

28 July 2008

Taxation Fact Sheet: Toll Shareholder taxation implications of in-specie dividend of Virgin Blue Shares ("VBA Dividend")

IMPORTANT NOTE

This fact sheet outlines the general taxation implications that will arise for individual Toll Shareholders as a result of the VBA Dividend.

Toll has received a Private Binding Ruling that confirms that the VBA Dividend will be a restructure that constitutes a demerger for tax purposes.

This fact sheet and an indicative CGT cost base calculator will be published on the Toll website to assist Toll shareholders following the distribution of the VBA Dividend on 22 August 2008.

It is recommended that all Toll Shareholders obtain their own specialist tax advice as to the taxation consequences of the VBA Dividend.

Impact on resident individual shareholders

These questions and answers apply to you if:

- You are an individual taxpayer who is an Australian resident for tax purposes;
- You were eligible to receive the VBA Dividend;
- You did not acquire your Toll Shares under an employee share scheme; and
- Any gain or loss you made on the shares is a capital gain or capital loss – that is, you held your Toll Shares as an investment asset rather than:
 - as trading stock;
 - as part of carrying on a business; or
 - to make short-term or one-off commercial gain.

Background

Toll will distribute one share in Virgin Blue Holdings Limited ("VBA Share") for each Toll Share that you held on the record date.

AUSTRALIAN INCOME TAX IMPLICATIONS OF THE VBA DIVIDEND

1. How do I treat the VBA Dividend?

The VBA Dividend will be a demerger dividend and is not required to be included in your taxable income. No franking credits are attached to the VBA Dividend.

2. How do I calculate the cost base and reduced cost base of my Toll Shares and VBA Shares?

“Guide only” – This is an Indicative CGT Cost Base Allocation Guide of Toll/VBA Shares arising from in-specie dividend of Virgin Blue Shares

The cost base of your VBA Shares is not the amount of the VBA Dividend. You need to apportion the original cost base of your Toll Shares between your Toll Shares and VBA Shares. The original cost base is generally the amount you paid to acquire your Toll shares, together with any incidental costs.

For the purposes of assisting shareholders in apportioning the original Toll Share cost base, Toll will advise shareholders of the 5 day VWAP of both Toll Shares and VBA Shares immediately preceding the distribution payment date. Shareholders may determine to use these VWAP as an indication of the respective anticipated or actual market values of the shares just after the payment of the VBA Dividend.

Example – How to apportion cost base (Assuming the Averaging method)

The example below is for illustrative purposes only, and the market values stated should not be taken as an indication of the likely market values for Toll Shares and VBA Shares from the date of payment of the VBA Dividend. No assurance can be, or is, given as to the prices at which Toll Shares and VBA Shares will trade after the payment of the VBA Dividend, either in stand-alone or relative terms.

Assume you own 2,000 Toll Shares. Your original cost base per Toll Share is \$6.50, meaning that the total cost base of all your Toll Shares is \$13,000.

On the distribution payment date you will receive one VBA Share for every Toll Share held at the record date.

You will then be required to apportion the original cost base of your Toll Shares between your 2,000 Toll Shares and your 2,000 VBA Shares on the basis of the respective anticipated or actual market values of the Shares just after the payment of the VBA Dividend.

If you decide to use the VWAP averaging method to calculate the market value of Toll Shares and VBA Shares and the relevant VWAP of Toll Shares is \$6.70 and the VWAP of VBA Shares is \$0.70, the revised cost base of your Toll Shares and VBA Shares will be calculated as follows:

The revised cost base of Toll Shares after the VBA Dividend:

$$\frac{\text{Total cost base of Toll Shares}}{\text{Number of Toll Shares (2,000)}} \times \frac{\text{Market Value ("MV") of Toll Shares (\$6.70)}}{\text{MV of Toll Shares + MV of VBA Shares (\$6.70 + \$0.70)}}$$

= \$5.88 per Toll Share (\$11,770 in total)

The revised cost base of VBA Shares after the VBA Dividend:

$$\frac{\text{Total cost base of Toll Shares} \\ (\$13,000)}{\text{Number of VBA Shares (2,000)}} \times \frac{\text{MV of VBA Shares } (\$0.70)}{\text{MV of Toll Shares + MV of VBA Shares } (\$6.70 + \$0.70)}$$

= \$0.62 per VBA Share (\$1,230 in total)

As indicated above, in addition to advising shareholders of the 5 day VWAP for both Toll and VBA shares for period up to the dividend payment date, the company will also include a CGT cost base allocation calculator on the Toll website.

Please note that the above example illustrates the cost base calculation using the 'Averaging method'. Taxation Determination TD 2006/73 explains that you can use other methods if they are reasonable. The Australian Taxation Office website (www.ato.gov.au) contains useful information concerning demerger cost base adjustment rules.

3. What happens if I sell some or all of my Toll Shares after the VBA Dividend?

If you subsequently sell any of your Toll Shares, you will need to calculate your capital gain (or capital loss) by reference to the apportioned cost base of your Toll Shares.

If you are an individual or complying superannuation fund who has held your Toll Shares for more than 12 months you may be entitled to use the discount method in working out your capital gain when you sell your Toll Shares. Alternatively, if you acquired your Toll Shares before 22 September 1999 you may instead be able to claim cost base indexation until the September 1999 quarter.

4. What happens if I sell some of all of my VBA Shares after the VBA Dividend?

If you subsequently sell any of your VBA Shares, either by use of the Sale facility or otherwise, you will need to calculate your capital gain (or capital loss) by reference to the apportioned cost base of your VBA Shares.

If you are an individual or complying superannuation fund who has held your original Toll Shares and VBA Shares for more than 12 months in total at the time the VBA Shares are sold you may be entitled to use the discount method in working out your capital gain when you sell your VBA Shares. Alternatively, if you acquired your Toll Shares before 22 September 1999 you may instead be able to claim cost base indexation until the September 1999 quarter.

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The above guide has been prepared for the general benefit of all Toll shareholders. The income tax consequences for individual shareholders will however vary depending on individual circumstances. Toll strongly recommends that all Toll Shareholders obtain their own specialist tax advice as to the implications of the VBA Dividend.

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