



Toll Holdings Limited
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24 August 2006

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

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Dear Sir

**NEWS RELEASE AND GROUP PROFIT ANNOUNCEMENT -
APPENDIX 4E PRELIMINARY FINAL REPORT AND UNAUDITED RESULTS FOR
YEAR ENDED 30 JUNE 2006**

Please find attached for immediate release to the market the following with regard to the above mentioned subject:

1. Results Announcement;
2. News Release;
3. Appendix 4E Preliminary Final Report; and
4. Unaudited Results for Year Ended 30 June 2006.

Yours faithfully
TOLL HOLDINGS LIMITED


Bernard McInerney
Company Secretary

Encl.



24 August 2006

TOLL GROUP PROFIT ANNOUNCEMENT
JUNE 2006

The Asian region's leading transport and logistics provider, Toll Holdings, today reported record full year earnings of \$231 million to June 2006.

Earnings pre amortisation of intangibles acquired from Patrick and SembCorp Logistics was \$242.5 million, a 17% increase on the previous year result of \$206.9 million on a recurring AIFRS basis after Reset Preference Share dividends.

Revenue for the Group increased 30% to \$4.9 billion for the year.

Revenues included \$765 million arising from acquisitions, with organic growth adding \$382 million. Underlying organic growth in Australia was 9% which is consistent with the strong growth rates achieved over the past five years. This is clear evidence of the ability of the Group to deliver effective supply chain solutions to our expanding customer base.

Total EBIT excluding Pacific National equity accounted earnings and excluding amortisation of intangibles, for the year was \$380 million compared to \$249 million previously, an increase of 53%.

Divisions

Apart from the impact of acquisitions, the improved EBIT was driven by an outstanding result in the core Australian Transport divisions where EBIT grew 25% to \$235 million with EBIT margin growing from 5.90% to 6.64%.

This was a very pleasing outcome particularly during a period where the company was involved in the high profile acquisitions of both Patrick and SembCorp Logistics.

Each of the Australian business divisions performed extremely well throughout the year and were not distracted by the completion of takeover activity in the second half. A key feature of the results was the rate of organic revenue and EBIT growth, together with EBIT margin expansion.

Networks

The Networks division posted an outstanding result with revenues of \$1.54 billion and an EBIT of \$115.8 million. The result reflected a 37% increase in EBIT and an increase in EBIT margin from 6.18% to 7.53%.

All businesses performed strongly, with Toll IPEC, Toll Express and Toll Priority being the standouts.

Each of the businesses benefited from expanded terminal capacity, high organic revenue growth and excellent cost control. A number of new facilities are presently under construction or planned and will provide for additional growth and higher efficiency levels.

During the year Toll Priority continued the upgrade to its facilities, with the opening of a state of the art freight handling terminal of 16,500 square metres in Melbourne. Upgrading properties,



together with investment in technology has supported strong revenue and earnings growth for this business.

Toll IPEC grew its revenue base with a number of new contracts, reflecting its high service levels.

Toll North

Toll North recorded an EBIT of \$34.9m which was 26% ahead of last year, on revenues of \$773 million compared to \$639 million previously.

Revenue growth included \$22 million contribution from Korn Bulk Haulage, however a small loss was recorded for this business due to excessive rainfall in key mining areas.

NQX completed an excellent year with mining related volumes and economic activity throughout Northern Australia growing strongly. Ongoing investment in new facilities and a focus on driving benefits through technology, has positioned this business for further profitable growth.

The company's Queensland rail forwarder QRX has improved its result from the previous year's loss, with the benefit of more efficient rail linehaul services provided by Pacific National. The business remains focussed on increasing rail share of the freight task into North Queensland to support the increased economic activity being experienced in the region.

Toll Resources also had a solid year, as the mining sector continued to develop resources and increase production levels.

The company's international forwarding business grew steadily and was restructured to further increase its market presence. The merging of Toll International with the Patrick International forwarding business from 1 July 2006 will provide the necessary scale and expertise to significantly grow this important market capability.

Logistics

Toll Logistics division posted an EBIT of \$83.6 million for the year, an increase of 11% on the prior year, on revenues of \$1.22 billion compared to \$1.168 billion last year.

The division commenced a number of major new contracts and developed new facilities to support this growth. The pace of supply chain re-engineering amongst major customers is growing strongly and presenting outstanding opportunities to support customers both domestically and internationally. This will require us to maintain a commitment to first class technology capability, as well as operational excellence to customers. Toll believes the merger of its core Australian businesses effective from 1 July will greatly improve its ability to service the changing needs of Toll customers.

Most logistics businesses performed well throughout the year. In particular Toll Automotive and Contract Logistics recorded solid results.

Port Logistics performed solidly and in line with expectations following the redundancy program implemented in Port Kembla at the beginning of the financial year.

The retail sector continued to be very competitive, however through a focus on technology and integrated solutions, revenue and earnings were both enhanced throughout the year.

Toll Transitions showed improved results following solid revenue growth and the successful rollover of the major defence relocations contract at the beginning of the year.



Toll Personnel, the in-house labour management activity, continued to perform very well, increasing the quality of the company's labour pool as well as ensuring labour availability.

Toll New Zealand

New Zealand had a flat EBIT result, \$60.6 million compared to \$59.6 million previously, as earnings were negatively impacted by a downturn in economic growth combined with a higher exchange rate, particularly in the second half of the financial year.

Revenue was also influenced by the sale of the refrigerated transport business in December 2005.

Solid growth was experienced in coal where capacity was increased to cater for longer trains. In addition, the rail solution implemented for Fonterra at TeRapa on the North Island performed well.

The new Interislander ferry, Kaitaki, was successfully introduced into the Cook Strait during the year and the ferry, Aratere, also underwent refurbishment.

The company continued its investment in locomotives and rolling stock to improve service levels. However, progress with the Crown is unsatisfactory in relation to the improvement of infrastructure and the establishment of a track access regime, consistent with supporting rail as a viable option to reduce road congestion. Whilst the company remains optimistic that a satisfactory track access structure can be established, additional capital expenditure will only be committed by Toll if an adequate return on capital can be achieved.

Pacific National

Pacific National contributed net earnings of \$41.7 million for the year compared to \$51.5 million in the prior year.

Results for Pacific National were equity accounted at 50% interest up to 10 May 2006 and were consolidated for the balance of the year, following the takeover of Patrick.

On a 100% basis, Pacific National generated revenues of \$1.48 billion, an increase of 8% on the prior year, whilst after tax earnings were \$67.3 million including \$13.8 million of one off after tax costs compared to \$103.7 million last year.

Current year earnings were impacted by a number of non-recurring items, including costs associated with the Acacia Ridge terminal in Brisbane, industrial action and derailments. In addition, grain volumes were significantly lower than anticipated due to export marketing and shipping issues.

Following the completion of the Patrick takeover, a new management team was installed to ensure major outstanding issues were promptly addressed and service levels improved.

Whilst the Pacific National results were disappointing due to a number of one off items and the disruption resulting from the distraction of the Patrick takeover and defence strategy which destabilised the board and the business generally, the establishment of sound management and leadership is already seeing an improvement in performance.

SembCorp Logistics

The company's major Asian based logistics acquisition, SembCorp Logistics, performed in accordance with expectations and contributed revenues of \$111 million and after tax earnings, excluding acquisition funding costs, of \$8.2 million.



The acquisition of SembCorp Logistics was effective from 20 March 2006, with 100% equity ownership being achieved early July 2006.

The business traded in line with our acquisitions assumptions during the period.

The integration of the SembCorp Logistics businesses is proceeding according to plan. The existing Toll Asian operations in Vietnam, Thailand and Malaysia have been folded into the significantly larger SembCorp Logistics structure.

Management retention programs and alignment with Toll remuneration systems have been effectively implemented into the company and business development opportunities are being aggressively pursued.

Since acquisition, a number of growth opportunities both organic and acquisition have been presented through SembCorp Logistics, confirming the excellent customer base and exposure to high growth sectors. These opportunities are currently under consideration.

Patrick acquisition

Control of the Patrick business was achieved from 10 May 2006 with 100% ownership from 1 July.

During the period since acquisition, the Patrick businesses, excluding Pacific National and Virgin Blue, traded in line with expectations and contributed \$23.5 million after tax profit on revenues of \$232 million.

Integration of the Patrick rail and ports divisions are well progressed with new management structures in place.

The integration into Toll operations of general port operations, international forwarding and logistics activities, together with corporate and administrative rationalisation are generating synergies ahead of time and higher than originally anticipated at the time of the acquisition.

Overall port volumes are maintaining steady growth with no major reduction in economic activity expected. These operations are anticipated to perform strongly in the new financial year.

Virgin Blue

Virgin Blue contributed revenues of \$250 million since acquisition, with after tax earnings, excluding acquisition funding costs, contributing \$0.7 million.

As anticipated, the Virgin Blue result for the period since acquisition was impacted by seasonal factors.

Underlying results for Virgin Blue are in line with expectations and the business is continuing to enhance its market position by introducing a number of initiatives including relaunch of lounges, web check-in and a frequent flyer program.

As previously advised, Toll is presently reviewing its equity investment in Virgin Blue and will update the market when appropriate, in the meantime the company is very supportive of the Virgin Blue management group and the strategies underway to enhance shareholder value.

Finance

Group cashflow was very strong with cash from operations growing 65% from \$379 million to \$627 million for the year. Cashflow generation remains a key strength of the business and the ongoing focus on working capital management has been maintained.

Net capital expenditure for the year was \$331 million as the company continued to invest heavily in new infrastructure, fleet and technology. Reported capital expenditure included expenditure on core business of \$213 million.

Net cash expended on acquisitions was \$2.4 billion of which SembCorp Logistics was \$870 million and Patrick \$1.5 billion. The carrying value of each investment includes capitalisation of acquisition costs such as advisory, legal and accounting fees and where appropriate liabilities have been recognised for forced redundancies for which the company had a pre-existing liability.

Net debt at June 2006 was \$5.2 billion including \$250 million of Reset Preference Shares. Net debt includes Pacific National net debt of \$606 million and Virgin Blue net debt of \$240 million.

The planned divestments of Pacific National, automotive, shipping and Tasmanian freight forwarding operations is anticipated to achieve \$1.5 billion of proceeds which, together with the on balance sheet debt of Pacific National, will reduce net debt by \$2.1 billion.

The company is presently organising refinancing of the bridge facility in respect of the SembCorp Logistics acquisition. This is expected to be completed during September 2006.

Gearing, measured on a net debt to net debt plus equity basis, is projected to reduce from 46% at June 2006 to 34% following the asset divestitures expected to occur by February 2007.

A summary of earnings across the business segments is included in the 4E report in respect of the current year and prior year which has been adjusted for implementation of AIFRS. In addition, a detailed reconciliation of prior year AGAAP to AIFRS results is attached.

Earnings per share (fully diluted), pre acquisition intangibles amortisation charges, was 66.7 cents for the year compared to 62.7 cents in the prior year on an AIFRS basis, excluding AIFRS non recurring items.

Dividend

Directors have declared a fully franked final dividend of 17 cents per share bringing the full year dividend to 31 cents per share, an increase of 17% over the previous year.

ACCC

Following ACCC approval for the Patrick takeover, the company has established a number of teams to effect the divestiture requirements and other undertakings.

Each of the major divestments, being, 50% interest in Pacific National, Patrick shipping business and Tasmanian freight forwarding business and Toll vehicle transport business, have had advisors appointed and expressions of interest received.

As expected, the high quality of each of these assets have generated significant buyer interest. It is anticipated that the detailed Information Memorandums will be released to interested parties during the next month and that preferred bidders will be known by December 2006, with completion shortly thereafter.

The company remains of the view that \$1.5 billion of proceeds for the divestitures is achievable.

Arrangements are underway in relation to the East-West rail “starter kit” and the company is currently working with the ACCC to finalise access to these assets.

As previously stated, whilst the competition undertakings are very significant from a competition viewpoint, they will not distract from the ability of the company to provide customers both domestically and internationally with a highly efficient integrated service proposition.

Acquisition Accounting

In accordance with the requirements of AIFRS and as indicated in the Bidders Statements in respect of the Patrick takeover bid, the company has completed its provisional review of the fair value of assets purchased and determined the allocation of consideration over tangible and intangible assets acquired.

The effects of the evaluation have resulted in an allocation to intangibles including customer contracts and relationships and Software and technology of \$732 million in respect of Patrick and \$269 million in respect of SembLog including uplift in the value of associates.

As a consequence the group has amortised, where necessary, the separately identified assets including a pre-tax non-cash amortisation charge of \$11.3 million for the period in relation to Patrick and \$4.9 million for SembLog. For the full year to 30 June 2007, the pre-tax charge is expected to be in the order of \$100 million.

It is the company’s intention to separately disclose this charge in the future and for reported earnings and earnings per share to be exclusive of this amortisation.

During the course of the 2007 financial year, the company expects to incur redundancies and other re-organisation costs. These costs where material will be reflected as one-off charges to earnings as incurred.

Economic Conditions

In Australia, trading conditions during the course of the 2006 financial year remained favourable, with particularly strong growth in the resource sector. The food, beverage and retail sectors also maintained good growth.

Whilst we have seen an increase in interest rates over the past few months as a response to growing inflation concerns, current trading does not reflect any noticeable overall economic slowdown.

As previously mentioned, the New Zealand economy has slowed considerably since the beginning of the 2006 calendar year, and this has resulted in a slowdown in earnings for the company. During the last couple of months with the softening of the New Zealand currency, there are signs emerging of improved conditions across the economy.

Other major Asian economies are showing strong growth and the company does not expect any major slowdown.

Following the takeover of Patrick, the company’s total fuel spend has increased markedly whilst fuel prices remain at historically high levels with no indication that they will abate in the short term.

The company is continuing to closely monitor fuel costs and recoveries and is reviewing hedging policies particularly in the case of the Virgin Blue operations. Where possible the company is



ensuring that fuel surcharging mechanisms are in place and effectively recovering any increased costs.

Outlook

The acquisition of SembCorp and Patrick have now positioned Toll as a leading, global scale integrated transport and logistics provider with a crucial footprint into key Asian markets.

The growth opportunities and the Group's new capabilities have already generated significant customer interest and activity from both existing and new clients.

The integration of the businesses is already well progressed with major cost synergies ahead of initial projections.

In Australia, the company's core businesses are performing strongly. Combined with the additional service offerings and an ongoing commitment to technology and infrastructure, Toll expects to deliver the improved efficiencies customers expect and demand.

Pacific National's new management team has turned the focus of the business back to improved reliability and service levels and is already seeing better outcomes. Freight volumes are increasing and the outlook for the rail sector is positive.

As a result, Toll's successful execution of its strategy to become the Asian region's leading transport and logistics operator will continue to provide superior long term value to our shareholders.

Reconciliation AGAAP to AIFRS – June 2005
(Treating RPS dividends as debt)

	\$m
(a) EBIT	
Reported AGAAP EBIT (before share of Pacific National)	239.1
Write back of goodwill amortisation	10.9
Employee Option Costs	(3.9)
Employee Share Plan Costs *	(3.7)
Provision holding costs reallocated to Interest Expense	4.2
Amortisation of RPS	(1.0)
Comparative EBIT under AIFRS	245.6
(b) Profit after tax	
Reported AGAAP profit after tax	215.8
Write back of goodwill amortisation	10.9
Employee Option Costs	(3.9)
Employee Share Plan *	(3.7)
AIFRS adjustments to share of Pacific National / Tenix Toll *	(5.5)
Recognition of deferred tax adjustment *	(21.8)
Consequential adjustments to minority interest *	2.1
Profit after tax under AIFRS	193.9
Reset Preference Shares (RPS) dividends and amortisation of issue costs	(16.0)
Comparative AIFRS and RPS dividend adjusted earnings	177.9
* Non-recurring	

24 August 2006

NEWS RELEASE

TOLL DELIVERS IN YEAR OF TRANSFORMATION

The Asian region's leading transport and logistics provider, Toll Holdings, today reported record full year earnings of \$231 million to June 2006.

The after tax result is after deducting \$11.5 million of non-cash amortisation charges arising from accounting for the acquisitions of Patrick and SembCorp Logistics.

Before the above amortisation, earnings increased to \$242.5 million, 17% higher than the previous year of \$206.9 million on an AIFRS basis after Reset Preference Share dividends and excluding AIFRS non-recurring items.

The company reported total revenues of \$4.9 billion for the year. Total EBIT excluding Pacific National equity accounted earnings and excluding amortisation of intangibles, for the year was \$380 million compared to \$249 million previously, an increase of 53%. This includes the consolidation of the Patrick acquisition and Pacific National from 10 May 2006 and SembCorp Logistics from 20 March 2006.

Toll Managing Director Paul Little said the record result was a remarkable achievement in a year when the Group underwent significant change.

"Toll has successfully completed two major, company changing acquisitions and at the same time grown our core businesses.

"This achievement is a credit to the Toll team who have proven the strength of the company's service offering and customer relationships, which will continue as the Group moves forward as a global scale logistics operation," Mr Little said.

Mr Little said excellent organic revenue and earnings growth would continue to be a feature of the business.

"Toll's highly integrated logistics solutions coupled with our commitment to invest in key assets and infrastructure will mean lower long term costs for customers as supply chains achieve greater efficiency."

Divisions

In Australia, operations excluding contributions from Pacific National grew revenues to \$3.5 billion reflecting underlying organic growth of 9%. At the same time, EBIT grew 25% to \$235 million, with EBIT margins rising from 5.90% to 6.64%.

The company improved earnings across all Australian divisions, benefiting from increased technology and new business and at the same time expanded capacity through investment in new warehousing, fleet and terminal facilities.

Toll New Zealand

In New Zealand, worsening economic conditions and a softening exchange rate dampened what was otherwise strong progress in developing the business.

The EBIT contribution from Toll New Zealand was \$60.6 million compared to \$59.6 million in the previous year. Recent volumes suggest an emergence of an improvement in economic activity.

Pacific National

Pacific National had a difficult year due to a number of one off items, poor grain shipments and in part to the distraction of the Patrick takeover and defence strategy which destabilised the board and the business generally.

Performance is improving given the strength of the underlying operation and following the introduction of improved management and leadership.

Pacific National generated revenues of \$1.48 billion for the year, an increase of 8% over the prior year, whilst EBIT on a 100% basis was \$142.8 million, including a number of one-off costs compared to \$183.5 million in the prior year.

SembCorp Logistics

Toll's major Asian based logistics acquisition, SembCorp Logistics, performed in line with expectations and contributed revenues of \$111 million and after tax earnings of \$8.2 million in the period from acquisition.

The integration of the SembCorp Logistics operations - to be renamed Toll Asia in October 06 - is well advanced and is attracting much attention from our customer base who are increasingly seeking cross-border logistics solutions.

Patrick

The Patrick port, rail and logistics operations were consolidated from 10 May 2006 and all performed in line with expectations and results.

The new management structure is now bedded down and major integration projects are progressing well. These operations generated revenue of \$231 million and after tax earnings of \$23.5 million for the period.

Virgin Blue Australia

As expected, Virgin Blue results were affected by seasonal factors during the period since acquisition and contributed net earnings after minority interests of \$0.7 million for the seven week period to 30 June 2006.

ACCC

The company is progressing well with planned asset divestures arising from undertakings given to the ACCC.

Whilst the undertakings are significant from a competition viewpoint, they do not distract from the ability of the Toll Group to provide customers with a highly efficient integrated service proposition.

Finance

The company remained in a strong position at balance date with net debt to net debt plus equity at 46%. Net debt including consolidation of Patrick, Pacific National and Virgin Blue debt stood at \$5.2 billion. Net debt is planned to reduce significantly in the next six months following asset divestments.

Earnings per share fully diluted pre-amortisation of intangibles was 66.7 cents for the year compared to 62.7 cents AIFRS adjusted last year.

Dividend

Toll has announced a final dividend of 17 cents per share, bringing the dividend for the year to 31 cents compared to 26.5 cents last year, an increase of 17%.

Outlook

The acquisition of SembCorp and Patrick have now positioned Toll as a leading, global scale integrated transport and logistics provider with a crucial footprint into key Asian markets.

The growth opportunities and the Group's new capabilities have already generated significant customer interest and activity from both existing and new clients.

The integration of the businesses is already well progressed with major cost synergies ahead of initial projections.

Mr Little said Toll's strategy of developing further important infrastructure and investing in efficient, profitable capacity and capabilities across its operations remains a key focus.

"Toll is excellently positioned to drive long term value for our shareholders as the transformation of our industry and our operations continues at a rapid pace," Mr Little said.

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ASX Appendix 4E Preliminary Final Report

Name of Entity	Toll Holdings Limited
ABN	25 006 592 089
Reporting Period	Year ended 30 June 2006
Previous Corresponding Period	Year ended 30 June 2005

Results for Announcement to the Market

Revenues from ordinary activities	up 30% to \$4.894 billion
Profit / (loss) from ordinary activities after tax attributable to members	up 19% to \$231 million
Net profit / (loss) for the period attributable to members	up 19% to \$231 million

Dividends (cents per share)

	Amount	Franked Amount
Final dividend	17.0	17.0
Interim dividend	14.0	14.0

Record date for determining entitlements to the dividend is 8 September 2006.

Date dividend is payable 29 September 2006.

Net tangible asset backing per ordinary share \$nil (2005 \$3.292).

The Company has a Dividend Reinvestment Plan. Shares are issued at a discount of 2.5% to the weighted average market price for the five business days, up to and including the books close date. The last date for receipt of election notices for the Plan is 8 September 2006.

The accounts are in the process of being audited.

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
 Financial Information for the Year Ended 30 June 2006

INCOME STATEMENTS

	Note	Consolidated	
		2006 \$M	2005 \$M
Revenue	2	4,901	3,782
Other income	3	25	25
Direct transport and logistics costs		(1,800)	(1,638)
Repairs and maintenance costs		(172)	(99)
Employee benefits expense		(1,436)	(1,098)
Fuel, oil and electricity costs		(344)	(120)
Occupancy and property costs		(210)	(143)
Depreciation and amortisation expense	4	(190)	(126)
Other operating costs		(419)	(348)
Results from operating activities		<u>355</u>	<u>235</u>
Share of profit of associates and joint ventures	23	34	49
Profit before net financing costs and income tax expense		<u>389</u>	<u>284</u>
Financial income		16	5
Financial expenses		(104)	(33)
Net financing costs		<u>(88)</u>	<u>(28)</u>
Profit before income tax expense		<u>301</u>	<u>256</u>
Income tax expense		(58)	(56)
Profit for the year		<u>243</u>	<u>200</u>
Attributable to :			
Equity holders of the parent		231	195
Minority interests		12	5
Profit for the year		<u>243</u>	<u>200</u>
Basic earnings per share for profit attributable to the ordinary equity holders of the company	6	63.76 ¢	55.08 ¢
Diluted earnings per share for profit attributable to the ordinary equity holders of the company	6	63.30 ¢	54.55 ¢

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
 Financial Information for the Year Ended 30 June 2006

STATEMENTS OF RECOGNISED INCOME AND EXPENSES

	Note	Consolidated 2006 \$M	2005 \$M
Retained earnings			
Recognised directly in retained earnings:			
Actuarial gains / (losses) in defined benefit superannuation plans		9	-
Share of associate's actuarial gains / (losses) in defined benefit superannuation plans		6	(10)
Foreign currency translation reserve			
Foreign exchange translation differences		(53)	(2)
Net gain / (loss) on hedge of net investment in foreign subsidiaries		16	1
Hedging reserve			
Effective portion of changes in fair value of cash flow hedges		27	-
Asset revaluation reserve			
Revaluation of assets - revaluation of associate on gaining control		181	-
Revaluation of listed securities		3	-
Net income recognised directly in equity		189	(11)
Profit after tax for the year		243	200
Total recognised income and expense for the year		432	189
Attributable to :			
Equity holders of the parent	22	411	184
Minority interest	22	21	5
Total recognised income and expense for the year		432	189
Effect of change in accounting policy			
Effect of adoption of AASB 132 and AASB 139 on 1 July 2005 (with 30 June 2005 not restated)			
Net decrease in retained earnings			
Accrued interest on Reset Preference Shares	28	(2)	-
Effective interest on Reset Preference Shares establishment costs	28	(2)	-
Net decrease in retained earnings		(4)	-
Revaluation of listed securities	28	(3)	-

The amounts recognised directly in equity are disclosed net of tax.

Other movements in equity arising from transactions with owners as owners are set out in note 22.

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
Financial Information for the Year Ended 30 June 2006

BALANCE SHEETS

	Note	Consolidated 2006 \$M	2005 \$M
Current Assets			
Cash and cash equivalents	8	1,208	152
Receivables	9	1,031	420
Inventories	10	88	17
Investments	13	21	-
Assets classified as held for sale	5	132	25
Prepayments		169	25
Other financial assets	11	16	-
Total Current Assets		2,665	639
Non-Current Assets			
Receivables	9	73	46
Investments accounted for using the equity method	12	313	438
Investments	13	26	159
Property, plant and equipment	14	4,945	953
Intangible assets	15	6,627	185
Deferred tax assets		3	19
Prepayments		7	5
Other financial assets	11	11	-
Total Non-Current Assets		12,005	1,805
TOTAL ASSETS		14,670	2,444
Current Liabilities			
Payables	16	1,401	363
Interest bearing liabilities	17	4,469	216
Current tax liabilities		31	39
Provisions	19	364	182
Liabilities classified as held for sale	5	10	-
Other financial liabilities	20	9	6
Total Current Liabilities		6,284	806
Non-Current Liabilities			
Interest bearing liabilities	17	1,889	246
Deferred tax liabilities		182	27
Provisions	19	277	76
Other financial liabilities	20	19	17
Total Non-Current Liabilities		2,367	366
TOTAL LIABILITIES		8,651	1,172
NET ASSETS		6,019	1,272
Equity			
Contributed equity	21	4,944	809
Treasury shares	22	(10)	(11)
Reserves	22	178	13
Retained earnings	22	566	422
Total equity attributable to equity holders of the parent		5,678	1,233
Minority interests	22	341	39
TOTAL EQUITY		6,019	1,272

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
Financial Information for the Year Ended 30 June 2006

STATEMENTS OF CASH FLOW

	Consolidated	
	2006	2005
	\$M	\$M
Cash flows from operating activities		
Cash receipts in the course of operations	5,410	4,168
Cash payments in the course of operations	(4,783)	(3,789)
Cash generated from operations	627	379
Restructure costs paid	(10)	(9)
Interest received	16	5
Dividends received from associates	6	2
Dividends and distributions received from others	10	2
Dividends paid to holders of reset preference shares	(16)	-
Interest and other costs of finance paid (excluding reset preference shares)	(48)	(27)
Income taxes paid	(65)	(34)
Net cash inflow/(outflow) from operating activities	520	318
Cash flows from investing activities		
Payment for entities and businesses, net of cash acquired	(2,415)	(11)
Payment for property, plant and equipment	(383)	(234)
Third party capital contributions	5	-
Proceeds on disposal of business	5	-
Proceeds from sale of property, plant and equipment	52	105
Proceeds from sale of listed securities	29	7
Payment for listed securities	(11)	(156)
Loans advanced to other entities	(6)	(6)
Proceeds from repayment of loans with other entities	15	1
Net cash inflow/(outflow) from investing activities	(2,709)	(294)
Cash flows from financing activities		
Proceeds from other borrowings	3,948	386
Repayment of borrowings	(637)	(346)
Dividends paid – ordinary shares	(69)	(48)
Dividends paid – reset preference shares	-	(16)
Dividends paid to minority interest	(1)	-
Proceeds from share issue	4	50
Net cash inflow/(outflow) from financing activities	3,245	26
Net increase/(decrease) in cash held	1,056	50
Cash at the beginning of the financial year	152	102
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	-	-
Cash at the end of the financial year	1,208	152

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
 Financial Information for the Year Ended 30 June 2006

1. SEGMENT INFORMATION

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

Business Segment - 2006	Networks	Toll North	Logistics	Toll NZ	Patrick	Pacific National	SembLog	Virgin Blue	Elimination	Consolidated
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Revenue										
Revenue from external customers	1,537	772	1,220	607	231	171	111	252	-	4,901
Inter-segment revenue	128	35	129	-	4	47	-	-	(343)	-
Total Segment Revenue	1,665	807	1,349	607	235	218	111	252	(343)	4,901
Result										
Segment Result	116	35	84	61	35	23	7	3	-	364
Share of net profit of equity accounted investment – Pacific National										25
Net financing costs										(88)
Profit before tax										301
Income tax expense										(58)
Profit for the year										243
Depreciation and amortisation	26	17	43	47	19	18	8	12	-	190

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
 Financial Information for the Year Ended 30 June 2006

1. SEGMENT INFORMATION (CONTINUED)

Business Segment - 2005	Networks	Toll North	Logistics	Toll NZ	Patrick	Pacific National	SembLog	Virgin Blue	Elimination	Consolidated
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Revenue										
Revenue from external customers	1,366	641	1,169	606	-	-	-	-	-	3,782
Inter-segment revenue	187	33	8	-	-	-	-	-	(228)	-
Total Segment Revenue	1,553	674	1,177	606	-	-	-	-	(228)	3,782
Result										
Segment Result	84	27	75	60	-	-	-	-	-	246
Share of net profit of equity accounted investment – Pacific National										47
Net financing costs										(28)
Profit before tax and significant items										265
Income tax expense (pre-significant items)										(66)
Individually significant items (net of tax)										1
Profit for the year										200
Depreciation and amortisation	36	13	32	45	-	-	-	-	-	126

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
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1. SEGMENT INFORMATION (Continued)

Business Segment - 2006	Networks	Toll North	Logistics	Toll NZ	Patrick	Pacific National	SembLog	Virgin Blue	Discontinued Operations	Consolidated
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Assets										
Segment assets	507	152	446	640	5,940	3,340	1,127	1,916	132	14,200
Equity accounted investments										313
Unallocated corporate assets										157
Consolidated Total Assets										14,670
Liabilities										
Segment liabilities	200	91	169	363	1,130	1,189	179	1,310	10	4,641
Unallocated corporate liabilities										4,010
Consolidated Total Liabilities										8,651
Acquisition of Non-Current Assets	55	33	44	82	33	25	2	109	-	383
Business Segment - 2005	Networks	Toll North	Logistics	Toll NZ	Patrick	Pacific National	SembLog	Virgin Blue	Discontinued Operations	Consolidated
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Assets										
Segment assets	491	167	345	619	-	-	-	-	-	1,622
Equity accounted investments										438
Unallocated corporate assets										384
Consolidated Total Assets										2,444
Liabilities										
Segment liabilities	216	73	138	366	-	-	-	-	-	793
Unallocated corporate liabilities										379
Consolidated Total Liabilities										1,172
Acquisition of Non Current Assets	62	28	81	63	-	-	-	-	-	234

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
Financial Information for the Year Ended 30 June 2006

1. SEGMENT INFORMATION (Continued)

Geographical Segments – 2006

	Australia \$M	New Zealand \$M	Asia \$M	Consolidated \$M
External revenue by location	4,102	671	128	4,901
Segment assets by location of assets	12,579	708	1,383	14,670
Acquisition of non-current assets	295	85	3	383

Geographical Segments – 2005

	Australia \$M	New Zealand \$M	Asia \$M	Consolidated \$M
External revenue by location	3,095	667	20	3,782
Segment assets by location of assets	1,741	693	10	2,444
Acquisition of non-current assets	171	62	1	234

As a result of the acquisitions described in note 24 the identification of segments has been re-assessed and changed from the prior year. The comparative information has been restated to reflect this change. Business segments remain the primary segment reporting. The Group comprises the following main business segments, based on management reporting systems:

Networks	- Longhaul forwarding and express services by road, rail, sea and air.
Toll North	- Provider of time-certain distribution between major cities and regional centres of Queensland and Northern Territory.
Logistics	- Provider of industry focused supply chain solutions.
Toll NZ	- Provider of integrated road, rail and sea services in New Zealand.
Patrick	- Loading and unloading of ships and the efficient land based collection, distribution and storage of cargo for import, export and within Australia
Pacific National	- Provides freight and related terminal services by rail across Australia
SembLog	- Integrated logistics business, providing supply chain management solutions focusing on six sectors, consumer, retail, healthcare, automotive, high tech and industrial in Asia
Virgin Blue	- Air passenger operations

The consolidated entity operates in the following geographical segments:

Australia	- Home country of the parent entity, with operations in all major areas of the transport and logistics sector
New Zealand	- Comprises operations in all major areas of the transport and logistics sector.
Asia	- Comprises integrated logistics business providing supply chain management solutions in a number of Asian countries.

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

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
 Financial Information for the Year Ended 30 June 2006

2. REVENUE

	Consolidated	
	2006	2005
	\$M	\$M
Operating revenue		
Transport and logistics services rendered	4,894	3,778
Other revenue		
Rental revenue	7	4
Total revenue	<u>4,901</u>	<u>3,782</u>

3. OTHER INCOME

Dividend income		
- Other parties	3	1
Distribution from trust	1	1
Government grants	18	20
Net gain on disposal of business	3	-
Net gain on disposal of property, plant and equipment	-	3
Total other income	<u>25</u>	<u>25</u>

4. EXPENSES

Profit before income tax includes the following specific expenses:

Depreciation		
Buildings	3	3
Leasehold improvements	8	4
Plant and equipment	155	109
Leased plant and equipment	1	1
	<u>167</u>	<u>117</u>
Amortisation		
Right of way	1	1
Software & technology	7	8
Customer contracts & relationships	15	-
	<u>23</u>	<u>9</u>

5. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets held for sale

Land and buildings	15	25
Acquired assets held for sale	110	-
Investments accounted for using the equity method	7	-
	<u>132</u>	<u>25</u>

Liabilities held for sale

Acquired liabilities held for sale	10	-
	<u>10</u>	<u>-</u>

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
Financial Information for the Year Ended 30 June 2006

5. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONTINUED)

Discontinued Operations

Patrick Bass Strait Shipping Business

On 10 May 2006, the Group acquired a controlling interest in the issued share capital of Patrick Corporation Limited ("Patrick"). As part of the acquisition, the parent entity agreed to carry out key undertakings with the ACCC, including the divestment of the Patrick Bass Strait Shipping business (refer note 26). An invitation to register an expression of interest in the operations was issued and all expressions of interest lodged with the company on 20 July 2006. No final bids have been submitted at the date of this report.

The business has been classified as held for sale. The profit contributed to the Group result since acquisition is not material.

Patrick Tasmania Freight Forwarding Business

On 10 May 2006, the Group acquired a controlling interest in the issued share capital of Patrick. As part of the acquisition, the parent entity agreed to carry out key undertakings with the ACCC, including the divestment of the Patrick Tasmania Freight Forwarding business (refer note 26). An invitation to register an expression of interest in the operations was issued and all expressions of interest lodged with the company on 20 July 2006. No final bids have been submitted at the date of this report.

The business has been classified as held for sale. The profit contributed to the Group result since acquisition is not material.

PrixCar Services Pty Ltd

PrixCar Services Pty Ltd is an equity accounted associate entity. As part of the acquisition of Patrick, the Group agreed to carry out key undertakings with the ACCC, including the divestment of its investment in PrixCar Services Pty Ltd (refer note 26).

The investment has been classified as held for sale. The profit contributed to the Group result is not material.

6. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share as at 30 June 2006 was based on the profit attributable to ordinary shareholders of \$231m (2005: \$179m) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2006 of 362 m (2005: 325m), calculated as follows:

	Consolidated 2006 \$M	2005 \$M
Profit attributable to ordinary shareholders		
Profit for the period attributable to ordinary shareholders	231	195
Reset preference share dividend	-	(16)
	<hr/> 231	<hr/> 179
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	330	321
Effect of shares issued during the year	32	4
	<hr/> 362	<hr/> 325

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
Financial Information for the Year Ended 30 June 2006

6. EARNINGS PER SHARE (CONTINUED)

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2006 was based on profit attributable to ordinary shareholders of \$231m (2005: \$179m) and a weighted average number of ordinary shares outstanding during the year the year ended 30 June 2006 of 365m (2005: 328m), calculated as follows:

	Consolidated 2006 \$M	2005 \$M
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares at 30 June	362	325
Effect of share options on issue	3	3
Weighted average number of ordinary shares (diluted) at 30 June	365	328
Basic earnings per share - ordinary shares	63.76¢	55.08¢
Diluted earnings per share - ordinary shares	63.30¢	54.55¢

7. DIVIDENDS PAID AND DECLARED

	Cents per share	Total (\$M)	Franked / Unfranked	Payment Date
Dividends provided or paid by the Company during the year:				
Ordinary Shares				
2006				
2005 Final Dividend recognised when declared during year	15.5	52	Franked (ii)	30/09/2005
2006 Interim Dividend	14.0	46	Franked (i)	24/03/2006
		98		
2005				
2004 Final Dividend recognised when declared during year	12.0	38	Franked (ii)	30/09/2004
2005 Interim Dividend	11.0	36	Franked (ii)	24/03/2005
		74		
Reset Preference Shares				
2006				
Half Yearly Dividend (6.2%)		-	Franked (i)	11/11/2005
Half Yearly Dividend (6.2%)		-	Franked (i)	11/05/2006
2005				
Half Yearly Dividend (6.2%)		8	Franked (ii)	11/11/2004
Half Yearly Dividend (6.2%)		8	Franked (ii)	11/05/2005

From 1 July 2005, reset preference share dividends have been accounted for as interest expense (refer note 28).

Franked dividends declared or paid during the year were franked at the tax rate of 30%. All dividends were fully franked.

- (i) Paid out of AIFRS profits
- (ii) Paid out of old AGAAP profits

Subsequent Events

After the balance sheet date the directors declared the following dividend. The dividends have not been provided. The declaration and subsequent payment of dividend has no income tax consequences:

Final Dividend	17.0	104	Franked (i)	30/09/2006
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The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2006 and will be recognised in subsequent financial reports.

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
Financial Information for the Year Ended 30 June 2006

7. DIVIDENDS PAID AND DECLARED (CONTINUED)

	Consolidated	
	2006	2005
	\$M	\$M
Dividend franking account		
Net Class C (30%) franking credits (2005: 30%) available to shareholders of the parent entity for subsequent financial years	147	46

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 provision for current income tax
- (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
- (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 declare dividends. The impact on the dividend franking account of dividends declared after the balance sheet date but not recognised as a liability is to reduce it by \$45m (2005: \$22m).

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 2006 and 30 June 2005 were as follows:

Paid in cash – ordinary shares	69	48
Paid in cash – reset preference shares	-	16
Total dividends paid in cash	69	64
Satisfied by issue of shares	29	25
Satisfied by reduction in employee share plan loans	-	-
	98	89

8. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	491	152
Deposits at call	717	-
	1,208	152

9. RECEIVABLES

CURRENT

Trade receivables	834	370
Allowance for impairment losses	(25)	(12)
	809	358
Other receivables	222	62
	1,031	420

NON-CURRENT

Loans to associates	41	27
Other receivables	26	19
Other loans	6	-
	73	46

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
 Financial Information for the Year Ended 30 June 2006

10. INVENTORIES

	Consolidated	
	2006	2005
	\$M	\$M
Stores and materials	65	17
Finished goods at net realisable value	23	-
	<u>88</u>	<u>17</u>

11. OTHER FINANCIAL ASSETS

CURRENT

Derivative financial instruments	16	-
	<u>16</u>	<u>-</u>

NON-CURRENT

Derivative financial instruments	3	-
Other cash deposits	8	-
	<u>11</u>	<u>-</u>

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

NON-CURRENT

Associates and joint ventures	313	438
	<u>313</u>	<u>438</u>

13. INVESTMENTS

CURRENT

Investments in other entities

Listed shares – at market value	21	-
	<u>21</u>	<u>-</u>

NON-CURRENT

Investments in other entities

Listed shares – at cost	-	155
Unlisted shares – at cost	26	4
	<u>26</u>	<u>159</u>

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land \$M	Buildings \$M	Leasehold Improvements \$M	Plant and Equipment \$M	Leased Plant and Equipment \$M	Capital Work in Progress \$M	Total \$M
Cost	397	389	673	4,743	34	335	6,571
Accumulated depreciation	-	(42)	(204)	(1,366)	(14)	-	(1,626)
Balance at 30 June 2006	<u>397</u>	<u>347</u>	<u>469</u>	<u>3,377</u>	<u>20</u>	<u>335</u>	<u>4,945</u>
Cost	22	118	54	1,100	11	55	1,360
Accumulated depreciation	-	(11)	(28)	(359)	(9)	-	(407)
Balance at 30 June 2005	<u>22</u>	<u>107</u>	<u>26</u>	<u>741</u>	<u>2</u>	<u>55</u>	<u>953</u>

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
Financial Information for the Year Ended 30 June 2006

15. INTANGIBLE ASSETS

	Goodwill \$M	Software & Technology \$M	Right of Way \$M	Customer Contracts & Relationships \$M	Other Intangibles \$M	Total \$M
Cost	5,659	336	50	615	38	6,698
Accumulated amortisation	-	(53)	(2)	(15)	(1)	(71)
Balance at 30 June 2006	<u>5,659</u>	<u>283</u>	<u>48</u>	<u>600</u>	<u>37</u>	<u>6,627</u>
Cost	103	43	56	-	-	202
Accumulated amortisation	-	(15)	(2)	-	-	(17)
Balance at 30 June 2005	<u>103</u>	<u>28</u>	<u>54</u>	<u>-</u>	<u>-</u>	<u>185</u>

16. PAYABLES

	Consolidated	
	2006	2005
	\$M	\$M
CURRENT		
Trade creditors	329	118
Other creditors and accruals	816	245
Unearned revenue	256	-
	<u>1,401</u>	<u>363</u>

17. INTEREST BEARING LIABILITIES

CURRENT		
Term and other loans	4,468	213
Lease liabilities	1	3
Hire purchase liabilities	-	-
	<u>4,469</u>	<u>216</u>
NON CURRENT		
Reset preference shares (note 18)	249	-
Term and other loans	1,637	245
Lease liabilities	2	-
Hire purchase liabilities	1	1
	<u>1,889</u>	<u>246</u>

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
Financial Information for the Year Ended 30 June 2006

18. RESET PREFERENCE SHARES

	Consolidated	
	2006	2005
	\$M	\$M
2,500,000 Reset Preference Shares	249	246
	<u>249</u>	<u>246</u>

The reset preference shares were classified as equity under previous GAAP. Due to the change in the definition of a financial liability under AIFRS, the reset preference shares are classified as a liability (refer note 28).

19. PROVISIONS

CURRENT

Restructure	24	12
Redundancy	37	-
Employee entitlements	215	116
Workers compensation	19	16
Aircraft maintenance	12	-
Other	57	38
	<u>364</u>	<u>182</u>

NON-CURRENT

Employee entitlements	131	38
Workers compensation	52	27
Aircraft maintenance	29	-
Defined benefit superannuation plan	23	-
Other	42	11
	<u>277</u>	<u>76</u>

20. OTHER FINANCIAL LIABILITIES

CURRENT

Derivative financial instruments	4	-
Other	5	6
	<u>9</u>	<u>6</u>

NON-CURRENT

Other	19	17
	<u>19</u>	<u>17</u>

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
Financial Information for the Year Ended 30 June 2006

21. CONTRIBUTED EQUITY

	Consolidated 2006	2005
	\$M	\$M
<u>Share Capital</u>		
624,304,050 ordinary shares fully paid (2005 – 330,171,887)	4,944	563
<u>Other Contributed Equity</u>		
2,500,000 Reset Preference Shares (refer note 28)	-	246
Total issued capital (refer note 22)	<u>4,944</u>	<u>809</u>

- (a) Effective 1 July 1988, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, Toll Holdings Limited does not have authorised capital or par value in respect of its issued shares.
- (b) Toll Holdings Limited has an established Dividend Reinvestment Plan, for the purpose of providing shareholders the opportunity to apply dividends paid or declared by the Company in subscribing for shares rather than receiving those dividends in cash. Shares are issued under the plan currently at a 2.5 % (2005: 2.5%) discount to the weighted average market price over the five business days immediately after the transfer books close date for the purposes of the dividend payment.
- (c) Movements in issued and paid up ordinary share capital of the Toll Holdings Limited during the year were as follows:

Date	Details	Number of Shares	Issue Price \$	Contributed Equity \$M
1/07/05	Opening Balance	330,171,887		563
30/09/05	Dividend Reinvestment Plan	1,175,928	13.21	16
24/03/06	Dividend Reinvestment Plan	1,175,945	11.26	13
Various	Share Option Exercise	542,200	6.75	4
Various	Allotment pursuant to the takeover of Patrick	<u>291,238,090</u>	Various	<u>4,348</u>
30/6/06	Closing Balance	<u>624,304,050</u>		<u>4,944</u>

Included in the allotment pursuant to the takeover of Patrick is 11,334,193 shares which were compulsorily acquired on 1 July 2006.

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
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22. CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves

	Contributed Equity \$M	Treasury Shares \$M	Retained Earnings \$M	Other Reserves \$M	Total \$M	Minority Interests \$M	Total Equity \$M
Balance at 1 July 2005	809	(11)	422	13	1,233	39	1,272
Impact of adoption of AASB 139 <i>Financial Instruments: Recognition and Measurement</i>	(246)	-	(4)	(3)	(253)	-	(253)
Total income and expense for the year recognised directly in equity	-	-	246	165	411	21	432
Dividend re-investment plan	29	-	-	-	29	-	29
Exercise of share options	4	-	-	-	4	-	4
Share option expense	-	-	-	2	2	-	2
Allotment pursuant to the acquisition of Patrick	4,348	-	-	-	4,348	-	4,348
Repayments of treasury shares	-	1	-	-	1	-	1
Dividends to shareholders - ordinary	-	-	(98)	-	(98)	-	(98)
Acquired minority interest	-	-	-	-	-	281	281
Balance at 30 June 2006	4,944	(10)	566	178	5,678	341	6,019
Balance at 1 July 2004	723	(1)	328	6	1,056	35	1,091
Total income and expense for the year recognised directly in equity	-	-	185	(1)	184	5	189
Contributions of equity	23	-	-	-	23	-	23
Dividend re-investment plan	25	-	-	-	25	-	25
Employee share ownership plan	11	(11)	-	-	-	-	-
Exercise of shares options	26	-	-	-	26	-	26
Share option expense	-	-	-	8	8	-	8
Repayments of treasury shares	-	1	-	-	1	-	1
Dividends to shareholders - ordinary	-	-	(74)	-	(74)	-	(74)
Dividends to shareholders – reset preference shares	-	-	(16)	-	(16)	-	(16)
Other transactions	-	-	-	-	-	(1)	(1)
Balance at 30 June 2005	809	(11)	422	13	1,233	39	1,272

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23. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Results of associates and joint ventures

	Consolidated	
	2006	2005
	\$'000	\$'000
Share of associates and joint ventures profit from ordinary activities before income tax	47	69
Share of associates and joint ventures income tax attributable to profit from ordinary activities	(14)	(21)
Share of associates and joint ventures net profit	33	48
Adjustments	1	1
Share of associates and joint ventures net profit accounted for using the equity method	34	49

Details of investments in associates and joint ventures are as follows:

Name	Country	Note	Ownership	Ownership
			2006	2005
			%	%
PrixCar Services Pty Ltd	Australia		33	33
Zari Haulage Sdn Bhd	Malaysia		45	45
Queensland Commodity Exports Pty Ltd	Australia		33	-
Polynesian Blue Limited	Samoa		31	-
Macquarie Textile Holdings Pty Ltd	Australia		34	-
Kaplan Partners Pty Limited	Australia		19	-
Unibulk Pty Ltd	Australia		33	-
BES Technology Pte Ltd	Singapore		35	-
CWT-SML Logistics LLC	United Arab Emirates		30	-
DGM Support (Asia) Pte Ltd	Singapore		35	-
Katoen Natie SembCorp Pte Ltd	Singapore		49	-
KPN-ST Logistics Co. Ltd	Thailand		46	-
Sembawang Kimtrans Ltd	Singapore		26	-
SembCorp-Translink Parami Logistics Ltd	Myanmar		30	-
Shenyang-SML International Distripark Ltd	China		49	-
Shenzen-Chiwan Petroleum Supply Base Company Limited	China		16	-
SOPS Limited Liability Company	Azerbaijan		32	-
ST-KN Pte Ltd	Singapore		49	-
UCM Oil-Tex Threading Ltd	Thailand		29	-
Zerust Singapore Pte Ltd	Singapore		30	-
Zuellig Insurance Brokers Pte Ltd	Singapore		49	-
Footwork Express Co. Ltd	Japan		38	-
Pacorini-Semblog (Asia Pacific) Pte Ltd	Singapore		50	-
SembCorp Network Pte Ltd	Singapore		50	-
Minto Properties Pty Ltd	Australia		50	50
SeaHighway Pty Ltd	Australia		50	50
Pacific National Pty Ltd	Australia	a,b	-	50
Albany Bulk Handling Pty Ltd	Australia		50	50
Fremantle Link Services Pty Ltd	Australia	a	-	50
Tenix Toll Defence Logistics Pty Ltd	Australia		50	50
W.A.Grain Stevedores	Australia	a	-	50
Toll Owens Ltd	New Zealand		50	50
Metrobox Auckland Limited	New Zealand		50	50
Queensland Bulk Handling Pty Ltd	Australia		50	-
Australian Amalgamated Terminals Pty Ltd	Australia		50	-
Car Compounds of Australia Pty Ltd	Australia		50	-
Jet Turbine Services Pty Ltd	Australia		50	-
Complete e-Fulfilment Pty Ltd	Australia		50	-
1-Stop Connections Pty Ltd	Australia		50	-
Patrick Portlink (SA) Pty Ltd	Australia		50	-

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23. INVESTMENTS IN ASSOCIATES (CONTINUED)

Name	Country	Note	Ownership 2006 %	Ownership 2005 %
Patrick-Jalco Distribution Pty Ltd	Australia		50	-
Bulk Terminal Services Partnership	Australia		50	-
Ceylinco SembCorp Integrated Logistics (Pvt) Ltd	Sri Lanka		50	-
Cosem Pte Ltd	Singapore		50	-
Jurong Marine Services Pte Ltd	Singapore		50	-
Steri-Care Pte Ltd	Singapore		50	-
STLogiTrack Pte Ltd	Singapore		50	-

(a) Pursuant to the takeover of Patrick, these are now wholly owned subsidiaries of the consolidated entity.

(b) Pacific National Pty Ltd contributed \$25 million to the total share of profit from associates for the year before it became a wholly owned subsidiary (2005: \$47 million).

24. BUSINESS COMBINATIONS

Patrick Corporation Limited

(a) Summary of acquisition

On 10 May 2006 the Group obtained control of Patrick after acquiring 50.1% of its issued share capital. At year end the Group held 96.26% of Patrick's issued share capital. Subsequent to year end, effective 1 July 2006, the Group acquired the remaining 3.74% of issued capital (refer note 25).

Patrick is a transport logistics company specialising in the loading and unloading of ships and the efficient land based collection, distribution and storage of cargo for import, export and within Australia. Patrick is also the majority shareholder in Virgin Blue Holdings Ltd ("Virgin Blue"), an airline operator in the Australasian region, and owns a 50% interest in Pacific National Pty Ltd ("Pacific National"), a rail operator in Australia. As part of the acquisition, certain operations will be discontinued as soon as possible after the acquisition (refer note 5).

For the period from 11 May 2006 to 30 June 2006, Patrick (including Virgin Blue but excluding Pacific National) contributed revenues of \$483m and net profit after tax and minority interests of \$22m to the consolidated entity. As a result of the Patrick acquisition, Pacific National became a wholly owned subsidiary of the Group. For the period from 11 May 2006 to 30 June 2006, Pacific National contributed revenues of \$171m and net profit after tax and minority interests of \$12m to the consolidated entity.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

Purchase consideration (refer to (b) below)	\$M
Cash consideration – pursuant to takeover offer	2,184
– pre-bid stake	170
	<hr/> 2,354
Shares issued pursuant to takeover offer (refer note 21)	4,348
Direct costs relating to the acquisition	68
Dividend received treated as return of capital	(7)
Total purchase consideration	<hr/> 6,763
Fair value of net identifiable assets acquired (refer to (c) below)	<hr/> 1,664
Goodwill (refer to (c) below)	<hr/> <hr/> 5,099

24. BUSINESS COMBINATIONS (CONTINUED)

(b) Purchase consideration

Cash Paid

	\$M
Total cash paid/payable	2,354
Direct costs relating to the acquisition	68
Less cash balances acquired (note (i))	(633)
Outflow of cash to acquire subsidiary, net of cash acquired	<u>1,789</u>
Less: Amounts paid in the previous financial year	(147)
Less: Amounts unpaid at year-end	(129)
Net cash outflow as recorded in the statement of cash flows	<u><u>1,513</u></u>

(i) Cash acquired includes a balance of \$69m relating to Pacific National which became consolidated upon acquisition of Patrick. Previously Pacific National was equity accounted by both the Group and Patrick.

Shares issued

There were 291.2 million shares provided to Patrick shareholders based on 0.4 shares for each of the 728 million Patrick shares acquired. The value of these shares was determined based on the average share price applicable on the day of each incremental holding. This resulted in an average Toll share price of \$14.93 (refer to note 21).

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount \$M	Provisional Fair Value \$M
Cash	564	564
Receivables	291	291
Investments accounted for using the equity method	506	687
Inventories	10	10
Property, plant and equipment	2,050	2,193
Deferred tax asset	64	64
Prepayments	9	9
Intangible assets	61	426
Other assets	116	116
Payables	(525)	(525)
Interest bearing liabilities	(1,561)	(1,561)
Provisions	(161)	(161)
Deferred tax liability	(127)	(198)
Other liabilities	(7)	(7)
Net identifiable assets acquired	<u>1,290</u>	1,908
Minority interests		<u>(244)</u>
		1,664
Goodwill		<u>5,099</u>
Total net assets acquired		<u><u>6,763</u></u>

Included in the above table is an equity accounted investment in Pacific National. Following the acquisition of Patrick, Pacific National became a wholly owned subsidiary of the Group. As a result, this investment in Pacific National is eliminated on consolidation.

The fair value of assets and liabilities acquired are based on a discounted cash flow model. Due to the complexity and timing of this acquisition the fair values currently established are provisional and are subject to review during the year ending 30 June 2007.

24. BUSINESS COMBINATIONS (CONTINUED)

SembCorp Logistics Limited

(a) Summary of acquisition

On 20 March 2006, Toll (Asia) Pty Ltd (a wholly owned subsidiary of the Group) acquired control of SembCorp Logistics Limited (“Semblog”). Compulsory acquisition procedures were finalised on 10 July 2006 when the Group held 100% of the share capital of Semblog. At year end, the Group held 99.97% of the share capital.

Semblog is a leading Asian integrated logistics company, providing supply chain management solutions focusing on six sectors: consumer, retail, healthcare, automotive, high tech and industrial.

The acquired business contributed revenues of \$111m and net profit after tax and minority interest of \$4m to the consolidated entity for the period from 21 March 2006 to 30 June 2006.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

Purchase consideration (refer to (b) below)	\$M
Cash paid	1,180
Direct costs relating to the acquisition	3
Total purchase consideration	<u>1,183</u>
Fair value of net identifiable assets acquired (refer to (c) below)	<u>678</u>
Goodwill (refer to (c) below)	<u>505</u>

(b) Purchase consideration

Cash Paid	\$M
Cash consideration	1,180
Direct costs relating to the acquisition	3
Less cash balance acquired	<u>(313)</u>
Net cash outflow as recorded in the statement of cash flows	<u>870</u>

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount \$M	Provisional Fair Value \$M
Cash	313	313
Receivables	106	106
Investments accounted for using the equity method	125	255
Property, plant and equipment	71	81
Inventories	15	15
Investments	17	24
Intangible assets	-	122
Other assets	7	7
Payables	(95)	(95)
Interest bearing liabilities	(35)	(35)
Provisions	(20)	(20)
Deferred tax liability	-	(55)
Other liabilities	(2)	(2)
Net identifiable assets acquired	<u>502</u>	716
Minority interests		<u>(38)</u>
		678
Goodwill		<u>505</u>
Total net assets acquired		<u>1,183</u>

The fair value of assets and liabilities acquired are based on a discounted cash flow model. Due to the complexity and timing of this acquisition the fair values established are provisional and subject to review during the year ended 30 June 2007.

25. EVENTS SUBSEQUENT TO BALANCE DATE

Decision to dispose Toll Vehicle Distribution

In accordance with the ACCC undertakings given in regard to the acquisition of Patrick (refer note 26), a decision was made on 12 July 2006 to sell the Toll Vehicle Distribution business. Under the divestment process it is anticipated Toll Vehicle Distribution will be sold prior to February 2007.

Tax Consolidation

From 1 July 2006, Patrick and Pacific National have been included in the Toll tax consolidated group. The impacts of this are currently being assessed and will be subject to review during the year ended 30 June 2007.

Compulsory acquisition of remaining Patrick shares

At year end Toll Holdings Ltd held 96.26% of Patrick Corporation Limited issued share capital. The remaining 3.74% of shares were acquired via compulsory acquisition effective 1 July 2006.

Compulsory acquisition of remaining SembCorp Logistics shares

At year end Toll (Asia) Pty Ltd held 99.97% of SembCorp Logistics Limited issued share capital. The remaining 0.03% of shares were acquired via compulsory acquisition effective 10 July 2006.

Dividends

A final dividend of 17 cents per share has been declared by the directors.

26. UNDERTAKINGS TO ACCC

Pursuant to Undertakings given to the ACCC on 11 March 2006 in connection with regulatory clearance of the Group's acquisition of Patrick, the Group is divesting the following assets and businesses:

- 50% of its economic interest in Pacific National;
- Patrick's Bass Strait shipping business
- Patrick's Tasmanian freight-forwarding business
- Toll's vehicle transport business, and
- Toll's interest in Prixcar Services.

The Group has also undertaken to:

- (i) surrender Pacific National's lease of its terminal at North Dynon in Melbourne;
- (ii) offer to sell its rail siding at Minto in Sydney to the owner of the adjacent terminal; and
- (iii) make available a total of up to 3 trains and associated support services to operators wishing to commence rail linehaul services on the east-west corridor.

In addition, the Group has agreed to implement compliance regimes covering the east-west intermodal business of Pacific National and the capital city container ports to prevent price and/or service discrimination.

This is a summary only of the material terms of the Undertakings which have been given for a duration of five years. Full details of the Undertakings are available on the ACCC website www.accc.gov.au.

27. **EXPLANATION OF TRANSITION TO AIFRS**

In preparing its opening AIFRS balance sheet, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to AIFRSs has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following notes.

The significant changes in accounting policies adopted in preparing the AIFRS reconciliations and the elections made under AASB 1 are set out below.

(a) ***Reclassifications***

(i) **Interest bearing liabilities**

In order to reduce interest charges, the Group enters into various commercial bill acceptance facilities for periods under 12 months and regularly extends these for short terms at expiry. Under previous GAAP, these were classified as non-current where the Group had refinanced or rescheduled payment at the date of finalising the annual financial report.

Under AIFRS, a debt payable is treated as current if it is not contractually payable beyond 12 months from reporting date or if the term is less than 12 months and the entity does not have the absolute discretion to refinance or roll over the debts.

The Group, even though it does not have the absolute discretion, has historically been successful in rolling these debts for additional short terms. For the consolidated entity this results in \$253.0 million as at 1 July 2004 and \$185.7 million as at 30 June 2005 being reclassified from non-current interest bearing securities to current interest bearing securities.

(ii) **Equity / Treasury Shares**

In 1999, the Group introduced an employee share ownership plan (ESOP). This plan allows non-recourse, interest free loans to be provided to all employees as the Board may from time to time make offers to employees to acquire shares under the plan.

The shares are acquired in the name of the employee and each employee authorises and appoints the Secretary of the Company to act on their behalf. Any dividends paid on the shares by Toll Holdings Limited are used to repay the loan. If the employee leaves the employment of the Group, the loan balance must be repaid in full or the shares will be sold and the proceeds applied to settle the loan balance. As at 1 July 2004, \$1.3 million being the amount due on these shares is classified within Equity as Treasury Shares, whilst as at 30 June 2005 the balance is \$10.9 million for the consolidated entity.

(iii) **Assets held for resale**

Assets classified as held for sale are to be presented separately from other assets on the balance sheet. An asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use, the asset (or disposal group) is available for immediate sale in its current condition, and its sale is highly probable.

For the consolidated entity this results in \$24.5 million being reclassified from property, plant and equipment at 30 June 2005 and \$nil at 1 July 2004.

(iv) **Financial expenses**

Financial expenses for the year ended 30 June 2005 have been increased by \$4.2 million with a corresponding decrease in expenses representing the unwinding of the time value of money of discounted provisions.

(b) ***Property, plant and equipment.***

Property, plant and equipment is measured at cost under AIFRS and is consistent with previous GAAP.

Software assets have been reclassified from property, plant and equipment to intangible assets on transition to AIFRS. This has resulted in a reclassification of \$24.2 million in the consolidated entity as at 1 July 2004 and \$28.3 million as at 30 June 2005.

The Right of Way asset has also been reclassified from property, plant and equipment to intangible assets. This results in a reclassification of \$54.4 million in the consolidated entity as at 1 July 2004 and \$53.9 million as at 30 June 2005.

Under AIFRS, the gain or loss on the disposal of property, plant and equipment is recognised on a net basis as a gain or loss rather than separately recognising the consideration received as revenue. For the consolidated entity an amount of \$73.9 million been reclassified from revenue to expenses for the financial year ended 30 June 2005 representing proceeds on sales of property, plant and equipment. An amount of \$3m has been recognised in other income for the gain on sale of property, plant and equipment for the year ended 30 June 2005.

27. **EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)**

(c) **Business combinations**

As permitted by the election available under AASB 1, the classification and treatment of business combinations that occurred prior to transition date have not been restated in preparing the AIFRS balance sheet.

Business combinations that occurred on or after 1 July 2004 are restated to comply with AIFRS. No adjustments have been recorded for the Group.

Goodwill represents the difference between the cost of a business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. In respect of acquisitions prior to transition date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under AGAAP, adjusted for reclassification of other intangible assets not meeting the AIFRS recognition criteria. No reclassifications were required.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill has been allocated to cash generating units and is tested annually for impairment.

Negative goodwill arising on acquisition is recognised directly in profit and loss unless it is deemed to be a transaction with owners. Under previous GAAP, negative goodwill was allocated to the non-monetary assets acquired. As business combinations have not been restated there is no impact of this change in treatment on transition.

(d) **Amortisation of Intangibles**

Amortisation is recognised on a straight-line basis over the estimated useful lives of the intangible assets, unless such lives are indefinite. Goodwill and intangible assets with an indefinite life are not subject to amortisation but tested for impairment annually. Other intangible assets are amortised from the date they are available for use. Changes in useful life on transition to AIFRS are accounted for prospectively.

The estimated useful lives as at 1 July 2004 are as follows:

	AIFRS	Current AGAAP
Capitalised software	3 – 5 years	3 – 5 years
Goodwill	Indefinite	5 – 20 years
Right of Way	66 years	66 years

The impact on the profit for the year ended 30 June 2005 is an increase of \$10.9 million from the reversal of the goodwill amortisation for the consolidated entity.

(e) **Impairment**

Under previous GAAP the carrying amounts of non-current assets valued on a cost basis were reviewed at reporting date to determine whether they were in excess of their recoverable amount. If the carrying amount of a non-current asset exceeded its recoverable amount the asset was written down to the lower amount, with the write-down recognised in the income statement in the period in which it occurred. In assessing recoverable amounts, the relevant cash flows were not discounted to their present value.

Under AIFRS, the carrying amount of the consolidated entity's non-current assets, deferred tax assets, goodwill and indefinite life intangible assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset is tested for impairment by comparing its recoverable amount to its carrying amount.

Goodwill, which is not amortised under AIFRS, must be tested for impairment annually.

If there is any indication that an asset is impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs has to be determined.

A cash generating unit is the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or group of assets. Under AIFRS each cash-generating unit must be no larger than a segment.

An impairment loss is recognised whenever the carrying amount of an asset, or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless they relate to a revalued asset, where the impairment loss must be applied against the asset revaluation reserve.

Impairment losses recognised in respect of a cash generating unit are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit and then to reduce the carrying amount of the other assets in the unit pro rata based on their carrying amounts.

There are no adjustments for impairment on transition to AIFRS.

27. **EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)**

(f) Taxation

On transition to AIFRS the balance sheet method of tax effect accounting has been adopted, rather than the income statement liability method applied under previous GAAP.

Under the balance sheet approach, income tax on the profit and loss for the year comprises current and deferred taxes. Income tax is recognised in the income statement, 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 reporting date, and any adjustments to tax in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- (i) goodwill for which amortisation is not tax deductible;
- (ii) the initial recognition of assets and liabilities that affect neither accounting or taxable profit;
- (iii) differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date.

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

The impact on the consolidated entity at 1 July 2004 of the change in basis and the transition adjustments on the deferred tax balances and the previously reported tax expense is a decrease in deferred tax asset of \$13.1 million, a decrease in deferred tax liability of \$8.5 million, an increase in contributed equity of \$1.4 million and a decrease in retained earnings of \$6.0 million.

The impact of the change in basis on the tax expense for the financial year ended 30 June 2005 is an increase in income tax expense of \$21.8 million for the consolidated entity. Deferred tax assets and contributed equity have decreased by \$8.1 million and \$0.3 million respectively. Deferred tax liabilities of the consolidated entity have been increased by \$13.7 million as at 30 June 2005.

Included in the above adjustments to the consolidated entity at 1 July 2004 is a \$7.0 million benefit to income tax expense relating to the amendments to reset tax values initially determined on the implementation of tax consolidation. As this benefit to tax expense was accounted for under the previous GAAP in the year ended 30 June 2005, the adjustment under AIFRS at 1 July 2004 has been reversed in the subsequent period.

(g) Defined benefit superannuation plans

Under previous GAAP, defined benefit plans were accounted for on a cash basis, with no defined benefit obligation or plan assets recognised in the balance sheet.

Under AIFRS, the consolidated entity's net obligation in respect of defined benefit superannuation plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets are deducted.

As at transition, the Group had no major defined benefit plans, however an associate, Pacific National, is the sponsor of a defined benefit superannuation fund. The AASB 1 election to recognise in full actuarial gains and losses at transition date through retained earnings was adopted. At the date of transition, an amount of \$34.0 million was recognised as a liability of Pacific National with a consequential decrease in retained earnings. The Group has equity accounted 50% of its share of this deficit.

27. **EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)**

(h) ***Share based payments***

Under previous GAAP no expense was recognised for options issued to employees.

Under AIFRS the fair value of options granted is recognised as an employee benefit expense with a corresponding increase in contributed equity. The fair value is measured at grant date taking into account market performance conditions only, and is spread over the vesting period during which the employees become unconditionally entitled to the options. The fair value of options granted are measured using either the Binomial or Black Scholes method, taking into account the terms and conditions attached to the options. The amount recognised as an expense is adjusted to reflect the actual number of options that vest except where forfeiture is due to market related conditions.

No adjustment has been made for options granted before 7 November 2002, which have vested before 1 January 2005. Options granted after 7 November 2002, but remaining unvested at 1 January 2005 have been recognised in the opening balance sheet through retained earnings resulting in a \$nil impact on transition.

For the financial year ended 30 June 2005, the expense arising from the issue of executive share options has increased by \$3.7 million in the consolidated entity.

An employee share ownership plan (ESOP) exists within the consolidated entity. During the year ended 30 June 2005, an issue of shares was made to employees. This issue has been treated as an in-substance grant of options because of the limited recourse nature of the loans. The option valuation expense of these shares for the period has been calculated at \$3.9 million. Since there is no vesting period, there is no recurring expense for this item.

(i) ***Financial statements of foreign operations***

Under previous GAAP, the assets and liabilities of self-sustaining foreign operations were translated at the rates of exchange ruling at reporting date. Equity items and goodwill were translated at historical rates. The income statements were translated at a weighted average rate for the year. Exchange differences arising on translation were recognised directly in the foreign currency translation reserve until disposal of the operation, when it was transferred directly to retained earnings.

The assets and liabilities of operations that are integrated were translated using the temporal method. Monetary assets and liabilities were translated at rates of exchange at reporting dates, while non-monetary items and revenue and expense items were translated at exchange rates when the transaction occurred. Exchange differences arising on translation were brought to account in the statement of financial performance.

Under AIFRS each entity in the consolidated entity determines its functional currency, the currency of the primary economic environment in which the entity operates reflecting the underlying transactions, events and conditions that are relevant to the entity. The entity maintains its books and records in its functional currency.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated from the entity's functional currency to the consolidated entity's functional currency of Australian dollars at foreign exchange rates ruling at reporting date. The revenue and expenses of foreign operations are translated to Australian dollars at the exchange rates approximating the exchange rates ruling at the date of the transactions. Foreign exchange differences arising on translation are recognised directly in a separate component of equity.

There have been no changes in functional currency for the consolidated entity.

All foreign operations are translated into Australian dollars using the method described above. The concepts of self-sustaining and integrated operations do not exist in the AIFRS framework.

On disposal of a foreign operation, the amount recognised in the foreign currency translation reserve attributable to the foreign operation is included in the calculation of gain or loss on disposal and recycled through the current year income statement.

(j) ***Investments in Associates***

At the date of transition an amount of \$3.7 million has been recognised by the consolidated entity as an increase in investments and an increase in retained earnings of \$3.7 million representing net adjustments on the adoption of AIFRS.

For the year ended 30 June 2005, an amount of \$15.8 million was recognised as a decrease to investments, with \$5.4 million adjusted against the share of equity accounted profit of associates and \$10.4 million against retained earnings. The above movements are a result of acquisition accounting, accounting for tax and defined benefit superannuation plan adjustments.

(k) ***Provisions***

At transition date, employee entitlements have been increased by \$1.5 million to recognise the estimated amount payable for unvested sick leave.

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
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27. EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

Summary of transitional adjustments

The following tables set out the adjustments to the balance sheet of the consolidated entity at transition to AIFRS as at 1 July 2004 and for the AIFRS comparative balance sheet as at 30 June 2005:

Reconciliation at 1 July 2004

		CONSOLIDATED As at 1 July 2004		
	Note	AGAAP \$M	Transition Impact \$M	AIFRS \$M
Current Assets				
Cash and cash equivalent		102	-	102
Receivables		445	-	445
Inventories		16	-	16
Prepayments		32	-	32
Total Current Assets		595	-	595
Non-Current Assets				
Receivables	a	27	(1)	26
Investments accounted for using the equity method	j	398	4	402
Investments		10	-	10
Property, plant and equipment	b	1,009	(79)	930
Intangible assets	b	102	79	181
Deferred tax assets	f	24	(14)	10
Prepayments		10	-	10
Total Non-Current Assets		1,580	(11)	1,569
TOTAL ASSETS		2,175	(11)	2,164
Current Liabilities				
Payables		336	-	336
Interest bearing liabilities	a	6	253	259
Current tax liabilities		23	-	23
Provisions	k	180	1	181
Other financial liabilities		8	-	8
Total Current Liabilities		553	254	807
Non-Current Liabilities				
Interest bearing liabilities	a	413	(253)	160
Deferred tax liabilities	f	22	(9)	13
Provisions		72	-	72
Other financial liabilities		21	-	21
Total Non-Current Liabilities		528	(262)	266
TOTAL LIABILITIES		1,081	(8)	1,073
NET ASSETS		1,094	(3)	1,091
Equity				
Contributed equity	f	722	1	723
Treasury shares	a	-	(1)	(1)
Reserves		6	-	6
Retained earnings	f,j,k	329	(1)	328
Total parent entity interest		1,057	(1)	1,056
Minority interests		37	(2)	35
TOTAL EQUITY		1,094	(3)	1,091

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Financial Information for the Year Ended 30 June 2006

27. EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

Reconciliation at 30 June 2005

	Note	CONSOLIDATED As at 30 June 2005		AIFRS \$M
		AGAAP \$M	Transition Impact \$M	
Current Assets				
Cash and cash equivalent		152	-	152
Receivables		420	-	420
Inventories		17	-	17
Assets held for sale	a	-	25	25
Prepayments		25	-	25
Total Current Assets		614	25	639
Non-Current Assets				
Receivables	a	57	(11)	46
Investments accounted for using the equity method	j	450	(12)	438
Other financial assets		159	-	159
Property, plant and equipment	a,b	1,060	(107)	953
Intangible assets	b,d	92	93	185
Deferred tax assets	f	45	(26)	19
Prepayments		5	-	5
Total Non-Current Assets		1,868	(63)	1,805
TOTAL ASSETS		2,482	(38)	2,444
Current Liabilities				
Payables		363	-	363
Interest bearing liabilities	a	30	186	216
Current tax liabilities		39	-	39
Provisions	k	181	1	182
Other financial liabilities		6	-	6
Total Current Liabilities		619	187	806
Non-Current Liabilities				
Interest bearing liabilities	a	432	(186)	246
Deferred tax liabilities	f	26	1	27
Provisions		76	-	76
Other financial liabilities		17	-	17
Total Non-Current Liabilities		551	(185)	366
TOTAL LIABILITIES		1,170	2	1,172
NET ASSETS		1,312	(40)	1,272
Equity				
Contributed equity	f	808	1	809
Treasury shares	a	-	(11)	(11)
Reserves	h	5	8	13
Retained earnings	d,f,k,j	456	(34)	422
Total parent entity interest		1,269	(36)	1,233
Minority interests		43	(4)	39
TOTAL EQUITY		1,312	(40)	1,272

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
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27. EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

Reconciliation for the financial year ended 30 June 2005

The following table sets out the adjustments to the income statements of the consolidated entity for the year ended 30 June 2005

	Note	CONSOLIDATED		
		For the year ended 30 June 2005		
		AGAAP	Transition Impact	AIFRS
		\$M	\$M	\$M
Revenue	b	3,856	(74)	3,782
Other income	b	22	3	25
Expenses before financial expenses, depreciation and amortisation and income tax expense	a,b,h	(3,513)	67	(3,446)
Depreciation and amortisation	d	(137)	11	(126)
Share of net profits of associates and joint ventures	j	54	(5)	49
Results from operating activities		282	2	284
Financial income		5	-	5
Financial expenses	a	(29)	(4)	(33)
Profit before income tax expense		258	(2)	256
Income tax expense	f	(34)	(22)	(56)
Profit after income tax expense		224	(24)	200
Attributable to :				
Equity holders of the parent		217	(22)	195
Minority interests		7	(2)	5
Profit after income tax expense		224	(24)	200

Summary of impact of transition to AIFRS on retained earnings

The impact of the transition to AIFRS on retained earnings as at 1 July 2004 is summarised below:

	Note	Consolidated \$M
Retained earnings as at 1 July 2004 under AGAAP		329
AIFRS reconciliation:		
- impact of AIFRS adjustments in associates	j	4
- impact of taxation	f	(6)
- impact of employee benefits	k	(1)
- minority interests		2
Retained earnings as at 1 July 2004 under AIFRS		328

TOLL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
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28. CHANGES IN ACCOUNTING POLICY

In the current financial year the Group adopted AASB 132: Financial Instruments: Disclosure & Presentation and AASB 139: Financial Instruments: Recognition and Measurement. This change in accounting policy has been adopted in accordance with the transition rules contained in AASB 1, which does not require the restatement of comparative information for financial instruments within the scope of AASB 132 and AASB 139.

The adoption of AASB 139 has resulted in the Group recognising Reset Preference Shares as liabilities, revaluing listed securities to fair value and recording all derivative financial assets or liabilities at fair value. This change has been accounted for by adjusting the opening balance of equity (retained earnings, hedging reserve and asset revaluation reserve) at 1 July 2005.

The impact on the balance sheet in the comparative period is set out below as an adjustment to the opening balance sheet at 1 July 2005. The impact on the income statement of the comparative period would have been to increase financial expenses and decrease profit to the extent that cash flow hedges were not 100% effective, and to increase financial expenses and decrease dividends paid for the dividends on the reset preference shares. The transitional provisions do not have any effect in future reporting periods.

Reconciliation of opening balances affected by AASB 132 and 139 at 1 July 2005

	Note	1 July 2005 \$M	Effect of adoption \$M	Revised AIFRS \$M
Other financial assets	(a)	25	5	30
Investments	(b)	159	(4)	155
Deferred tax assets	(b)	19	1	20
Payables	(e)	(363)	(2)	(365)
Other financial liabilities	(a)	(6)	(5)	(11)
Interest bearing liabilities	(c),(d)	-	(248)	(248)
Contributed equity	(d)	(809)	246	(563)
Reserves	(b)	(13)	3	(10)
Retained earnings	(c),(e)	(422)	4	(418)

(a) Under previous GAAP, the consolidated entity did not recognise interest rate derivatives on the balance sheet. Instead gains and losses on the derivatives were deferred and included in the measurement of the anticipated transaction when the transaction occurred.

In accordance with AIFRS, all derivatives are recognised at fair value. The net effect on the consolidated entity at 1 July 2005 is to increase other financial liabilities by \$5.1 million and increase other financial assets by \$5.1 million.

(b) Under previous GAAP, the consolidated entity recorded listed securities at cost. In accordance with AIFRS, they are recognised at fair value.

The effect on the consolidated entity is to decrease other financial assets by \$4.4 million, decrease reserves by \$3.1 million and increase deferred tax assets by \$1.3 million at 1 July 2005. There was no impact on the income statement for the comparative period as a result of this change.

(c) Debt establishment costs capitalised and amortised over the term of the borrowings under previous GAAP have been recalculated based upon the effective interest rate method and recognised as part of the liability.

This has resulted in an increase in liabilities of \$1.6 million and a decrease in retained earnings of \$1.6 million at 1 July 2005 in the consolidated entity.

The impact on the comparative period would have been to increase finance expenses in the income statement by \$1.0 million for the consolidated entity.

(d) The consolidated entity has issued a hybrid instrument, reset preference shares, which was classified as equity under previous GAAP. Due to the change in the definition of a financial liability under AIFRS, the reset preference shares are classified as a liability.

This has resulted in an increase in interest bearing liabilities and a decrease in contributed equity of \$246.2 million at 1 July 2005 in the consolidated entity. The impact on the comparative period in the consolidated entity was to:

- increase financial expenses in the income statement by \$15.5 million and
- decrease retained earnings by \$15.5 million.

(e) Under previous GAAP, dividends were recognised when declared. In accordance with the reclassification of the reset preference shares from contributed equity to interest bearing liabilities, an accrual of \$2.1 million was raised to accrue interest payable for the period from 11 May to 30 June 2005 in the consolidated entity.