluated in light of prevailing economic conditions, sentiment and best practice.

When we get to Item 2 of the meetings formal business, I will ask the Chairman of the Remuneration Committee, Harry Boon, to answer any remuneration related questions.

## **Governance**

Regulatory and stakeholder requirements for transparency in Corporate Governance are continually changing and this year we have undertaken a significant review of our approach.

We have adopted revised charters for the Board and each of its sub committees and have reviewed or adopted key policies on Margin Lending, Securities Trading and Ethical Conduct.

We have also changed the way we report on our corporate social responsibility initiatives, in particular relating to our values, people, community and environment stakeholders.

We have conducted a regular review of the way the company identifies and mitigates material business risks. It's not just a process at Toll. It's part of our culture.

Good corporate governance also demands attention to the principle of independence, both for non executive directors and the company's auditors. The company monitors all material non-audit related work undertaken by its auditors. The Board updated its Audit Independence policy during the year and we have reiterated our approach to this important issue.

Toll is and will remain an acquisitive company. This strategy at times involves complex acquisitions and major structural changes both locally and offshore. These activities require specialist advice which is provided by many professional service firms including at times KPMG. The Board is satisfied that the work undertaken by KPMG does not impact their independence as the company's Statutory Auditor, and that the level of fees incurred is competitive and appropriate for the services provided.

I would also note that this year there has been a substantial reduction in non audit work conducted by KPMG when compared to their audit fees.

### **Safety**

The Board takes safety at Toll very seriously and it is an area that remains a focus of management. Since the introduction of our “No Injuries” initiative in 2009 we have seen a 28% reduction in our injury frequency rate.

The Managing Director will provide more information on safety in his speech shortly.

### **Sustainability**

Toll is a responsible corporate citizen with a duty to the environment in which we operate and the communities in which we work. This year, we have again strengthened our community support programs with a range of sponsorship, volunteering and donations. Toll remains the cornerstone sponsor of both the First and Second Step programs which are aimed at assisting individuals recover from alcohol or drug dependency, or incarceration, through professional treatment and where possible, retraining through mentored employment programs.

Our commitment to our communities can also be illustrated through our environmental work including the launch of our Smarter Green program

### **Diversity**

Toll recognises that diverse perspectives are a source of competitive advantage.

As such we are always looking for talented people who bring new ideas and different perspectives. For some months now we have been searching for a female non executive director to join us on the Board and Egon Zehnder has been appointed to assist us with this process. We expect to announce a new female Board member by the end of this financial year.

The Board and all our shareholders have seen Toll expand its operations from one country in 1986 to fifty five countries in 2010. Toll’s acquisitions of businesses outside of Australia means we now have 14,500 or 23% of our employees offshore. We have several initiatives underway to connect and integrate our processes to enable us to tap into our highly talented team from diverse cultural backgrounds.

Your Board is currently reviewing the Company's Diversity Policy which will address the ASX Corporate Governance Council principles announced in June 2010. Our initial goals in this area will be set down in our Diversity Policy which will reflect the complex needs of our businesses.

## **People**

Our employees are committed and loyal to Toll. In fact our employees often remain with the group until retirement. Toll is the employer of choice in the logistics industry. It goes without saying - our people matter.

Toll's managers, led by Paul and his executive team, are creating and nurturing our culture across the Group.

Toll has a very "can do" culture which empowers people to make decisions, to make things happen and to deliver outcomes for our customers.

We are implementing common Human Resource processes, solutions and training and have clear people strategies which are detailed in our Annual Report.

There are two important areas I would like to highlight. Firstly, Toll is implementing a talent management program which will ensure we actively manage all our talented people wherever they are and irrespective of their gender. The program will ensure they are developed, mentored and retained to fill our future senior roles in the company.

Secondly, in June we launched our global Leadership @ Toll program which now has over 300 managers nominated, 20% of which are women.

## **Group Structure**

Toll is a global organisation that has been extremely acquisitive for more than 20 years. As a result we have a vast number of legal entities which we continue to restructure to reduce complexity.

### **Chairman's workload**

As with many Directors the world over, I have a number of other business commitments and Directorships which I manage alongside my obligation to Toll. On occasion some groups have reported their concern over my workload, however I can assure you, our shareholders, that my commitment to Toll is very strong.

This year, the Board visited Toll's Footwork facilities in Japan upon the announcement of the takeover. The visit gave us insight into the opportunities and challenges Toll is facing in that market and will help us make appropriate strategic decisions.

I have been present at all Board and committee meetings again throughout the reporting period and I am in regular contact with other Board members, Paul and his senior managers.

I can assure you that I take my role very seriously here at Toll and strive to make this business even more successful year on year.

### **Hand over to Paul Little, Managing Director**

Before I pass you over to the Managing Director I would like to finish my speech by registering the Board's gratitude to Paul, his senior management team and all the employees around the world for their strong achievements in a particularly difficult year.

I know sometimes as a shareholder myself that it can be easier to praise a management team that has led a company to a strong performance in good times. But Paul and his team have demonstrated that they not only deliver in good times. Even this year, when global markets have struggled, Toll has grabbed opportunities that will stand the company in good stead for years to come.

Paul is an outstanding leader and an exceptional Managing Director

Ladies and Gentlemen it's my pleasure to call on Toll's Managing Director, Paul Little.

## **MANAGING DIRECTOR'S ADDRESS**

Thanks Ray.

I appreciate your kind comments.

### **INTRODUCTION**

Whilst fallout from the Global Financial Crisis continued to challenge the company during the 2010 fiscal year, particularly in Australia, encouraging signs of improved volumes and associated activity was evident in the fourth quarter.

Importantly, these improved conditions have carried on into the start of the 2011 year.

Highlights for the 2010 fiscal year included:

An 11% increase in the Toll Global Logistics' EBIT.

Toll Global Forwarding continued to successfully rollout its aggressive growth strategy and at the same time improve EBIT by 11%.

Revenue in Toll Global Resources increased by 14% from organic growth and new contract wins. Strong earnings growth was also achieved.

The redevelopment of Toll Global Resources' strategic Singapore supply base showed significant progress with, a project to date expenditure of \$70m as at June 30.

Toll Global Express produced a strong result, with Priority, IPEC and Fast generating excellent results in a sluggish Australian economy.

Tolls balance sheet remained strong with gearing a comfortable 26% and interest cover exceeding 10 times.

## **GROUP FINANCIAL PERFORMANCE**

Revenue finished the year 7% up on 2009, largely driven by improved economic conditions in the second half, together with the benefit of acquisitions and contract wins, collectively producing more stable volumes.

Whilst Net Profit After Tax before one-off items was down 2% for the year, a significant improvement in overall trading during the last 4 months of 2010, improved bottom line results, within our Australian and offshore operations.

## **CASHFLOW**

Net operating cashflows were down on last year, but still very strong at \$566 million.

Working capital increased, primarily driven by higher volumes and revenues generated in Toll Global Forwarding.

Capital expenditure increased to just under \$400 million, including \$53 million on our Singapore Supply Base development.

Acquisition expenditure reflects transactions completed in the period, including Footwork Express, Perkins Shipping, Logistics Distribution Systems, Summit, Concord Park and the balance of ST Anda in China.

Income tax payments increased by some \$100 million which reflects a catch up due to very low instalment rates in prior years. We would expect future tax payments however to be much closer to our tax expense.

In summary, we increased net debt, as expected, but our balance sheet remained in very good shape.

## **BALANCE SHEET**

Year on year balance sheet comparisons are difficult given the impact of acquisitions during the period.

In terms of balance sheet movements excluding the effect of acquisitions, key points to note were:

Both receivables and payables were up versus last June, largely driven by Toll Global Forwarding's increased activity.

Net Fixed Assets were higher reflecting capex greater than depreciation during the period.

Goodwill increased by \$260 million – being the cost of acquisitions, partly offset by currency impact.

We ended the year with gearing at 25.6%, up from 12.2% last year, which includes the impact of both debt and finance lease liabilities assumed as part of the Footwork Express acquisition.

## **DEBT PROFILE**

In terms of our debt maturity profile, the majority of debt matures in fiscal 2012 and we are currently making very good progress with refinancing these facilities.

Between our cash and unused facilities, we have in excess of \$1 billion in available liquidity. As well as having a strong balance sheet, our debt service ratios, including interest cover are in very good shape.

## **EARNINGS PER SHARE AND DIVIDENDS**

Earnings per share, before one-off items, was 45.2 cents, a 2.8 cents reduction on the 2009 financial year.

The Group declared a final dividend of 13.5 cents per share, giving a full year dividend of 25 cents per share.

## **SAFETY PERFORMANCE**

The Group again achieved further significant reduction in its Lost Time Injury Frequency Rate. We retain a firm belief however, that further improvement is desirable and achievable.

Accordingly, Toll has further increased its focus on training with senior Toll executives participating in DuPont training sessions aimed at reinforcing our safety culture at all levels.

Within Australia, Toll self insures its workers compensation obligations in Victoria, New South Wales and Queensland and, as well as being cost effective, self insurance also significantly enhances operating focus on risk management.

## **STRUCTURE**

In June 2009 the Group announced a new divisional structure aimed at aligning the growth aspirations of the company with the operational diversity of each business, grouped along divisional service lines.

In presenting my operational overview to shareholders, I will cover each of our six divisions, starting with a brief bio on the responsible Divisional Director.

## **OPERATIONAL OVERVIEW**

### **TOLL GLOBAL RESOURCES**

David Jackson is Divisional Director of Global Resources.

David Jackson joined Toll in 1996 as General Manager of Toll SPD in the Long Distance Division, where he was largely responsible for integrating the Australian full load business of Brambles and TNT. Seven years later in 2003, David was appointed Chief Executive Officer of Toll New Zealand, following the takeover of New Zealand's Tranz Rail business. In 2009 David was appointed Chief Executive of Toll Global Resources.

Revenue in Toll Global Resources was up 14% and EBIT up by 7%.

The three year \$60m p.a. Gorgon LNG contract commenced its ramp up phase and contributed strongly for Toll Energy.

Toll Mining Services also performed strongly with new contract wins from Orica and Anglo Coal.

PDL Toll achieved better than expected bottom line performance, particularly in its East Timor operations for the Australian Defence Forces.

Remote location contract services were supplied to BHP in Zambia and United Nations fuel distribution in Chad with a further contract potentially in the Congo.

Toll Global Resources continues to pursue further opportunities in this well performing division and growing market sector.

## **TOLL GLOBAL LOGISTICS**

Wayne Hunt is President and Chief Executive Officer of Global Logistics.

Wayne with 34 years experience in the logistics industry has a challenging role as President and CEO of Toll Global Logistics. Previous to his 2007 appointment, Wayne held a number of senior management positions at Toll since 1990. Prior to joining Toll, Wayne spent time with Australian operations of Quicktrans and Brambles.

Whilst revenue in Toll Global Logistics reduced by 7% year on year, EBIT improved during the same period following the business exiting poor performing contracts in Asia, together with a strong and growing contribution from Toll in2store in Australia.

The Government Business Group in Singapore continued to excel, with operations now being expanded outside of Singapore.

Whilst Automotive in Australia remained tough generally, contract warehousing operations in Asia showed significant improvement, particularly in South East Asia.

New contract wins from key multi national customers included Proctor & Gamble, Colgate Palmolive and Cadbury.

## **TOLL GLOBAL FORWARDING**

Hugh Cushing is Chief Executive Officer of Global Forwarding.

Hugh is the longest serving Toll executive, celebrating 35 years with the business this year. He has developed his career with Toll, occupying a number of key management roles, predominately within business development.

Volumes in Toll Global Forwarding improved significantly on all major trade lanes, particularly in the fourth quarter.

EBIT for the year was up 11% on the 2009 financial year.

In addition to trading levels improving, acquisitions also drove volume and margin improvement.

We completed three acquisitions during the period with a further two early this year, which collectively are expected to generate an additional \$750m in annual revenue.

Our Summit acquisition in North America, completed in April 2010, is exceeding expectations and continues to add significant strength to our Global Forwarding network.

We also achieved major contract wins from Asia to the United States and Australia and these included:

- Sears and Target into North America, plus
- the Australian Submarine Corporation and Retail Adventures into Australia.

This division continues to trade strongly and is currently enjoying solid ocean and air volumes associated with pre Christmas seasonal build up into destination markets.

## **TOLL GLOBAL EXPRESS**

Shane O'Neill is Divisional Director of Global Express.

Shane joined Toll in 2002 in the role of Group Financial Controller for the former Toll Australia Group.

The divisions operating performance saw revenue in Global Express improve in the second half, but finished the year \$21m down on the prior period after excluding Footwork Japan.

EBIT of \$126m was \$12m behind last year. In addition, Footwork which became fully owned in October 2009, achieved an EBIT of \$8m.

This was a strong result by Global Express, given the extremely tight market conditions it faced, particularly in Australia.

Investment in fleet, property and IT totalled \$59m and this maintained a focus on enhanced efficiency.

The DPEX acquisition from Qantas was completed in June 2010. This business further strengthens our Global Express Asian network.

Since going to full ownership in Footwork Japan, significant progress has been achieved and further profit improvement this year is anticipated from improved operational efficiency.

## **TOLL DOMESTIC FORWARDING**

Paul Ebsworth is Divisional Director of Domestic Forwarding.

Paul is an experienced manager with 25 years in the logistics industry. He has been with Toll for the past 14 years, initially as General Manager Toll Tasmania, before moving over to Toll SPD.

Revenue in Domestic Forwarding for the year was 9% down on Financial Year 2009.

The best performing businesses were Toll SPD and Toll Tasmania.

QRX, our Far North Queensland network operation, was negatively impacted by floods and lower retail volumes from Woolworths and Coles.

In New Zealand a sluggish economic climate continued to place pressure on revenue and EBIT, however, a review of New Zealand is underway to better understand the opportunity for resizing our business.

## **TOLL SPECIALISED AND DOMESTIC FREIGHT**

Mal Grimmond is Divisional Director of Specialised and Domestic Freight.

Mal has worked with Toll in financial and commercial roles for the past 14 years. He has assumed a number of senior management positions, including Group Chief Information Officer and as acting Group Chief Financial Officer.

Trading conditions in Toll Specialised and Domestic Freight remained difficult, with revenue down 6% on the previous year.

However both Toll Express and NQX experienced improved volumes in the second half of the year.

The division also continued to invest heavily in information technology to optimise fleet utilisation and further improve freight tracking.

Toll Transitions successfully regained the strategically important Australian Defence Forces relocations contract, with a material increase in scope, and as such, doubling its annual revenue.

Interstate Road Operator Concord Park, was acquired to enhance volumes through the Toll Express network.

Some restructuring to the Specialised division occurred in June, the net result of which will have a positive impact on margins in the current year.

Shareholders, I think you would agree with me that we have a very experienced and dynamic team.

## **RE-BRANDING**

Moving on to a slightly different subject, I am pleased to announce our new Toll branding project.

The Toll brand is one of our most valuable assets. Toll is a well known and trusted leading Australian brand, standing for strength, reliability and operational excellence. However the time has come to freshen up our brand.

Some of our acquisitions have changed their names to reflect Toll ownership. Others have in the past retained their identities, especially those that were well known in the marketplace: such as IPEC, in2store and NQX for example. As a result, Toll's current brand portfolio is extensive.

To address our brand complexity, we plan to progress to a single Toll brand across the group.

Firstly, let me assure you that this does not in any way mean we are losing the Toll name. It is in fact quite the opposite. We will be consolidating to one brand to strengthen the group as a whole.

Secondly, we are not going to lose the Toll green synonymous with our business. You will still be able to easily identify the Toll trucks on the road, retaining our trademark colour.

The new design is all about the future of Toll. It is an evolutionary step – a decision to freshen up the brand through the logo, and I believe this process will allow the company to have an even higher profile and image in the marketplace.

## **ENVIRONMENT**

Toll's focus on environmental sustainability combined with commercial viability, has seen further progress made during the year, under the direction of our Smarter Green program.

Whilst climate change continues to grow as a key challenge for the transport and logistics sector generally, Toll has set a target of a further 20% reduction in our greenhouse gas emissions by the year 2020.

We continue to develop and roll out significant emissions reduction programs including a focus on:

**Smarter Driving:** Our experience shows that driver behaviour can have a significant impact on vehicle fuel economy and emissions.

**Smarter Energy:** We are actively researching and trialling a range of alternative options to diesel including biodiesel, compressed and liquefied natural gas, LPG, ethanol, hydrogen, electric and solar.

**Smarter Vehicles:** We are looking at a range of alternative drive trains that we can use in place of the traditional combustion engine. These include electric motors and hybrid electric vehicles.

**Smarter Fuel Efficiency:** Toll has identified technologies that include improved engine efficiency management systems and vehicle aerodynamics.

**Smarter Planning:** Significant scope exists to improve our emissions through smarter logistics planning including vehicle capacity and utilisation plus optimisation.

**Smarter Facilities:** We are developing an “Environmental Design Template” to include building design, smart lighting and heating and energy management systems.

## **FOREIGN EXCHANGE**

As our group continues to expand globally, foreign exchange and the impact of a stronger Australian dollar will effect our results.

It is important to note that most of our businesses have revenue and costs in the same currency, therefore earnings exposure is largely limited to translation of profits to Australian dollars.

Our biggest exposure is to Singapore dollars and Hong Kong dollars, with increasing exposure to US dollars and UK pounds, as a result of recent acquisitions.

In the 2010 financial year, the Australian dollar was on average 15 percent higher against the Singapore and Hong Kong dollars – the negative EBIT impact during the year was approximately \$12 million.

Offshore investments are partially funded by debt in matching currency – mitigating balance sheet and earnings currency exposure.

The group's sensitivity will increase as offshore earnings grow. These risks however will continue to be very closely managed.

## **OUTLOOK**

Whilst trading conditions and volumes improved in the second half of the 2010 financial year and these conditions continued into the current year, we don't anticipate above forecast trading from key market sectors within Australia, in the lead up to Christmas.

Our offshore operations in Asia, the US and the UK are showing strong signs that will underpin continued momentum into the second half of the current year. Organic growth, new contract wins and M&A activity will collectively generate stronger growth in economies which underperformed during the GFC.

Conditions in Australia excluding resources remain flat, with our major retail customers experiencing a slightly slower than anticipated pre-Christmas build up. Retailers however expect improvement in the second half.

The Resources sector continues as the stand out performer in the Australian economy, with strong growth within Australia and offshore driving many opportunities for Toll.

Ongoing investment in fleet, technology and M&A growth, will collectively position the company extremely well to deliver strong ongoing results.

Thank you, I will now hand back to the Chairman.

## Questions

Thank you Paul, I would now like to open the meeting to shareholder questions with regard the operations of the business and matters raised during the course of my or Paul's presentation.

Again, I note that any questions which I consider would be better addressed during the formal business of the meeting will be deferred to that point of the meeting.

If you are a holder of ordinary shares and have a question, please approach one of our stationed question points, located throughout the room, present your **green** or **yellow** admission card to the microphone attendant and give the attendant your name . When I have called for a question from your location you will be introduced to the meeting by the attendant.

## Item 1 – Accounts

Thank you, I will now move on and introduce the first item of formal business on the Notice of Meeting, which is the receipt and consideration of the financial statements.

Through the Company Secretary, I formally table the financial statements of the Company and its controlled entities for the year ended 30 June 2010 and the related Directors' Reports, Directors' Declarations and Auditors' Report.

Are there any further questions on the operating performance of the Company and the accounts.

Once again, if you are a holder of ordinary shares and have a question, please approach one of our stationed question points, located throughout the room, present your **green** or **yellow** admission card to the microphone attendant and give the attendant your name . When I have called for a question from your location you will be introduced to the meeting by the attendant.

## FORMAL BUSINESS

I will now proceed with the remaining formal business in accordance with Items 2 to 6 on the Notice of Meeting.

### **Item 2 - Remuneration Report**

Prior to putting the Remuneration Report to the meeting for your consideration, I would like to comment on a few of the key matters relating to our approach to remuneration management.

The Board and the Remuneration and Executive Succession Planning Committee continue to develop Toll's remuneration framework bearing in mind the need for the group to remain globally competitive and the need to align remuneration with our strategy and performance.

Toll's remuneration framework includes fixed remuneration and at risk short and long term incentives. Short-term incentive's are focused on annual financial and non-financial objectives as approved by the Board, and overlaid across group, division, business unit and individual objectives.

STI payments made in relation to the year ending 30 June 2010 reflect the level of achievement of Board-approved stretch performance measures in exceptionally difficult economic conditions.

The Board have introduced dual performance measures for Long term incentives, being Total Shareholder Return and EPS, measured over an initial 3 year period.

We have also listened to stakeholder feedback and have adjusted the EPS growth measure to be after amortisation charges.

The Board believes the at risk remuneration measures best align the interests of shareholders and management through value creation and long term performance.

In 2007 shareholders approved five Executive Service Deeds for key executives. The Board reached mutually agreed arrangements for transition to retirement with two of these executives who have since retired. No lump sum termination benefits were paid, and there was no waiver of performance hurdles or early vesting of options under the long term incentive plan.

With regard the remaining three executives, Toll will continue to honour its contractual obligations keeping in mind the requirements of the Corporations Act. All subsequent executive employment arrangements have been negotiated having regard to current market practice and legislation, including in respect of notice periods and termination payments.

Your Board maintains a focus on continuous improvement in remuneration management while ensuring we have the required top global talent, and that our people remain motivated and committed to drive Toll's success into the future for the benefit of shareholders.

I am pleased to move for members to consider and, if thought fit, to pass the following resolution as a non-binding resolution.

"That the Remuneration Report for the year ended 30 June 2010 be adopted."

I now invite shareholders to raise any questions or pass comment on the Remuneration Report or the company's remuneration framework and our Chairman of the Remuneration and Executive Succession Planning Committee, Mr Harry Boon will respond. Please ensure that if you wish to ask a question, please move to one of our stationed question points and present your **green** or **yellow** admission card to the microphone attendant.

Thanks you Harry, as there are no further questions,

**I now put the motion.**

### **Item 3 – Re-Election of Mark Smith as a Director**

Item 3 relates to the re-election of Mr Mark Smith.

I refer shareholders to the Notice of Meeting and Explanatory Memorandum and take them as being read.

Mark was appointed as a Non Executive Director of the Company on 1 July 2007.

Additional information regarding Mark's qualifications and background is contained in the Annual Report and the Explanatory Memorandum accompanying the Notice of AGM.

Prior to moving the resolution I now invite Mark to address the meeting.

Thank you Mark,

I am pleased to move for members to consider and, if thought fit, to pass the following resolution.

"That Mr Mark Smith, being a Director of the Company who retires by rotation in accordance with Article 17 of the Company's Constitution, and being eligible, be re-elected as a Director of the Company."

I now invite shareholders to raise any questions or pass comment on the re-election of Mr Mark Smith. Please ensure that if you wish to ask a question, please move to one of our stationed question points and present your **green** or **yellow** admission card to the microphone attendant.

**I now put the motion.**

## **Item 4 – Re-Election of Barry Cusack as a Director**

Item 4 relates to the re-election of Mr Barry Cusack.

I refer shareholders to the Notice of Meeting and Explanatory Memorandum and take them as being read.

Barry was appointed as a Non Executive Director of the Company on 1 October 2007.

Additional information regarding Barry's qualifications and background is contained in the Annual Report and the Explanatory Memorandum accompanying the Notice of AGM.

Prior to moving the resolution I now invite Barry to address the meeting.

Thank you Barry,

I am pleased to move for members to consider and, if thought fit, to pass the following resolution.

"That Mr Barry Cusack, being a Director of the Company who retires by rotation in accordance with Article 17 of the Company's Constitution, and being eligible, be re-elected as a Director of the Company."

I now invite shareholders to raise any questions or pass comment on the re-election of Mr Barry Cusack. Please ensure that if you wish to ask a question, please move to one of our stationed question points and present your **green** or **yellow** admission card to the microphone attendant.

**I now put the motion.**

## **Item 5 – Grant of options to the Managing Director – Mr Paul Little.**

The next item of business seeks shareholder approval for the issue share options to Mr Paul Little. I advise that the Company does not intend to proceed with this item of business.

By way of background, the company issued its Notice of Annual General Meeting on 8 September 2010.

Resolution 5 was to seek shareholder approval for the purposes of Listing Rule 10.14 and all other purposes to the grant of options up to the maximum value of AUD \$2.25 million to Mr Paul Little, under the Senior Executive Option & Rights Plan, on the terms summarised in the Explanatory Memorandum accompanying the Notice of Meeting.

Of the Proxy votes received by close of proxy lodgements, an overwhelming 94% were in favour of the resolution.

As shareholders are now aware, Paul Little and the Board recently announced that after a quarter of a century at the head of Toll Holdings, Paul and the Board have commenced an orderly succession to a new Managing Director. It is anticipated that this transition will be completed around January 2012.

Not with standing Paul's contractual entitlement to receive an annual Long Term Incentive, Paul and your Board consider that for good governance purposes, it would be inappropriate to proceed with this resolution given that shareholders were unaware of this development at the time of lodging their proxy votes.

The Board is aware of its contractual obligations to Paul and intends to seek external advice from its consultants prior to finalising Pauls transition arrangements.

## **Item 6 – Adoption of New Constitution**

The next item of business seeks shareholder approval for the adoption of a new constitution by the Company. I advise that the Company does not intend to proceed with this item of business.

By way of background, the Company's current constitution was last amended at the 2004 AGM. Since that time, there have been a number of significant developments in law, corporate governance principles and general corporate and commercial practice for ASX listed companies. The proposed new constitution is a package of changes in response these developments.

The resolution is being withdrawn due to concerns raised by key proxy advisors about one particular change proposed as part of the new constitution - the new minimum threshold for board candidates, requiring them to have the support of 100 members or 5% of votes before they were eligible. Introduction of this minimum threshold was the only concern we are aware of that the proxy advisors had with the proposed package of constitutional amendments.

The reason your Board proposed the introduction of a minimum threshold of support for director candidates was to limit the ability of people who want to use the director election process as a platform for airing grievances, which can result in a waste of management time and resources. All members have the right to ask questions of management and the Board at the AGM. This is the appropriate platform to air any grievances.

The threshold we proposed mirrors what the law currently requires for other shareholder resolutions, and is set very low - if a candidate does not have the support of 100 members or 5% of votes, they will not be able to get the majority required to be elected.

The Company is very disappointed to have to withdraw this item of business.

Not with standing the fact that 58% of the proxies received were in favour of the resolution, it is apparent from the number of proxy votes received against it, a significant number of proxy voters have reflected the proxy advisor recommendation against the resolution. As such, the special majority of 75% in favour of the resolution required to adopt the new constitution would not be achieved if the resolution was determined by poll. Therefore, your Board has determined that this item of business will not be put to shareholders present for their consideration by show of hands.

We will revisit potential updates to the Company's Constitution again next year.

## **CLOSE OF MEETING**

That concludes the business of the meeting.

On behalf of the Board of Directors, I now invite you to join us for refreshments in the foyer.

I thank you for your attendance and participation and now declare this Annual General Meeting of Toll Holdings Limited, closed.

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