



PROSPECTUS

TOLL HOLDINGS LIMITED ABN 25 006 592 089



For the issue of
Toll Reset Preference Shares (Toll RPS)
at \$100 each to raise up to \$220 million
with the ability to accept oversubscriptions
of up to \$30 million

JOINT LEAD MANAGERS:

Deutsche Bank



JBWere

CO-MANAGER: CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

Important information

Contents

Chairman's letter	1
Summary of key dates	2
1. Offer summary	3
2. Answers to key questions	8
3. How to apply	15
4. Details of the Offer	17
5. Toll and its operations	19
6. Effect of the Offer on Toll	23
7. Investment risks	28
8. Taxation considerations for investors	31
9. Additional information	38
Appendix A – Terms of Toll RPS	47
Appendix B – Glossary of defined terms	59

This Prospectus is dated 2 October 2003 and was lodged with ASIC on that date. Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus nor for the merits of the investment to which this Prospectus relates. No securities will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Availability of Prospectus

This Prospectus, without an Application Form, will be made generally available during the Exposure Period by being posted on Toll's website at www.toll.com.au. Printed copies of this Prospectus will be available free of charge during the Offer Period by calling the **Toll RPS InfoLine 1800 104 704** (Monday to Friday – 8.30am to 5.00pm). The Application Form will be available with the Prospectus (in both electronic and printed copies) during the Offer Period.

Applications under this Prospectus will not be accepted by Toll prior to the opening of the Offer Period and, in any case, until after the expiry of the Exposure Period. The Exposure Period generally runs for seven days after lodgment of the Prospectus with ASIC, however, ASIC may extend the Exposure Period by up to a further seven days. The purpose of the Exposure Period is to enable examination of the Prospectus by market participants prior to acceptance of Applications for Toll RPS. No preference will be conferred on persons who lodge applications during the Exposure Period.

Applications

Applications for Toll RPS may only be made on the Application Forms attached to or accompanying this Prospectus (including an electronic copy of this Prospectus).

Applicants should read this Prospectus in its entirety before deciding whether to participate in the Offer. If after reading this Prospectus, prospective investors have any questions about the Offer, they should contact their stockbroker, accountant or other professional adviser.

Foreign jurisdictions

The Offer is being made only to persons receiving this Prospectus (including an electronic copy) in Australia. No action has been taken to register Toll RPS or otherwise permit a public offering of Toll RPS in any jurisdiction outside of Australia. In particular, the Toll RPS have not been and will not be registered under the US Securities Act of 1933, as amended ('US Securities Act'), or the securities laws of any state in the United States and may not be offered or sold at any time within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable states securities laws. The distribution of this Prospectus (including an electronic copy) in jurisdictions outside Australia may be restricted by law. Persons who come into possession of this Prospectus (including an electronic copy of this Prospectus) should seek advice on and observe such restrictions on accepting an offer or distributing the Prospectus. Any failure to comply with these restrictions may constitute a violation of applicable securities law.

Definitions

Some words (including all capitalised words) used in this Prospectus have defined meanings which are set out in the Glossary in appendix B or otherwise in clause 9 of the Terms in appendix A.

A reference to time in this Prospectus is to Melbourne time.

Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer or Toll RPS that is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by Toll in connection with the Offer. Except as required by law, and only to the extent so required, neither Toll nor any other person warrants the future performance of Toll or any return on any investment made pursuant to this Prospectus.

Toll RPS InfoLine 1800 104 704 – Monday to Friday 8.30am to 5.00pm

Chairman's letter

Dear investor,

On behalf of the Toll Board, I am pleased to offer you this opportunity to invest in Toll through an issue of Toll Reset Preference Shares (Toll RPS).

Toll intends to issue up to 2.2 million Toll RPS at a Face Value of \$100 each to raise up to \$220 million – with the ability to accept oversubscriptions for up to \$30 million. Applications must be for a minimum of 25 Toll RPS (\$2,500). The net proceeds raised through the Offer of Toll RPS will be used to repay debt.

If you were a Toll Shareholder at 7.00pm on 1 October 2003 with a registered address in Australia, you will be eligible to receive a priority allocation over Applicants who apply as members of the general public.

Key features of Toll RPS include:

- **Preferred Dividend** – a preferred, non-cumulative Dividend payable semi-annually in arrears, at the greater of 5.59% per annum and the five year Swap Rate on the Allotment Date minus a margin of 0.04% (Initial Margin), per annum. The Dividend Rate will be fixed from the Allotment Date until 11 November 2008.
- **Franking** – Toll expects, but does not guarantee, that the Dividend will be fully franked.
- **Participation in gains in Toll's Ordinary Share price above \$12.30** – the Terms effectively allow Holders to participate in increases in the Ordinary Share price above \$12.30.
- **ASX quotation** – Toll will apply for official quotation on ASX of Toll RPS. Once quoted, Toll RPS may be purchased or sold through any stockbroker in Australia.
- **Reset of terms** – Toll may reset the Dividend Rate and other terms on Reset Dates, the first of which is 11 November 2008. Before those new terms take effect, Holders may elect to Exchange their Toll RPS.

This Prospectus contains details of the Offer, the Terms of Toll RPS and a description of the risks associated with an investment in Toll RPS and Toll. I encourage you to read the entire Prospectus carefully before deciding whether to invest. If you have questions regarding how to apply, please call the **Toll RPS InfoLine 1800 104 704**. If you are unsure whether Toll RPS are a suitable investment for you, you should consult your stockbroker, accountant or other professional adviser.

The Offer is expected to open on 10 October 2003 and close at 5.00pm on 3 November 2003. It is possible that the Offer will close earlier, so I encourage you to lodge your Application promptly.

On behalf of the Toll Board, I invite you to consider this investment opportunity.

Yours faithfully,



John A Moule
Chairman

Summary of key dates

Record date for determining priority allocation	1 October 2003
Lodgment of Prospectus with ASIC	2 October 2003
Opening Date	10 October 2003
Toll Annual General Meeting	11.00am, 30 October 2003
Closing Date	5.00pm, 3 November 2003
Issue of Toll RPS	11 November 2003
Toll RPS commence trading on ASX on a deferred settlement basis	12 November 2003
Holding statements dispatched	14 November 2003
Toll RPS trade on ASX on a normal settlement basis	17 November 2003
First Dividend Payment Date	11 May 2004
First Reset Date	11 November 2008

Dates may change

The dates are indicative only and may change. Toll, in consultation with the Joint Lead Managers, may extend the Closing Date, close the Offer early without notice or withdraw the Offer at any time prior to the issue of Toll RPS. Accordingly, you are encouraged to apply as soon as possible after the Opening Date. If the Closing Date is extended, the subsequent dates may also be extended.

Quotation

Toll will apply to ASX within seven days after the date of this Prospectus for Toll RPS to be quoted on ASX.

1. Offer summary

1.1 The Offer

Toll intends to issue up to 2,200,000 Toll RPS at a Face Value of \$100 each to raise up to \$220 million. Toll has the right to accept oversubscriptions for up to 300,000 Toll RPS to raise up to an additional \$30 million.

Applications must be for a minimum of 25 Toll RPS (\$2,500).

1.2 Use of proceeds

Net proceeds raised through the Offer will be used to repay debt.

1.3 Conditions precedent to the Offer

The Offer is subject to:

- Shareholders, at the Annual General Meeting to be held on 30 October 2003, approving by special resolution the amendment of the Constitution to permit Toll to issue non-cumulative preference shares; and
- ASX quotation of Toll RPS.

If either of these conditions is not satisfied, the Offer will not proceed and Toll will refund Application Monies (without interest) as soon as practicable.

1.4 Risks

There are particular risks associated with investing in Toll RPS, as well as general risks associated with investing in Toll. A summary of these risks is set out in section 7.

1. Offer summary continued

1.5 Summary Terms

Set out below is a summary of the key terms of Toll RPS. This information is a summary only and should be read in conjunction with other information contained in this Prospectus, particularly the risk factors in section 7 and the Terms in appendix A.

Issuer	Toll Holdings Limited (Toll or the Company)
Security	Toll Reset Preference Shares (Toll RPS)
Issue size	Up to 2,200,000 Toll RPS with the ability to accept oversubscriptions for up to a further 300,000 Toll RPS
Face Value	\$100 per Toll RPS
Dividend	Toll RPS are expected to pay a preferred, non-cumulative Dividend semi-annually in arrears until the first Reset Date
Dividend Rate	Until the first Reset Date, the Dividend Rate will equal the greater of: <ul style="list-style-type: none">• 5.59% per annum (Minimum Dividend Rate); and• the Swap Rate on the Allotment Date minus a margin of 0.04% (the Initial Margin), per annum The Dividend Rate may be increased or decreased on Reset Dates
Dividend payment	The first Dividend will be payable on 11 May 2004 and will accrue from the Allotment Date. Thereafter, until the first Reset Date, Dividends will be payable semi-annually in arrears on 11 November and 11 May Payment of Dividends is subject to the Directors determining a Dividend to be payable and there being no legal impediment to the payment of the Dividend
Franking	Toll expects, but does not guarantee, that Dividends will be fully franked If a Dividend is unfranked or partially franked, the Dividend will be increased to compensate for the unfranked amount. If there is a change in the Australian corporate tax rate, the Dividend will be adjusted to reflect this change. If no adjustment to the Dividend is made by the Company in these circumstances, Holders may request Exchange

Reset Dates

The first Reset Date is 11 November 2008

On any Reset Date, Toll may change any or all of:

- the next Reset Date;
 - the Dividend Rate;
 - the Conversion Discount;
 - the Minimum Conversion Number and the Maximum Conversion Number;
 - the definition of Capital Distribution; and
 - the timing of Dividend payments
-

Holder Exchange

Holders may request Exchange on:

- a Reset Date; or
- the occurrence of certain Trigger Events including non-payment of a Dividend, and certain takeover offers or schemes of arrangement in relation to Toll

Where a Holder elects to Exchange, Toll must do one (or a combination) of the following (as determined by Toll):

- Convert the Toll RPS into Ordinary Shares;
 - Repurchase the Toll RPS for the Repurchase Amount; or
 - arrange for a third party to acquire the Toll RPS from the Holder and deliver to the Holder an amount equal to the Repurchase Amount
-

1. Offer summary continued

Company Exchange

Toll may require Exchange:

- on a Reset Date;
- if there is a change in taxation treatment which affects Toll RPS; or
- if certain takeover offers or schemes of arrangement occur in relation to Toll

Toll must Exchange all outstanding Toll RPS if the aggregate Face Value of Toll RPS on issue falls below \$50 million

Where Toll elects to Exchange, it must do one (or a combination) of the following (as determined by Toll):

- Convert the Toll RPS into Ordinary Shares; or
- Repurchase the Toll RPS for the Repurchase Amount

Conversion Ratio

Until the first Reset Date, the Conversion Ratio is the number of Ordinary Shares received on Conversion of each Toll RPS, and is calculated by dividing:

- the Face Value; by
- the VWAP (being the average of the daily volume weighted average sale prices of Ordinary Shares sold on ASX during the 20 Business Days immediately preceding the Exchange Date), reduced by the Conversion Discount of 2.5%

Until the first Reset Date, the number of Ordinary Shares issued on Conversion is subject to a minimum of 8.34 for each Toll RPS which effectively allows Holders to participate in increases in the Ordinary Share price above \$12.30

The maximum number of Ordinary Shares to be issued on Conversion of each Toll RPS will be 100

Ranking	<p>Dividends on Toll RPS will be paid in priority to any dividends on Ordinary Shares</p> <p>Toll RPS issued under this Prospectus will rank equally amongst themselves in all respects</p> <p>Toll reserves the right to issue additional Toll RPS or other securities ranking equally with or behind Toll RPS</p> <p>Toll may not issue any preference shares that would rank in priority over Toll RPS unless it first obtains the consent of Holders</p> <p>On a winding-up, Toll RPS rank for repayment of capital behind all creditors of Toll but ahead of Ordinary Shares</p>
Participation	<p>Prior to Conversion, Holders do not have a right to subscribe for new securities in Toll or participate in a bonus issue by the Company. However, the Minimum Conversion Number and Maximum Conversion Number will be adjusted for a pro-rata bonus issue, rights issue, off-market buy-back, Capital Distribution and capital reconstruction in certain circumstances</p>
Voting rights	<p> Holders have no right to vote at meetings except in certain circumstances</p>
Quotation	<p>Toll will apply for official quotation of Toll RPS on ASX. It is expected that Toll RPS will trade under ASX code 'TOLPA'</p> <p>If permission for quotation is not granted, Toll RPS will not be issued and Application Monies will be refunded (without interest) as soon as practicable</p>

YOU SHOULD READ THIS ENTIRE PROSPECTUS CAREFULLY.

IF YOU ARE UNCLEAR IN RELATION TO ANY MATTER OR UNCERTAIN IF TOLL RPS ARE A SUITABLE INVESTMENT FOR YOU, YOU SHOULD CONSULT YOUR STOCKBROKER, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

2. Answers to key questions

This section answers some questions that prospective investors may have about Toll RPS. These answers are intended as a guide only. Further details are provided elsewhere in this Prospectus, which prospective investors should read in its entirety. Risks are at section 7 and Terms are in appendix A.

2.1 Toll RPS

What are Toll RPS?

Toll RPS are preference shares that:

- entitle Holders to receive a preferred, non-cumulative Dividend semi-annually in arrears, in preference to dividends paid on Ordinary Shares, subject to the Directors in their discretion determining to pay a Dividend, and there being no legal impediment to payment of a Dividend. Toll expects but does not guarantee, that the Dividends will be fully franked;
- rank in priority to Ordinary Shares for payment of dividends and for return of capital on a winding-up;
- are perpetual but are convertible into Ordinary Shares in certain circumstances;
- have certain terms that may be changed by Toll on a Reset Date; and
- can be Exchanged on a Reset Date or in certain other circumstances.

Why is Toll issuing Toll RPS?

Net proceeds raised through the Offer will be used to repay debt.

Toll believes that the Toll RPS will:

- provide Toll with an attractive source of funding; and
- diversify Toll's funding sources to include non-redeemable, long-term financing, which will maintain Toll's strong balance sheet and preserve financial flexibility.

2.2 Dividends

How will Dividends be calculated?

Until the first Reset Date, Holders will be entitled to receive a preferred, non-cumulative Dividend. The Dividend Rate will be the greater of:

- 5.59% per annum (Minimum Dividend Rate); and
- the Swap Rate on the Allotment Date minus a margin of 0.04% (Initial Margin), per annum.

The Dividend Rate may be reset by Toll on the first Reset Date – 11 November 2008 – or any following Reset Date. The Dividend Rate payable from each Reset Date may be above or below the initial or any subsequent Dividend Rate.

When will Dividends be payable?

The first Dividend will be payable on 11 May 2004 and will accrue from the Allotment Date. Thereafter, until the first Reset Date, Dividends will be payable semi-annually in arrears on 11 November and 11 May.

Will Dividends be franked?

Toll expects, but does not guarantee, that Dividends will be fully franked.

If a Dividend is unfranked or partially franked, it will be increased to compensate for the unfranked portion in accordance with the Terms. In addition, if there is a change in the Australian corporate tax rate, the Dividend Rate will be adjusted in accordance with the Terms.

Will Dividends always be paid?

No guarantee can be given that Dividends will always be paid. Toll RPS are not debt instruments and Dividends are not the same as interest payments.

The payment of a Dividend is subject to the Directors determining a Dividend to be payable and there being no legal impediment to payment of the Dividend.

In January 2005, following the introduction of International Financial Reporting Standards (IFRS), it is anticipated that the majority of the Face Value will be reclassified as a liability in Toll's statement of financial position. This is an accounting reclassification only and is not expected to impact the Terms or the legal or taxation status of Toll RPS. Consequently, subject to the Terms, Holders will continue to be entitled to receive a Dividend after the introduction of IFRS and any reclassification of the majority of Toll RPS as a liability.

What happens if a Dividend Payment is not made?

Dividends on Toll RPS must be paid in priority to any dividends paid on Ordinary Shares.

Dividends are non-cumulative and therefore, if a Dividend or part of a Dividend is not paid in respect of any one period, Toll is not required to pay the unpaid amount at a later time.

If a Dividend is not paid in full within 20 Business Days after the relevant Dividend Payment Date, Holders may request Exchange and Toll may not pay any dividends on any shares over which Toll RPS rank in priority (including Ordinary Shares) until:

2. Answers to key questions continued

- Toll has obtained the approval of Holders by Special Resolution;
- a Dividend is paid in respect of two consecutive Dividend Periods equal to the Dividend Entitlements for those two consecutive Dividend Periods (or equivalent amount if the frequency of Dividend payment is other than semi-annual);
- a Shortfall Dividend has been paid; or
- no Toll RPS remain on issue.

2.3 Risks

What are the risks of investing in Toll RPS?

An investment in Toll RPS and Toll involves certain risks. Refer to section 7 for further information about these risks.

2.4 Reset of terms

What are Reset Dates?

Reset Dates are dates on which Toll may vary certain Toll RPS terms, to apply from the Reset Date. On a Reset Date, Toll may vary:

- the next Reset Date;
- the Dividend Rate;
- the Conversion Discount;
- the Minimum Conversion Number and Maximum Conversion Number;
- the definition of Capital Distribution; and
- the timing of Dividend payments.

Toll must notify Holders of any such changes to Toll RPS terms at least 50 Business Days prior to the relevant Reset Date.

When do Reset Dates occur?

The first Reset Date will occur on 11 November 2008. At each Reset Date, Toll has the right to determine the timing of subsequent Reset Dates.

What happens on a Reset Date?

Toll may vary certain Toll RPS terms

Toll may vary certain Toll RPS terms, as listed above, by giving prior notice to Holders. The 'new' terms will apply from the Reset Date until (but not including) the next Reset Date. If Toll elects not to change the terms, the next Reset Date will be five years after the Reset Date in question and all other pre-existing terms will continue to apply until the next Reset Date.

Holders always retain the right to require Exchange on a Reset Date by giving notice to Toll, as described below.

Holder initiated Exchange may occur

A Holder may deliver a Holder Exchange Notice to Toll at least 35 Business Days (but no more than three months) before the Reset Date in respect of some or all of the Holder's Toll RPS. Toll must then notify Holders at least 25 Business Days prior to the Reset Date that, from the Reset Date, Toll will Exchange the Toll RPS that are the subject of the Holder Exchange Notice. In its notice to the Holder, Toll must specify which Exchange method (Conversion, Repurchase or procurement of resale, or combination thereof) it intends to apply.

Toll initiated Exchange may occur

On a Reset Date, Toll may Exchange some or all Toll RPS. To do this, Toll must deliver a Company Exchange Notice notifying the Holders concerned at least 25 Business Days but no more than six months before the Reset Date which Exchange method (Conversion or Repurchase or combination thereof) it intends to apply.

2.5 Exchange

What is Exchange?

Holder Exchange

A Holder may request Exchange on a Reset Date or following the occurrence of certain Trigger Events.

Where a Holder requests Exchange, Toll must do one (or a combination) of the following, as determined by Toll in its sole discretion, in relation to the Toll RPS covered by the Holder Exchange Notice:

- Convert the Toll RPS into Ordinary Shares;
- Repurchase the Toll RPS for an amount equal to the Repurchase Amount; or
- procure for a third party to acquire the Toll RPS from the Holder and deliver to the Holder an amount equal to the Repurchase Amount.

The Conversion, Repurchase and/or resale constitutes 'Exchange'.

2. Answers to key questions continued

It is important for investors to understand that when a Holder initiates Exchange, Toll determines in its sole discretion whether Toll RPS are Converted, Repurchased or resold.

If Toll does not give notice to the Holder specifying the method or methods of Exchange, the Toll RPS covered by the Holder Exchange Notice will Convert into Ordinary Shares.

Company Exchange

Toll may, by giving a Company Exchange Notice to a Holder, compel Exchange of some or all Toll RPS specified by it on a Reset Date or on the occurrence of certain events. In such circumstances, Toll must do one (or a combination) of the following, as determined by Toll in its sole discretion, in relation to the Toll RPS covered by the Company Exchange Notice:

- Convert the Toll RPS into Ordinary Shares; or
- Repurchase the Toll RPS for an amount equal to the Repurchase Amount.

The Conversion or Repurchase constitutes an 'Exchange'.

What happens on Conversion?

If Toll RPS are Converted, each Toll RPS will Convert into Ordinary Shares that will rank equally in all respects with Ordinary Shares from the Exchange Date.

Until the first Reset Date, if Toll RPS are Converted, each Toll RPS will Convert into a number of Ordinary Shares which will be determined in accordance with the Conversion Ratio, and calculated by dividing:

- the Face Value; by
- the VWAP (being the average of the daily volume weighted average sale prices of Ordinary Shares sold on ASX during the 20 Business Days immediately preceding the Exchange Date), reduced by the Conversion Discount of 2.5%.

Until the first Reset Date, the number of Ordinary Shares issued on Conversion is subject to a minimum of 8.34 for each Toll RPS which effectively allows Holders to participate in increases in the Ordinary Share price above \$12.30. The maximum number of Ordinary Shares to be issued on Conversion of each Toll RPS will be 100.

This means that for the period to the first Reset Date, the number of Ordinary Shares issued on Conversion will vary generally depending on the Ordinary Share price over the 20 Business Days immediately prior to Conversion. Where the VWAP reduced by the Conversion Discount of 2.5% is above \$12.30, Holders will receive the Minimum Conversion Number.

Provided that the Ordinary Share price is above \$1.00, Holders will receive Ordinary Shares with a value (generally based on the previous 20 Business Days trading on ASX) of at least \$100 per Toll RPS.

What is a Trigger Event?

Trigger Events include:

- a Dividend equivalent to the Dividend Entitlement not being paid in full within 20 Business Days after the relevant Dividend Payment Date;
- where a Dividend is not fully franked and Toll elects not to increase the Dividend within 20 Business Days after the relevant Dividend Payment Date;
- occurrence of specified insolvency events in relation to Toll;
- certain takeover offers and schemes of arrangement;
- suspension of Ordinary Shares or Toll RPS from trading on ASX for more than 20 consecutive Business Days; and
- a sale of all or substantially all of the business undertakings or assets of Toll, except where Toll will retain an interest in at least 50% of those business undertakings or assets.

Can Toll redeem Toll RPS?

Toll RPS are not redeemable. However, Toll RPS may be cancelled or bought back in accordance with the Terms, the Corporations Act and the Listing Rules.

Will I be able to request repayment of my investment?

No. A Holder will have no right to require Toll to repay the Face Value except if there is a return of capital on a winding-up of Toll. On Reset Dates, and in certain circumstances prior to Reset Dates, a Holder may request Exchange – in which case Toll in its discretion may choose to Convert, Repurchase or procure the resale (or combination thereof) of the Toll RPS covered by the Holder Exchange Notice.

Can Toll RPS be bought or sold on ASX?

Toll will apply within seven days after the date of this Prospectus for Toll RPS to be quoted on ASX. Once quoted on ASX, Toll RPS will be able to be purchased or sold through any stockbroker in Australia. It is expected that Toll RPS will trade under ASX code 'TOLPA'.

If permission for quotation is not granted, Toll RPS will not be issued and Application Monies will be refunded (without interest) as soon as practicable.

2. Answers to key questions continued

2.6 Ranking and voting rights

In the event of a winding-up, what will a Holder receive?

In the event of a winding-up, Holders will rank behind all creditors of Toll, but ahead of Shareholders. If there is a return of capital on a winding-up of Toll, a Holder will be entitled to a cash payment equal to:

- the Face Value; and
- the amount equivalent to the accrued Dividend Entitlement,

before any return of capital is made to holders of Ordinary Shares or any other class of shares ranking behind Toll RPS.

If there is no return of capital on a winding-up, a Holder will have no such entitlement.

Do Toll RPS have voting rights?

Toll RPS do not have voting rights, except in the limited circumstances specified in the Terms. In a circumstance where a Holder has a right to vote, the Holder votes on an 'as converted' basis.

2.7 Taxation

What are the taxation implications of holding or selling Toll RPS?

The taxation implications of investing in Toll RPS for a particular Holder will depend on that Holder's individual circumstances. Prospective investors should obtain their own taxation advice. A summary of some of the relevant matters appears in the letter from KPMG to Toll set out in section 8.

2.8 How to apply

How should prospective investors apply for Toll RPS?

Details on how to apply for Toll RPS are set out in section 3. Application Forms are attached to or accompany this Prospectus.

Is brokerage or stamp duty payable?

No brokerage or stamp duty is payable by prospective investors on the issue of Toll RPS. Brokerage but not stamp duty (under current law) may be payable on any subsequent transfer of Toll RPS.

3. How to apply

3.1 When to apply

The Offer is expected to open on 10 October 2003 and is expected to close at 5.00pm on 3 November 2003.

Applications must be received by Toll Share Registry no later than 5.00pm on 3 November 2003.

Toll, in consultation with the Joint Lead Managers, may close the Offer early, extend the Closing Date or withdraw the Offer without notice. Applicants are encouraged to submit their Application Form promptly.

3.2 Who may apply

The Offer is made only to persons receiving this Prospectus (including an electronic copy of this Prospectus) in Australia. No action has been taken to register Toll RPS or otherwise permit a public offering of Toll RPS in any jurisdiction outside Australia. In particular, the Toll RPS have not been and will not be registered under the US Securities Act or the securities laws of any state in the United States and may not be offered or sold at any time within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable states securities laws.

3.3 Minimum Application amount

The Face Value and issue price of each Toll RPS is \$100. Applications must be for a minimum of 25 Toll RPS (\$2,500).

3.4 Application process

Toll Eligible Shareholders

If there is excess demand for Toll RPS, Toll Shareholders with an Australian address as at 7.00pm on 1 October 2003 (Eligible Shareholders) are eligible for a priority allocation over Applicants who apply as members of the general public. Please refer to section 4.3 for more information with respect to the priority allocation.

To be eligible to receive a priority allocation, Eligible Shareholders must complete a personalised green Shareholder Application Form. Eligible Shareholders who apply on the orange Application Form will not receive a priority allocation.

All Eligible Shareholders should receive a personalised green Shareholder Application Form with a copy of this Prospectus. Eligible

Shareholders who have obtained a copy of this Prospectus from the Toll website (www.toll.com.au) or who have not received a personalised green Shareholder Application Form should contact the **Toll RPS InfoLine 1800 104 704** to receive a personalised green Shareholder Application Form.

Members of the general public

Members of the general public who are not Eligible Shareholders should complete the orange Application Form attached to or accompanying this Prospectus or the Application Form obtained from the Toll website (www.toll.com.au) together with the Prospectus.

Broker Firm Applicants

Applicants who have received a firm allocation of Toll RPS from a Participating Broker (Broker Firm Applicants) should contact their Participating Broker for information about how to submit an Application Form.

The application process for Broker Firm Applicants differs in two important respects from the process described above:

- the Application Monies must be made payable to the Participating Broker (not to the Toll RPS Offer Account); and
- the completed Application Form and Application Monies must be delivered to the Participating Broker directly (not to the Toll Share Registry).

These differences, and any other requirements, can be explained to Broker Firm Applicants in further detail by the Participating Broker.

3.5 Application Monies

Application Monies amount

Application Forms must be accompanied by a cheque(s) and/or money order(s) in Australian dollars drawn on an Australian branch of a financial institution. Cheque(s) and/or money order(s) should be crossed 'not negotiable' and made payable to 'Toll RPS Offer Account'. Cash payments will not be accepted.

Broker Firm Applicants should see section 3.4.

Brokerage and stamp duty

No brokerage or stamp duty is payable by prospective investors on the issue of Toll RPS. Under current law, stamp duty will not be payable on later transfers of Toll RPS while Toll RPS are quoted on ASX. However, brokerage may be payable on later transfer of Toll RPS.

3. How to apply continued

3.6 Where to send completed Application Forms

Completed Application Forms and Application Monies should be:

mailed to:	or	hand delivered to:
Toll RPS Offer GPO Box 52 Melbourne VIC 8060		Toll RPS Offer Computershare Investor Services Level 12, 565 Bourke Street Melbourne VIC 3000

Application Forms and Application Monies will not be accepted at any other address (including at Toll's Registered Office or any other Toll office) or by any other means.

3.7 Supply of TFNs and ABNs

Investors should note that if they do not quote their tax file number (TFN) or TFN exemption details (if applicable) or Australian Business Number (ABN) (if Toll RPS are held as part of an enterprise carried on by an investor) to Toll, then Toll will be required to withhold tax at the rate of 48.5% of the amount of any unfranked Dividend in respect of Toll RPS held by those investors.

A TFN or ABN collection form will be sent to successful Applicants together with their holding statements, on or about 14 November 2003.

3.8 Refunds

Applicants who are not allocated any Toll RPS or who are allocated fewer Toll RPS than the number for which they applied, including less than the minimum application of 25 Toll RPS, will receive a refund cheque for unapplied Application Monies (without interest) as soon as practicable.

No interest will be payable on Application Monies. In addition, if the Offer does not proceed for any reason at all, Applicants will have their Application Monies refunded to them (without interest) as soon as practicable.

3.9 Acknowledgment and privacy statement

By returning an Application Form, the Applicant acknowledges that they have received and read this Prospectus.

The information about Applicants included on an Application Form is used for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's Toll RPS holding. By submitting an Application Form, each Applicant agrees

that Toll may use the information provided by an Applicant on the Application Form for the purposes set out in this privacy statement and may disclose it for those purposes to the Joint Lead Managers, Toll Share Registry, and Toll's related bodies corporate, agents, and contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If an Applicant becomes a Holder, the Corporations Act requires Toll to include information about the Holder (including name, address and details of the securities held) in its public register. The information contained in Toll's public register must remain there even if that person ceases to be a Holder. Information contained in Toll's register is also used to facilitate payments including Dividend payments and corporate communications (including of Toll's financial results, annual reports and other information that Toll wishes to communicate to Holders) and compliance by Toll with legal and regulatory requirements.

If a prospective investor does not provide the information required on the Application Form, Toll may not be able to accept or process the Application.

Applicants have a right to gain access to information that Toll holds about that person, subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to Toll's registered office.

3.10 Enquiries

Prospective investors who require assistance to complete the Application Form or additional copies of this Prospectus and Eligible Shareholders who require a personalised green Shareholder Application Form should contact the **Toll RPS InfoLine 1800 104 704**.

Prospective investors who are unclear in relation to any matter or are uncertain if Toll RPS are a suitable investment should contact their stockbroker, accountant or other professional adviser.

4. Details of the Offer

4.1 Conditions precedent to the Offer

The Offer is subject to:

- Shareholders, at the Annual General Meeting to be held on 30 October 2003, approving by special resolution the amendment of the Constitution to permit the Company to issue non-cumulative preference shares; and
- ASX quotation of Toll RPS.

If either of these conditions is not satisfied, the Offer will not proceed and Toll will refund Application Monies (without interest) as soon as practicable.

4.2 Prospectus available electronically

A copy of this Prospectus may be viewed in read-only format on the Toll website (www.toll.com.au). During the Offer Period, electronic copies of this Prospectus will include an Application Form (but not the personalised green Shareholder Application Form for use by Eligible Shareholders).

Persons who receive an electronic copy of this Prospectus at www.toll.com.au are entitled to obtain a printed copy of the Prospectus (including the accompanying Application Form) free of charge during the Offer Period by contacting the **Toll RPS InfoLine 1800 104 704**.

There is no facility for electronic applications. Completed Application Forms must be mailed or delivered to the Toll Share Registry in the manner set out in section 3.6.

Eligible Shareholders should ensure they obtain and apply on the personalised green Shareholder Application Form in order to ensure they are eligible to receive the priority allocation. The personalised green Shareholder Application Form is not available electronically but can be obtained by contacting the **Toll RPS InfoLine 1800 104 704**.

The Offer constituted by this Prospectus in electronic form is available only to persons receiving the Prospectus in electronic form in Australia.

4.3 Allocation policy

Toll intends to issue up to 2,200,000 Toll RPS to raise up to \$220 million. If demand for Toll RPS exceeds 2,200,000 Toll RPS, Toll, in consultation with the Joint Lead Managers, will consider accepting oversubscriptions for up to 300,000 Toll RPS to raise up to an additional \$30 million, or scaling back Applications, or both.

The allocation policy for:

- institutional investors and Participating Brokers will be determined during the Bookbuild (see below); and
- Eligible Shareholders and members of the general public will be determined after the Closing Date when all Applications have been received and the priority allocation can be determined (see below).

The Joint Lead Managers have the right, in consultation with Toll, to nominate the persons to whom Toll RPS offered under the Offer will be allocated subject to the priority allocation for Eligible Shareholders described below.

The Joint Lead Managers' right extends to the right to nominate allottees in respect of firm allocations to institutional investors and their private clients in respect of a firm allocation.

Bookbuild

In the period after lodgment of this Prospectus with ASIC and prior to the Opening Date, the Joint Lead Managers will conduct a Bookbuild process in relation to the Offer.

The Bookbuild will be conducted in accordance with terms and conditions approved by Toll and the Joint Lead Managers. The Bookbuild will be open to institutional investors as well as Participating Brokers, who are invited to lodge bids for a firm allocation of Toll RPS to be issued under the Offer. Bids will be invited for a maximum number of Toll RPS within an indicative range for the Initial Margin. Toll and the Joint Lead Managers will determine allocations to institutional investors and Participating Brokers after the conclusion of the Bookbuild. Toll RPS allocated during the Bookbuild will be issued pursuant to this Prospectus.

The Initial Margin and Minimum Dividend Rate specified in the printed version of this Prospectus will be set by Toll and the Joint Lead Managers with reference to the outcome of the Bookbuild.

ASIC has permitted the Initial Margin and Minimum Dividend Rate to be inserted into this Prospectus after lodgment with ASIC and prior to the printing of this Prospectus.

The Joint Lead Managers will notify application and settlement procedures for the Bookbuild to institutional investors and Participating Brokers.

4. Details of the Offer continued

Broker firm allocations

The distribution of each broker firm allocation to Broker Firm Applicants by a Participating Broker will be at the discretion of that Participating Broker. That distribution will be subject to the terms and conditions of the Bookbuild and the offer made to that Participating Broker by the Joint Lead Managers.

Eligible Shareholders and members of the general public

If there is excess demand for Toll RPS, Eligible Shareholders who submit a personalised green Shareholder Application Form will be given a priority allocation over Applicants who apply as members of the general public and who do not have a firm allocation from a Participating Broker.

Toll and the Joint Lead Managers reserve the right to reject any Applications, or to allocate any Applicant a lesser number of Toll RPS than that applied for, including less than the minimum Application of 25 Toll RPS. Toll and the Joint Lead Managers also reserve the right to allocate to Eligible Shareholders a lesser number of Toll RPS than that applied for, including less than the minimum Application of 25 Toll RPS, subject to the Shareholder priority allocation.

No assurance is given that any Applicant or Eligible Shareholder will receive an allocation of Toll RPS.

In determining the allocation policy for Eligible Shareholders and members of the general public, Toll and the Joint Lead Managers will act fairly and equitably.

The Company will limit the number of Toll RPS it issues to Eligible Shareholders under the priority offer to the higher of 5% (or such higher percentage as ASX permits) of all the Toll RPS being offered and the number the Eligible Shareholder would be entitled to receive under a pro-rata issue of Toll RPS.

4.4 ASX quotation

Application will be made to ASX within seven days after the date of this Prospectus for official quotation of Toll RPS issued under this Prospectus. It is expected that Toll RPS will trade under ASX code 'TOLPA'.

If permission for quotation is not granted by ASX, Toll RPS will not be issued and Application Monies will be refunded (without interest) as soon as practicable.

4.5 Allotment

Issue of Toll RPS

Toll intends to issue Toll RPS on or around 11 November 2003, subject to satisfaction of the conditions precedent described in section 4.1.

ASX deferred settlement trading

It is expected that trading of Toll RPS on ASX will commence on a deferred settlement basis on 12 November 2003. Trading is expected to continue on that basis until 17 November 2003 when trading of Toll RPS on a normal settlement basis is expected to commence. Deferred settlement will occur as a consequence of trading which takes place before entries are made by Toll Share Registry in respect of holdings of Toll RPS and before holding statements are sent to Holders.

It is the Applicant's responsibility to confirm their holding before they trade in Toll RPS. Individuals who sell Toll RPS prior to receipt of a holding statement do so at their own risk. Applicants may call the Toll RPS InfoLine 1800 104 704 or their Participating Broker to enquire about their Holding.

Holding statements

Toll will apply for Toll RPS to participate in CHESS. Share certificates for Toll RPS will not be issued. Each Holder will be provided with a holding statement which sets out the number of Toll RPS issued to the Holder pursuant to this Prospectus. Holding statements are expected to be dispatched on or about 14 November 2003.

4.6 Application Monies

All Application Monies received before Toll RPS are issued will be held by Toll on trust in a bank account established solely for the purpose of depositing Application Monies received. Any interest that accrues will be retained by Toll. Unapplied Application Monies will be refunded (without interest) as soon as practicable.

4.7 Settlement underwrite

On and subject to the successful completion of the Bookbuild, the Joint Lead Managers have agreed to underwrite the number of Toll RPS allocated to institutional investors and Participating Brokers through the Bookbuild. Under the Offer Management Agreement, as part of that settlement underwrite, the Joint Lead Managers will pay, or procure payment of, the aggregate proceeds raised from institutional investors and Participating Brokers through the Bookbuild.

A summary of the Offer Management Agreement is in section 9.4.

5. Toll and its operations

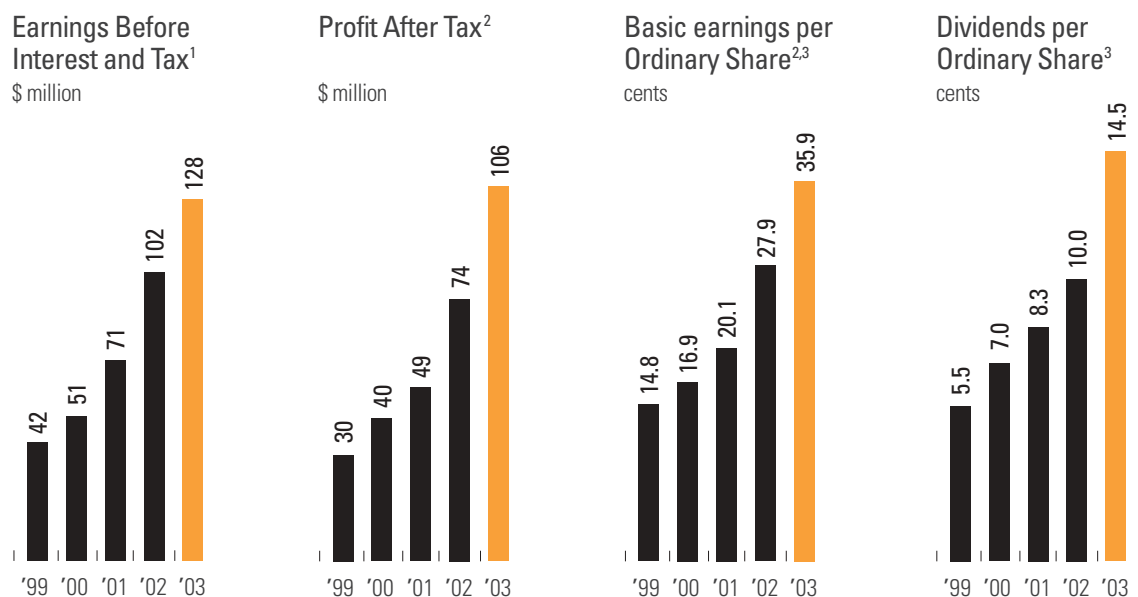
5.1 Group overview

Toll is a top 100 Australian public company, with a market capitalisation of approximately \$2.4 billion as at 30 September 2003. Toll has grown through acquisitions and organic growth to become one of the largest integrated transport and logistics companies in Australia and, if the takeover offer for Tranz Rail discussed in section 5.4 proceeds, New Zealand.

Toll provides express and general freight services by road, rail, sea and air across an expansive network and provides integrated logistics and distribution services including third party logistics, specialised warehousing, port operations and refrigerated freight services.

Toll provides transport and logistics services across a number of industry segments and has a particular focus on the automotive, beverage, food and retail, industrial, relocation, resources and ports sectors. Toll currently operates primarily within Australia, with smaller operations in New Zealand and Asia. Toll has a 50% share of Pacific National, a company providing rail services to the interstate container freight market and for the movement of bulk commodities.

The following graphs demonstrate the strong earnings and dividend growth achieved by Toll since 1999.



NOTES: 1 – excludes Toll's \$8 million and \$28 million equity accounted 50% share of Pacific National profit after tax in years ended 30 June 2002 and 2003 respectively
 2 – after abnormal items where applicable
 3 – years ended 30 June 1999-2002 adjusted for 4:1 share split completed on 31 October 2002

5. Toll and its operations continued

Toll's business spans three key business segments – Toll Logistics, Toll Long Distance and Toll North – and a 50% share in Pacific National.

Business segment	Principal activities
Toll Logistics	<ul style="list-style-type: none"> Comprised of autonomous market sector-focused business units providing customer specific logistics solutions including design and development of purpose built facilities and equipment. Key market sectors include automotive, beverage, food and retail, industrial, relocation, resources and ports. Segment earnings before interest and tax increased from \$35 million in the year ended 30 June 2002 to \$44 million in the year ended 30 June 2003.
Toll Long Distance	<ul style="list-style-type: none"> Multi-modal freight service provider. Services include longhaul forwarding services; specialised cold chain logistics; international freight forwarding; courier, parcel express and overnight satchels; and shipping services between Tasmania and mainland Australia. Segment earnings before interest and tax increased from \$45 million in the year ended 30 June 2002 to \$60 million in the year ended 30 June 2003.
Toll North	<ul style="list-style-type: none"> Queensland and Northern Territory based transport and logistics provider. Services include time-certain distribution (mainly between major cities and regional centres), container and wharf transport, bulk commodity haulage, refrigerated transport, contract distribution, contract warehousing and industry-focused supply chain solutions. Segment earnings before interest and tax increased from \$22 million in the year ended 30 June 2002 to \$25 million in the year ended 30 June 2003.
Equity accounted investment	Principal activities
Pacific National	<ul style="list-style-type: none"> A 50/50 joint venture with Patrick Corporation Limited, established to acquire the previously government owned intermodal and bulk rail freight businesses of National Rail Corporation Limited and FreightCorp in February 2002. Toll's equity accounted share of Pacific National's profit after tax in the first full financial year since the formation of Pacific National (being the year ended 30 June 2003) was \$28 million.

5.2 Strategy and growth opportunities

Toll's strategy is to provide a total logistics solution to industry. To achieve this, Toll makes substantial investments in technology aimed at creating greater marketplace agility, lowering operating costs and improving margins.

The annual turnover of the Australian logistics industry is estimated at \$57 billion, of which Toll currently has a relatively small market share of around 5%. This provides Toll with a number of potential growth opportunities including:

- **Acquisitions that may arise from further industry consolidation** – Toll has been an active player in the consolidation of the third party logistics sector, completing more than 35 acquisitions over the last 14 years. The most significant of these was the \$1.2 billion acquisition of National Rail Corporation Limited and FreightCorp, which was undertaken through the Pacific National joint venture. Regional consolidation also provides Toll with international opportunities for growth; and

- **Contracts from further outsourcing of corporate and government logistics requirements** – Currently more than half of the Australian logistics industry is operated by in-house service providers. Toll expects that an increasing focus on core business activities across all industry groups will support the trend toward greater logistics outsourcing.

5.3 Financial highlights

For the last decade, Toll has recorded a continuous increase in year-on-year sales revenue. As shown in the table below, since the year ended 30 June 1999, Toll's sales revenue and profit after tax have increased by a compound annualised rate of 18.7% and 37.0%, respectively.

These financial highlights are extracts from Toll's financial reports for 1999 – 2003 and should be read in conjunction with those reports.

Year ended 30 June	1999	2000	2001	2002	2003
\$ million (unless marked)					
Sales revenue	1,296	1,360	1,603	2,038	2,570
EBITDA ¹	63	72	100	155	205
Profit after tax attributable to Shareholders	30	40	49	74	106
Total assets	346	403	699	1,150	1,437
Total equity attributable to Shareholders ²	126	158	197	401	628
Key metrics					
Basic earnings per Ordinary Share (cents) ³	14.8	16.9	20.1	27.9	35.9
Diluted earnings per Ordinary Share (cents) ⁴	12.9	16.6	19.5	26.4	34.6
Return on equity attributable to Shareholders ² (%)	23.9	25.5	25.0	18.5	16.9
Net debt to total equity (%)	21.7	11.6	71.2	81.6	41.7
Ratio of EBITDA to net interest (x)	19.2	23.6	21.8	12.6	10.7
Staff numbers as at 30 June	5,600	6,000	9,000	9,800	12,500

NOTES: 1 – excludes Toll's \$8 million and \$28 million equity accounted 50% share of Pacific National profit after tax in the years ended 30 June 2002 and 30 June 2003 respectively

2 – excludes outside equity interest

3 – after abnormal items where applicable. Years ended 30 June 1999-2002 adjusted for 4:1 share split completed on 31 October 2002

4 – Years ended 30 June 1999-2002 adjusted for 4:1 share split completed on 31 October 2002

5. Toll and its operations continued

5.4 Takeover offer for Tranz Rail

On 3 June 2003, Toll, through its subsidiary Toll Group (NZ) Limited, made a full cash takeover offer for Tranz Rail.

On 5 September 2003, Toll increased the consideration offered to Tranz Rail shareholders under the takeover offer to NZ\$1.10 per share and, as at 30 September 2003, Toll had received acceptances for approximately 35% of Tranz Rail. In addition, Toll holds a 19.99% interest in Tranz Rail. The Toll takeover offer for Tranz Rail has a 90% minimum acceptance condition and Toll currently expects the offer to close on 10 October 2003.

On 29 September 2003, Toll advanced funding of NZ\$77 million to Tranz Rail on commercial terms to allow Tranz Rail to exercise its option of an early buyout of the Aratere vessel, which is currently leased by Tranz Rail.

Following completion of the Tranz Rail acquisition, Toll will use its best endeavours to procure Tranz Rail to enter into a heads of agreement with the New Zealand Crown relating to the national rail track network. Toll expects this agreement to provide that:

- Tranz Rail will sell and transfer the rail network and network assets to the New Zealand Crown;
- the New Zealand Crown will grant Tranz Rail exclusive access to the network until 31 December 2070 and Tranz Rail will pay an annual access fee;
- the New Zealand Crown will invest NZ\$100 million prior to 30 June 2008 in upgrading the network and a further NZ\$100 million in replacement capital;
- Tranz Rail will invest NZ\$100 million prior to 30 June 2008 in rolling stock;
- the New Zealand Crown will be responsible for track control and scheduling, subject to Tranz Rail's rights on input on these functions; and
- Tranz Rail and the New Zealand Crown will agree a key performance indicator regime.

Additional information concerning the acquisition of Tranz Rail is available at Toll's website (www.toll.com.au).

5.5 Outlook

Since 1 July 2003, Toll's trading conditions have remained solid, with revenue and earnings well ahead of the previous year.

As the integration of acquisitions takes effect, and Toll's technology infrastructure is deployed throughout the Group, the Directors anticipate that further growth through customer outsourcing and new contracts will be realised.

In addition, Toll will continue to pursue acquisition opportunities which meet its investment return criteria including earnings per Ordinary Share accretive outcomes.

6. Effect of the Offer on Toll

6.1 Pro forma statement of financial position and summary net debt position

Pro forma statement of financial position

The following table sets out a pro forma consolidated statement of financial position based on Toll's audited statement of financial position as at 30 June 2003, adjusted for several material commenced and completed transactions and the Offer, as outlined below under 'Explanation of pro forma statement of financial position'.

At 30 June 2003	Audited Toll	Impact of Aratere facility	Impact of dividend, DRP and placement	Impact of Toll RPS issue	Combined pro forma
\$ million					
<i>Column number</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
Cash	88	–	–	–	88
Other	351	–	–	–	351
Current assets	439	–	–	–	439
Investments (equity accounted)	350	–	–	–	350
Property, plant and equipment	463	–	–	–	463
Other	185	68	–	–	253
Non current assets	998	68	–	–	1,066
Total assets	1,437	68	–	–	1,505
Payables	255	–	–	–	255
Interest bearing liabilities	15	68	(4)	–	79
Other	150	–	–	–	150
Current liabilities	420	68	(4)	–	484
Interest bearing liabilities	336	–	–	(216)	120
Other	50	–	–	–	50
Non current liabilities	386	–	–	(216)	170
Total liabilities	806	68	(4)	(216)	654
Net assets	631	–	4	216	851
Contributed equity ¹	408	–	29	216	653
Reserves and retained profits	220	–	(25)	–	195
Parent entity interest	628	–	4	216	848
Outside equity interest	3	–	–	–	3
Total equity	631	–	4	216	851

NOTE: 1 – the amounts disclosed above have been determined in accordance with Australian Accounting Standards as described in the financial statements for the year ended 30 June 2003, and therefore do not in particular reflect changes that may result from the anticipated introduction of International Financial Reporting Standards (IFRS) on 1 January 2005. Specifically in respect of Toll RPS, it is likely that application of IFRS will require the majority of the Face Value to be reclassified as a liability (and not equity) for accounting purposes

6. Effect of the Offer on Toll continued

Explanation of pro forma statement of financial position and summary of net debt position

The columns in the pro forma statement of financial position (above) and summary of net debt position (below) have been prepared as follows:

- **Column 1 (Audited Toll)** – represents Toll's audited consolidated statement of financial position as at 30 June 2003;
- **Column 2 (Impact of Aratere facility)** – represents the advance by Toll to Tranz Rail of NZ\$77 million (A\$68 million, based on A\$1.00 = NZ\$1.1407 exchange rate at 29 September 2003) to fund the exercise by Tranz Rail of its option for an early buy-out of the Interisland Line vessel, Aratere;
- **Column 3 (Impact of dividend, DRP and placement)** – the dividend payment of \$25 million on 1 October 2003, reinvestment of \$7 million pursuant to the Company's dividend reinvestment plan (DRP) and the placement of \$22 million of

new Ordinary Shares to investors announced on 2 October 2003 (and which is expected to settle on 7 October 2003). The \$4 million balance of the placement in excess of the DRP shortfall will be used to reduce current interest bearing liabilities;

- **Column 4 (Impact of Toll RPS issue)** – represents the financial effect of the \$220 million Toll RPS issue (net of anticipated issue costs of \$4 million), excluding any oversubscriptions of up to \$30 million which may be accepted by Toll. The sensitivity of net assets and total equity to changes in the amount raised is shown in section 6.4; and
- **Column 5 (Combined pro forma)** – represents the aggregate of columns 1 to 4.

Summary of net debt position

The following table sets out Toll's net debt position at 30 June 2003, adjusted for the same transactions and the Offer, as discussed above.

Summary of net debt position

At 30 June 2003

\$ million	Audited Toll	Impact of Aratere facility	Impact of dividend, DRP and placement	Impact of Toll RPS issue	Combined pro forma
<i>Column number</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
Secured debt	17	–	–	–	17
Unsecured debt	334	68	(4)	(216)	182
Total debt	351	68	(4)	(216)	199
Less cash assets	88	–	–	–	88
Total net debt	263	68	(4)	(216)	111

Impact of Tranz Rail acquisition

As discussed in section 5.4, Toll has made a takeover offer to purchase the remaining shares in Tranz Rail at an offer price of NZ\$1.10 per share. The offer, which Toll expects to close on 10 October 2003, has a 90% minimum acceptance condition.

As at 30 September 2003, Toll had received acceptances for approximately 35% of Tranz Rail. In addition, Toll holds a 19.99% interest in Tranz Rail. Nevertheless, the outcome of the takeover offer is uncertain and may not be known before the Closing Date.

If successful, the acquisition of the remaining shares in Tranz Rail, estimated to be NZ\$185 million (\$A161 million, converted to Australian dollars at 30 June 2003 exchange rate of A\$1.00 = NZ\$1.1473) at the current offer price of NZ\$1.10 per share, will be funded from existing debt facilities. Toll's consolidated net debt position is shown above prior to any such adjustments that would result from the acquisition.

Additional information concerning the acquisition of Tranz Rail is available at Toll's website (www.toll.com.au).

Prospective investors in Toll RPS should review the risks relating to the Tranz Rail takeover offer set out in section 7.

6.2 Pro forma statement of financial performance

The pro forma consolidated statement of financial performance has been presented as if the Toll RPS had been on issue for the whole of the 2003 financial year and the equivalent of two semi-annual Dividend Entitlements had been determined by Directors and paid by Toll.

Pro forma statement of financial position

Year ended 30 June 2003

\$ million

	Audited Toll	Impact of Toll RPS	Combined pro forma
<i>Column number</i>	<i>1</i>	<i>2</i>	<i>3</i>
Sales	2,570	–	2,570
EBITDA	205	–	205
Depreciation	(59)	–	(59)
Amortisation	(18)	–	(18)
Earnings before interest and tax	128	–	128
Net interest expense ¹	(19)	12	(7)
Share of Pacific National profit after tax	28	–	28
Profit before tax	137	12	149
Tax expense	(30)	(4)	(34)
Outside equity interest	(1)	–	(1)
Profit after tax	106	8	114
Toll RPS dividend	–	(12)	(12)
Profit attributable to Shareholders	106	(4)	102

NOTE: 1 – includes interest expense of \$21.3 million

6. Effect of the Offer on Toll continued

Explanation of pro forma statement of financial performance

The columns of the pro forma statement of financial performance have been prepared as follows:

- **Column 1 (Audited Toll)** – represents Toll's audited consolidated statement of financial performance for the year ended 30 June 2003;
- **Column 2 (Impact of Toll RPS issue)** – represents the financial effect of issuing \$220 million of Toll RPS net of anticipated issue costs of \$4 million. Funds raised from the Offer (net of issue costs) have been used to repay debt, and interest expense has

been reduced (which has been calculated on a pre-tax rate of 5.67% per annum). A Dividend Rate of 5.6% per annum has been assumed. The sensitivity of the profit attributable to Shareholders to changes in the amount raised and Dividend Rate is discussed in section 6.4; and

- **Column 3 (Combined pro forma)** – represents the aggregate of columns 1 and 2.

This information should be viewed as illustrative only and does not purport to be indicative of projected results of operations for any future period.

6.3 Combined effect on selected ratios

The following table sets out the effect of the Offer on selected ratios:

Year ended 30 June 2003	Toll actual	Pro forma
Basic earnings per share – Ordinary Shares (cents)	35.9	34.6
Diluted earnings per share – Ordinary Shares (cents)	34.6	34.1
Return on equity attributable to Shareholders (%)	16.9	16.2
Interest bearing debt/(interest bearing debt + equity) (%)	35.9	19.0
PAT/Toll RPS dividend (x)	n/a	9.3
EBITDA/(interest expense + Toll RPS dividend) (x)	9.7	9.7
Earnings before interest and tax/(interest expense + Toll RPS dividend) (x)	6.0	6.0
Interest bearing debt/EBITDA (x)	1.7	1.0

This information should be viewed as illustrative only and does not purport to be indicative of projected results of operations for any future period.

6.4 Sensitivities to Toll RPS amount raised and Dividend Rate

Sensitivity to Toll RPS amount raised

The pro forma statements shown above have assumed that \$220 million is raised through the Offer. The impact on the pro forma information of raising an additional \$30 million is as follows:

- contributed equity, total equity and net assets increases by \$30 million and borrowings reduce by \$30 million; and
- interest expense decreases by \$1.7 million, income tax expense increases by \$0.5 million, Dividends payable increase by \$1.68 million and profit attributable to Shareholders decreases by \$0.48 million.

If Toll accepts fewer oversubscriptions than \$30 million, the effect on the financial information above will generally be pro-rata in accordance with the analysis above.

If \$190 million is raised through the Offer, the impact on the pro forma information will be of an equivalent magnitude, but opposite in direction to the analysis above.

Sensitivity to Dividend Rate

The pro forma statements assume a Dividend Rate of 5.6% per annum. For each 0.1% per annum increase (or decrease) in Dividend Rate, the additional (or lesser) amount payable is \$0.22 million (or up to \$0.25 million if a full \$30 million of oversubscriptions are issued) per annum.

6.5 Other factors

An element of Toll's business strategy is to grow through acquisition. Should additional acquisitions be completed or announced prior to the Issue Date, Toll's capital structure and debt position may differ from the pro forma information in this Prospectus.

7. Investment risks

Before applying for Toll RPS, prospective investors should consider whether Toll RPS are a suitable investment for them. Prospective investors should be aware that there are risks associated with an investment in Toll RPS and Toll, many of which are outside the control of Toll and the Directors, including the risk factors set out below and other matters mentioned in this Prospectus.

7.1 Risks associated with investing in Toll RPS

Set out below are the key risks attaching to an investment in Toll RPS.

Financial market conditions

The market price of Toll RPS will fluctuate due to various factors including general movements in interest rates, the Australian and international equity markets, international economic conditions, the market price of Ordinary Shares, global geo-political events and hostilities, investor perceptions and other factors that may affect Toll's financial position and earnings.

Ordinary Shares held as a result of any Conversion would rank equally with Ordinary Shares. Accordingly, their value after Conversion will depend on the market price of Ordinary Shares.

Market price and liquidity of Toll RPS

Toll is not able to predict the market price or liquidity of Toll RPS.

The market price of Toll RPS may be more sensitive than Ordinary Shares to changes in interest rates, and Toll RPS could trade on ASX at a price below the Face Value.

The market for Toll RPS may be less liquid than the market for Ordinary Shares.

Payment of Dividends

Toll RPS are not debt instruments and Dividends are not the same as interest payments.

Payment of a Dividend is subject to the Directors determining that a Dividend is payable and there being no legal impediment to payment of the Dividend. Dividends are non-cumulative and if a Dividend is not paid in any period, it need not be made up in any subsequent period.

Holder initiated Exchange

A Holder may request Exchange at certain times and by delivering a Holder Exchange Notice to Toll. In this event, Toll may at its discretion, Convert Toll RPS into Ordinary Shares, Repurchase Toll

RPS (for the Repurchase Amount) or procure resale of Toll RPS (and cause the Repurchase Amount to be paid to the Holder). The choice between Conversion, Repurchase or resale (or combination thereof) is made by Toll, not the Holder, and it is possible that Toll's choice may not suit the interests of the Holder.

If Conversion does occur, the rights of each Toll RPS will change to that of an Ordinary Share (being different to the rights of Toll RPS) and the additional Ordinary Shares issued will have the same rights as other Ordinary Shares. It is possible that, if Toll Repurchases the Toll RPS, the type of Repurchase chosen by Toll may not suit the Holder or the Holder's tax position.

The number of Ordinary Shares issued or Repurchase Amount paid (or combination thereof) on Exchange will generally vary depending on the Ordinary Share price over the 20 Business Days immediately prior to the Exchange Date, and may be impacted by the Minimum Conversion Number or Maximum Conversion Number. In the case of Conversion, the value of the Ordinary Shares issued on the Exchange Date may differ from the value calculated through the 20 Business Day pricing period.

Toll initiated Exchange

Toll has the right to require Exchange of a Holder's Toll RPS on a Reset Date or in certain other circumstances. Consequently, Toll RPS may be compulsorily Converted into Ordinary Shares or Repurchased (or a combination thereof) at dates not previously contemplated by the Holder, which may be disadvantageous in light of market conditions or individual circumstances. It is possible that, if Toll chooses to Repurchase Toll RPS, the manner in which Toll implements the Repurchase may not suit the Holder or the Holder's tax position.

Ranking

Toll RPS are not debt instruments. Consequently, on any winding-up of Toll, Holders will rank behind creditors of Toll, but ahead of Ordinary Shareholders and holders of any other classes of shares ranking behind Toll RPS, to the extent of the Face Value and any amount equivalent to the Dividend Entitlement since the preceding Dividend Payment Date. If there is no return of capital on a winding-up, Holders will have no such entitlement.

In the event of a shortfall of funds on a winding-up, there is a risk that Holders will not receive a full return of capital and any amount equivalent to the Dividend Entitlement since the preceding Dividend Payment Date.

Toll may issue other securities including further Toll RPS which rank equally with Toll RPS issued under this Prospectus as to dividends and return of capital or securities which rank behind Toll RPS. Toll may also issue debt securities which rank in priority to Toll RPS for interest payments and repayment of capital. Holder approval is not required for Toll to issue these types of securities.

Taxation considerations and Exchange

A summary of the potential taxation implications for Holders is set out in the letter from KPMG to Toll in section 8. This letter is in general terms and is not intended to provide specific advice in relation to the circumstances of any particular investor. Accordingly, prospective investors should seek independent advice in relation to their own individual taxation position.

Investors should be aware that future changes in Australian tax law including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect the taxation treatment of an investment in Toll RPS, or the holding and disposal of Toll RPS. This may provide grounds under the Terms for Toll to require Exchange of Toll RPS.

7.2 Risks associated with Toll

Set out below are the key risks attaching to an investment in Toll and the transport and logistics sector in Australia and New Zealand. Some of these risks can be mitigated using appropriate safeguards, controls and systems, but others are outside the control of Toll and the Directors and cannot be mitigated.

These risks are relevant to an investment in Toll and Toll RPS as they may have a material adverse effect on the financial performance and position of Toll and, therefore, Toll's ability to pay and/or frank Dividends.

Toll is a disclosing entity for the purposes of the Corporations Act and is therefore subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These obligations require Toll to notify ASX of information about specific events and matters as they arise for the purpose of ASX making the information available to the stock market conducted by ASX.

Transport and logistics industry

Growth in the Australian logistics market may not meet Toll's expectations because current in-house providers may be reluctant to outsource activities associated with key business processes to a third party or for some other reason. This may have a material adverse effect on Toll.

Commercial and operational risks

Toll faces general commercial risks including the risks of industrial disruption, the loss of major customers, competition and other causes of business interruption, which may have a material adverse effect on Toll.

The development of new products or technologies which compete with Toll may have a material adverse effect on Toll.

Information technology and system failures could also have a material adverse effect on Toll.

Toll's operating and financial performance is partly reliant on capital equipment. Capital expenditure requirements may impact the cash flow available to service financing obligations and pay Dividends. Incurred capital expenditure may or may not deliver the expected operational benefits.

Increased competition in the Australian and New Zealand transport and logistics sector may have a material adverse effect on Toll.

Toll expects to expand its international operations, particularly in New Zealand, which may potentially increase operational and management risk.

Toll is exposed to risks of litigation which may have a material adverse effect on Toll. At the date of this Prospectus, however, there are no material litigation proceedings, threatened or pending against Toll which could have such an impact.

Government policy, and legal and regulatory oversight

Toll's operations depend on government maintained public infrastructure including roads, rail track and associated infrastructure. The financial performance and position of Toll depends upon government policy and the continued maintenance and provision of this infrastructure.

Toll's operations are subject to extensive legal oversight, and legislative changes may have a material adverse effect on Toll.

Toll operates in a regulated market and its operations make use of regulated assets. Changes in the approach adopted to this regulation may have a material adverse effect on Toll.

Economic factors

Toll's financial performance and position depends upon the performance of the Australian economy and Australian business activity. An adverse change in the performance of the Australian economy may have a material adverse effect on Toll.

7. Investment risks continued

Key employees

Certain Toll executive Directors are also substantial Shareholders, currently owning approximately 23% of Toll. Any decision by these or other substantial Shareholders to materially reduce their stake in Toll may have a material adverse effect on the price of Ordinary Shares and the value of Toll RPS.

Toll depends partly upon the performance and expertise of its management and employees. The loss of the services of Toll's key management or employees, or a loss of the ability to continue to attract and retain qualified employees may have a material adverse effect on Toll.

Acquisitions and integration

Toll regularly examines corporate opportunities (including potential acquisitions) with a view to determining whether those opportunities will enhance its financial performance and position. The successful implementation of Toll's corporate strategy will depend on a range of factors including potential funding strategies and challenges associated with integrating and adding value to a business which is acquired.

Any corporate opportunity that Toll pursues could, for a variety of reasons, have a material adverse effect on Toll.

Tranz Rail

Toll has made a takeover offer for Tranz Rail. Toll may or may not achieve full ownership of Tranz Rail. There are a number of risks associated with the acquisition and integration of Tranz Rail which may have a material adverse effect on Toll including:

- additional exposure to risks which are similar to those described above in this section 7.2;
- risks that Toll does not realise the full extent of expected benefits of the acquisition;
- if Toll does not acquire all of the outstanding shares in Tranz Rail and may not be able to control the cash flows of Tranz Rail;
- costs associated with the integration of the businesses may be greater than expected;
- there is a risk that Toll may be required to invest greater capital expenditure than anticipated;
- refinancing risk arising from either the short tenor of Tranz Rail's current debt funding facilities, or any change of control and other relevant clauses;

- Toll may incur funding costs and be required to make fair value adjustments which are inconsistent with current expectations;
- accounting, cash flow and other risks associated with Tranz Rail's agreement with the New Zealand Crown including the performance of that agreement to the satisfaction of Toll; and
- under the terms of the acquisition, the Group will assume certain business and contingent liabilities and may also become liable in respect of any successful litigation against these businesses.

These risks apply whether or not Toll achieves full or partial ownership of Tranz Rail.

Toll's existing debt

No assurance can be given that any refinancing required from time to time will be available on terms favourable to Toll. In such circumstances, if Toll is unable to secure refinancing on favourable terms, this may have a material adverse effect on Toll.

Toll's ability to service its debt will depend on its future performance, which will be affected by many factors, certain of which are beyond Toll's control and that of its Directors. The inability of Toll to service its existing debt would have a material adverse effect on Toll and the Toll RPS.

The above summary is not exhaustive and prospective investors should read this Prospectus in its entirety and consult their stockbroker, accountant or other professional adviser before deciding whether to apply for Toll RPS.

8. Taxation considerations for investors



KPMG Tax

A.B.N. 51 194 660 183

KPMG
161 Collins Street
Melbourne Vic 3000
Australia

GPO Box 2291U
Melbourne Vic 3001
Australia

Telephone: +61 (3) 9288 5555
Facsimile: +61 (3) 9288 6666
DX 30824 Melbourne
www.kpmg.com.au

The Directors
Toll Holdings Limited
Level 8
380 St Kilda Road
Melbourne Vic 3004

1 October 2003

Dear Directors

Reset preference shares

We have been asked to prepare a letter for inclusion in the Prospectus to be issued on or about 2 October 2003 for the issue of Toll Reset Preference Shares (Toll RPS) by Toll Holdings Limited (Toll).

Disclaimer

The following is a summary of the Australian income tax implications of acquiring, holding and disposing of Toll RPS acquired under this Prospectus. The income tax implications can vary depending on the nature and character of each particular investor and their specific circumstances. Accordingly, each prospective investor should consult their own tax adviser as to the tax implications of investing in Toll RPS. This letter is intended as a guide only and cannot be relied upon by prospective investors as a substitute for obtaining detailed advice in relation to an investor's specific circumstances.

This summary describes the general Australian income tax implications that could be expected to arise for individuals, complying superannuation funds and companies who are residents of Australia for income tax purposes.

This advice does not consider the tax implications for investors who:

- are not residents of Australia for income tax purposes;
- are exempt from income tax in Australia;



KPMG, an Australian partnership, is a member of KPMG International, a Swiss nonoperating association.

8. Taxation considerations for investors continued



Toll Holdings Limited

Reset preference shares

1 October 2003

- are in the business of trading or dealing in shares or marketable securities; or
- hold Toll RPS on revenue account (e.g., investors who are professional share traders, banks or insurance companies).

Unless otherwise indicated, the comments in this letter in relation to the tax implications which arise in respect of the different rights and obligations attaching to Toll RPS apply in the same manner to individuals, complying superannuation funds and companies.

Capitalised words used in this letter have the meaning given to them in appendix B or otherwise clause 9 of appendix A of the Prospectus unless otherwise defined in this letter.

Our letter is based on the law as enacted at the date of this letter. Except as expressly stated, the following does not describe nor take into account tax reform proposals or legislation that has been introduced but not passed by both Houses of the Australian Federal Parliament.

Unless otherwise indicated, all references in this letter to legislative provisions are to the *Income Tax Assessment Act 1936* and the *Income Tax Assessment Act 1997* (collectively referred to as 'the Act').

Characterisation of Toll RPS

The *New Business Tax System (Debt and Equity) Act 2001* inserted Division 974 into the *Income Tax Assessment Act 1997*. The purpose of Division 974 is to define debt and equity interests for income tax purposes.

In our view, Toll RPS will be an equity interest for income tax purposes on the basis that Toll does not have an effectively non-contingent obligation to provide financial benefits to Holders under the Terms that are at least equal to the value of financial benefits received by Toll. In this regard, we note the following:

- the payment and amount of any Dividends are at the discretion of Toll. Although the Terms contain a mechanism for Shortfall Dividends, ultimately the payments are non-cumulative with Holders having no fixed entitlement to the payment of any Dividend;
- Toll RPS are perpetual instruments and Toll is not under any non-contingent obligation, in form or substance, to repay the Face Value;
- although Holders may request Exchange of their Toll RPS, Holders cannot require Repurchase of Toll RPS;
- although Toll has the right to Repurchase Toll RPS in particular circumstances, there is no obligation, in form or substance, to Repurchase Toll RPS; and
- the issue of Ordinary Shares by Toll on Conversion is deemed not to constitute a financial benefit provided by Toll for the purposes of the relevant tests.

Taxation of Dividends

Debt and equity interests

As stated above, we are of the view that Toll RPS would satisfy the test for an equity interest and, as such, would constitute an equity interest for the purposes of Division 974 of the Act.

Accordingly, Dividends payable by Toll in respect of Toll RPS will be capable of being franked.



Toll Holdings Limited
Reset preference shares
1 October 2003

Individuals

If you are an individual taxpayer, you must include all Dividends received in respect of Toll RPS in your assessable income.

To the extent that the Dividend is franked, your income tax liability is calculated by first 'grossing up' the amount of the Dividend by an amount equal to the franking credit allocated to the Dividend to take account of the tax already paid. You apply your marginal tax rate to the 'grossed-up' Dividend amount, then apply a tax offset (i.e. a credit) for the tax paid by Toll. If your marginal tax rate is greater than 30%, you will be required to pay 'top up tax' in the amount of the excess. If your marginal tax rate is less than 30%, you receive a tax offset against tax on other income or, if the tax offset exceeds your tax that would otherwise be payable, you will receive a refund of the excess.

To the extent that the Dividend is unfranked, there is no gross-up and you will be taxed at your marginal tax rate on the Dividend received, with no tax offset.

You should be aware that there are specific anti-avoidance provisions which may apply to deny your entitlement to tax offsets attaching to Dividends. The application of these provisions, known as the 'Holding Period Rule' which potentially apply to all types of investors, are discussed below.

We recommend that you seek independent tax advice if you think these anti-avoidance rules may apply to you.

Complying superannuation funds

Generally speaking, complying superannuation funds treat the receipt of a dividend in the same way as an individual. However, complying superannuation funds are subject to different tax rates to those of individuals. Where applicable, complying superannuation funds are also entitled to a refund of the excess tax offset amount in the same way as individuals.

The Holding Period Rule can also apply to complying superannuation funds. The implications of the potential application of these rules to complying superannuation funds are discussed below.

To the extent that any dividend received by a complying superannuation fund is unfranked, it will be fully assessable without any gross-up or tax offset in the same way as an individual.

Companies

Companies must include in their assessable income Dividends they receive in respect of Toll RPS. To the extent that the Dividend is franked, the company will gross up the Dividend in the same way as individuals and superannuation funds, and similarly be entitled to a tax offset for the tax paid by Toll in respect of the Dividend. Accordingly, companies will generally pay no further tax on fully franked Dividends as the corporate tax rate and the tax offset are the same rate (i.e. currently 30%). However, companies are not entitled to receive a refund of any excess tax offset amounts (or to carry forward these amounts) if the tax offset exceeds the amount of tax that would otherwise be payable by the company in an income year.

Taxation Laws Amendment Bill (No. 5) 2003 proposes laws to convert any unused franking tax offsets into tax losses for carry forward to a later income year. However, the proposals have not been passed by Parliament as yet.

Companies must record a credit in their franking account for the amount of the franking credit attached to the Dividend.

The Holding Period Rule which is discussed below also applies to companies which hold shares.

To the extent that any Dividend received by a company is unfranked, it will also be fully assessable without any gross-up or tax offset. Further, there will be no credit recorded in their franking account in respect of unfranked Dividends.

8. Taxation considerations for investors continued



Toll Holdings Limited

Reset preference shares

1 October 2003

Holding period

General application

As referred to above, the Act contains provisions known as the Holding Period Rule. These provisions could apply to deny imputation benefits to a Holder in respect of a franked Dividend which they receive unless the Holder has held Toll RPS at risk for at least 90 days during a period commencing on the day after the Holder acquired Toll RPS and ending on the 90th day after the day on which Toll RPS became ex-dividend. In calculating this holding period, days on which Toll RPS are acquired or disposed of are disregarded.

Holders who have satisfied this rule in respect of a prior Dividend received in respect of Toll RPS will not be required to satisfy it again with respect to any subsequent Dividends. Holders who have not satisfied the Holding Period Rule in respect of a prior Dividend received in respect of Toll RPS will be denied imputation benefits in respect of a subsequent Dividend unless they satisfy the Holding Period Rule in respect of that Dividend.

Application to individuals

In respect of individual taxpayers, there is a *de minimis* exemption known as the 'Small Shareholder Rule' which may be available to a Holder. This exemption applies where the total tax offsets attaching to all dividends received by the Holder on any shares held during that year do not exceed \$5,000.

Application to complying superannuation funds

The Holding Period Rule also applies to complying superannuation funds. However, a specific exemption from the Holding Period Rule is available for most complying superannuation funds. Under this exemption, these shareholders can elect to apply a formula-based method which calculates a maximum ceiling amount of tax offsets available to such shareholders in an income year.

Application to companies

Companies are also required to hold the Toll RPS 'at risk' for 90 days in order to receive the franking account credit and to claim the tax offset as referred to above.

Summary

The application of the Holding Period Rule will depend on the particular circumstances of Holders (including other transactions entered into by them in relation to Toll RPS or Ordinary Shares). For example, the Holding Period Rule can apply where a Holder or an associate makes a 'related payment'. This letter does not address the issue of related payments. However, we reiterate that Holders should seek independent tax advice if they consider that this anti-avoidance rule may apply to them.

We note that the Treasurer announced by Press Release No. 74 of 11 November 1999 that the Government intended to review the Holding Period Rule with a view to amending the rule to reduce the 'at risk' holding period requirement. However, to date no such amendments have been announced.

Dividend streaming

The Act also contains various anti-avoidance provisions regarding the provision of 'streaming' of imputation benefits to specific types of shareholders vis a vis other shareholders. Under these provisions, the Commissioner of Taxation may deny Holders imputation benefits in respect of Dividends which have been franked by Toll.



Toll Holdings Limited
Reset preference shares
1 October 2003

However, in the circumstances of the Offer, namely:

- the Offer is a public offer;
- existing Shareholders will be entitled to receive a priority allocation of Toll RPS;
- the dividend payment policy in respect of Shareholders will be unaffected by the issue of Toll RPS;
- it is expected that Dividends in respect of Toll RPS will be fully franked and Ordinary Shares will continue to be fully franked; and
- it is expected that the taxation profiles of Shareholders and Holders will be similar, such that it cannot be said that Holders will derive greater imputation benefits than Shareholders,

we do not consider that such provisions should apply to deny imputation benefits.

Borrowing costs

Subject to the application of the thin capitalisation rules, Holders should be entitled to a deduction for interest incurred on borrowings to the extent that the proceeds from the borrowings are used to purchase Toll RPS.

Reset of terms of Toll RPS

The resetting of the terms of Toll RPS should not, of itself, have income tax consequences for Holders on the basis that the resetting of the terms is a condition under which Toll RPS are issued.

Taxation treatment of Exchange

Conversion

Under the Terms, Toll may convert Toll RPS to an Ordinary Share and provide additional Ordinary Shares as determined pursuant to the Terms where a Holder lodges a Holder Exchange Notice with Toll, or where Toll lodges a Company Exchange Notice with Holders.

Each Toll RPS is converted into a single Ordinary Share by way of a variation of rights attaching to Toll RPS such that the rights are those of an Ordinary Share. The Terms state that the Conversion of Toll RPS does not constitute cancellation, redemption or termination of Toll RPS or an issue or creation of a new share. A number of additional Ordinary Shares (calculated in accordance with the Terms) will be issued by Toll in respect of each Toll RPS converted.

The issue of the additional Ordinary Shares on Conversion will not have any immediate tax implications for Holders.

The mere variation of rights attaching to Toll RPS causing it to become an Ordinary Share will not be a capital gains tax event. Furthermore, the issue of the additional Ordinary Shares will not be a dividend for tax purposes on the basis that:

- the allotment of Ordinary Shares to Holders is not a distribution of property by Toll; and
- no amount has been credited to Holders by Toll.

Accordingly, the additional Ordinary Shares will be treated as bonus shares for capital gains tax purposes. The cost base and reduced cost base a Holder had in Toll RPS prior to Conversion will be apportioned between the converted Ordinary Share and the additional Ordinary Shares received. Holders will be taken to have acquired the additional Ordinary Shares at the time Toll RPS were acquired.

8. Taxation considerations for investors continued



Toll Holdings Limited

Reset preference shares

1 October 2003

Repurchase

Under the Terms, Toll may Repurchase Toll RPS where a Holder of Toll RPS lodges a Holder Exchange Notice with Toll, provided that any Repurchase is structured in such a way that Holders receive any Dividend accrued for the period to the relevant date. In addition, Toll may Repurchase Toll RPS where it lodges a Company Exchange Notice with Holders.

The income tax consequences for Holders on any Repurchase of Toll RPS will depend upon a number of factors which can only be determined by Toll at the time of Repurchase. These factors include the mechanism by which the Repurchase is executed and the accounts from which the Repurchase is made. Given the complex income tax treatment of share buybacks and redemptions, we recommend that Holders seek their own taxation advice as to the consequences arising should their Toll RPS be Repurchased.

However, for the purposes of this letter we make the following comments as to the general principles that would apply to a Repurchase under the current law:

- a dividend component will generally arise to the extent that Toll debits the Repurchase Amount from profits rather than its share capital account; and
- the Repurchase will be a capital gains tax event for the Holder. The capital proceeds for capital gains tax purposes will be the Repurchase Amount less any of that amount which has been treated as a dividend.

It is noted that the Repurchase may include the issue of Ordinary Shares to Holders. The market value of such Ordinary Shares shall form part of the capital proceeds.

Resale to third parties

The sale or disposal of Toll RPS by a Holder will result in a capital gains tax event happening for the Holder.

A capital gain arises to the extent any capital proceeds received from the sale or disposal exceed the Holder's cost base of Toll RPS. The cost base of Toll RPS to the Holder will include any amounts paid to acquire Toll RPS, as well as any incidental costs incurred associated with the acquisition and/or sale or disposal of Toll RPS.

An individual investor or a complying superannuation fund investor may be entitled to discount the amount of the capital gain calculated (after the application of any carried forward capital losses available) arising on sale or disposal. Individuals are allowed a discount of 50% while complying superannuation funds are allowed 33 1/3%. This discount on capital gain will only be available where Toll RPS are held for at least 12 months.

Correspondingly, a capital loss will arise to the extent that the reduced cost base exceeds any capital proceeds received from the sale or disposal of Toll RPS.

Sale of Toll RPS or additional Ordinary Shares on ASX

An on market sale of Toll RPS or additional Ordinary Shares by a Holder will be a capital gains tax event for the Holder.

As discussed above, a capital gain arises to the extent any capital proceeds received from the sale or disposal exceed the Holder's cost base of Toll RPS. Upon Conversion, the cost base a Holder had in Toll RPS prior to Conversion will be apportioned between the converted Ordinary Share and the additional Ordinary Shares received.



Toll Holdings Limited
Reset preference shares
1 October 2003

In addition, an individual investor or a complying superannuation fund investor may be entitled to discount the amount of the capital gain calculated (after the application of any carried forward capital losses available) arising on disposal as discussed above. Holders will be taken to have acquired the additional Ordinary Shares at the time Toll RPS was acquired for the purpose of determining whether the additional Ordinary Shares were held for at least 12 months.

A capital loss will arise to the extent that the reduced cost base exceeds any capital proceeds received from the sale or disposal of Toll RPS or the additional Ordinary Shares.

Quotation of TFNs

Investors will be able to quote their Tax File Numbers (TFNs), or claim an exemption from the quotation provisions if certain provisions are satisfied. Although disclosure of an investor's TFN is not mandatory, failure to do so may result in an amount of tax being withheld from any unfranked portion of a Dividend, unless the investor is specifically exempt from the TFN provisions.

Alternatively, any investor who purchases Toll RPS in the course or furtherance of an enterprise it carries on may quote its Australian Business Number.

Other taxes

Goods and Services Tax (GST)

Under the GST legislation, the issue or transfer of an equity security such as Toll RPS is considered a financial supply, and is therefore input taxed. Accordingly, no GST is payable in respect of the issue of Toll RPS or by the transferring of Toll RPS by a Holder, as both these transactions will constitute financial supplies. Further, the Conversion of Toll RPS to an Ordinary Share will not constitute a taxable supply, and as such no GST liability will arise.

Stamp duty

Toll proposes to apply to ASX for official quotation of Toll RPS.

Whilst the Ordinary Shares and Toll RPS are quoted on ASX, no stamp duty or similar taxes are payable in Australia by a Holder in connection with the issue, purchase, conversion, exchange, redemption or sale of Toll RPS or Ordinary Shares, as the case may be.

* * * *

Yours sincerely

Tony Morganti
Tax Partner

9. Additional information

9.1 Rights and liabilities of Toll RPS

The rights and liabilities attaching to Toll RPS will be governed by:

- the Constitution, proposed to be amended at Toll's Annual General Meeting; and
- the Terms as set out in appendix A.

9.2 Toll – a disclosing entity

Toll is a disclosing entity for the purposes of the Corporations Act and is therefore subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These obligations require Toll to notify ASX of information about specific events and matters as they arise for the purpose of ASX making the information available to the stock market conducted by ASX. In particular, Toll has an obligation under the Listing Rules (subject to certain limited exceptions), to notify ASX once it is, or becomes, aware of any information concerning Toll which a reasonable person would expect to have a material effect on the price or value of Toll's securities. Toll is also required to prepare and lodge with ASIC yearly and half yearly financial statements accompanied by a Directors' statement and report, and an audit or review report. Copies of documents lodged in relation to Toll may be obtained from, or inspected at, an office of ASIC.

Since lodging the Company's financial results for the year ended 30 June 2003, Toll has made the following announcements to ASX.

Date	Announcement
4 September 2003	Pacific National – Profit announcement
4 September 2003	Briefing to media and analysts of results for year ended 30 June 2003
4 September 2003	Pacific National results for year ended 30 June 2003
4 September 2003	Revised record date – 2003 final dividend (Ordinary Shares)
5 September 2003	Media release regarding Tranz Rail
5 September 2003	Notice of variation in offer for Tranz Rail
9 September 2003	Appendix 3B – Executive share option scheme
10 September 2003	Appendix 3B – Exercise of executive options
10 September 2003	Change of Director's interest notice
10 September 2003	Appendix 3B – Executive share option scheme

12 September 2003	Tranz Rail – Aratere vessel
15 September 2003	Appendix 3B – Executive share option scheme
15 September 2003	Appendix 3B – Exercise of executive options
22 September 2003	Change of Director's interest notice
22 September 2003	Appendix 3B – Executive share option scheme
29 September 2003	Notice of Annual General Meeting

Toll will provide a copy (free of charge) to any person who requests it in the period starting from the date of this Prospectus and ending on the Closing Date, of the financial report of Toll for the year ended 30 June 2003 and the announcements made to ASX referred to above. Alternatively, these documents may be viewed at the Company's website (www.toll.com.au).

9.3 Summary of rights and liabilities attaching to Ordinary Shares

Converted Toll RPS and all Ordinary Shares resulting from Conversion will rank equally with Ordinary Shares. The rights and liabilities attaching to ownership of the Ordinary Shares resulting from Conversion arise from a combination of the Constitution, statute and general law. The Constitution may be inspected during normal business hours at Toll's registered office. Shareholder approval will be sought to amend the the Constitution in certain respects at Toll's Annual General Meeting to be held on 30 October 2003. A copy of the Notice of Meeting is available from Toll's website (www.toll.com.au) or from Toll's registered office.

A summary of the significant rights and liabilities attaching to the Ordinary Shares is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders.

Voting at a general meeting

Subject to any shares which may in the future be issued with special or preferential rights, every member present in person at a general meeting of Toll or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Ordinary Share held. On a poll, partly paid shares confer a fraction of a vote in proportion to the amount paid up on the share.

Meetings of members

Each Shareholder is entitled to receive notice of, attend and vote at meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the Listing Rules.

Dividends

The Directors may from time to time determine dividends to be distributed to Shareholders according to their rights and interests. The Directors may fix the time for distribution and the methods of distribution. Dividends are payable on all Ordinary Shares in proportion to the amount of the total issue price paid (but not credited) for the Ordinary Shares. This is subject to any special or preferential rights attached to any class of shares created after the issue of the Ordinary Shares.

Transfer of shares

Ordinary Shares may be transferred by a proper transfer effected in accordance with the ASTC Operating Rules, by any other method of transferring or dealing in Ordinary Shares introduced by ASX and as otherwise permitted by the Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by either the Directors or ASX that is otherwise permitted by the Corporations Act.

The Directors may decline to register a transfer of Ordinary Shares (other than a proper transfer in accordance with the ASTC Operating Rules) where permitted to do so under the Listing Rules. If the Directors refuse to register a transfer, Toll must, within five Business Days after the transfer is lodged with the Company, give the party lodging the transfer written notice of the refusal and the reason for refusal. The Directors must decline to register a transfer of Ordinary Shares when required by law, by the Listing Rules or by the ASTC Operating Rules.

Issue of further shares

The Directors may allot, issue, grant options in respect of, or otherwise dispose of, further shares on such terms and conditions as they see fit. However, the Directors must act in accordance with the restrictions imposed by the Constitution, the Corporations Act, the Listing Rules and any rights for the time being attached to the shares in any special class of those shares.

Winding-up

If Toll is wound up, then subject to any special or preferential rights attaching to any class of shares, Shareholders will be entitled to participate in any surplus assets of the Company in proportion to the

capital paid up (including amounts credited) on their Ordinary Shares when the winding-up begins.

Share buy-backs

Subject to the provisions of the Corporations Act and the Listing Rules, Toll may buy back shares in itself on terms and at times determined by the Directors.

Proportional takeover provisions

The Constitution contains provisions for Shareholder approval to be required in relation to any proportional takeover offer. Shareholder approval will be sought at Toll's Annual General Meeting to be held on 30 October 2003 for the renewal of these provisions. If Shareholder approval is not obtained, the proportional takeover provisions will lapse on 2 November 2003, being three years from the date on which these provisions were last approved by Shareholders.

Variation of class rights

Unless otherwise provided by the Constitution or by the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or abrogated:

- with the consent in writing of the holders of three-quarters of the issued shares included in that class; or
- with the sanction of a special resolution passed at a separate meeting of the holders of those shares.

In either case, the holders of not less than 10% of the votes in the class of shares, the rights of which have been varied or abrogated, may apply to a court of competent jurisdiction to exercise its discretion to set aside such a variation or abrogation.

Dividend reinvestment plan and bonus share plan

The Constitution authorises the Directors to establish and maintain dividend reinvestment plans (whereby any member may elect that dividends payable by Toll be reinvested by way of subscription for shares in Toll) and bonus share plans (whereby any member may elect to forego any dividends that may be payable on all or some of the Ordinary Shares held by that member and to receive instead some other entitlement including the issue of Ordinary Shares).

Alteration of Constitution

The Constitution can only be amended by special resolution passed by at least three-quarters of Shareholders present and voting at a general meeting of the Company. Toll must give at least 28 days written notice of its intention to propose a resolution as a special resolution.

9. Additional information continued

9.4 Summary of the Offer Management Agreement

The Company has entered into an Offer Management Agreement dated 1 October 2003 with the Joint Lead Managers under which the Joint Lead Managers agree to manage the Offer and the Bookbuild. There are certain defined terms used in the Offer Management Agreement which are not defined in this Prospectus.

Subject to the successful completion of the Bookbuild, the determination of the Initial Margin and the allocation of Toll RPS between institutional investors and retail investors, the Joint Lead Managers agree to provide settlement underwriting support for the Toll RPS issue allocated to institutional investors and Broker Firm Applicants.

In accordance with the provision of this settlement underwriting support, the Joint Lead Managers will pay, or procure payment of, to the Company of the aggregate proceeds of the Offer up to \$220 million.

Neither Joint Lead Manager will have any obligation to provide settlement underwriting support until it has been provided with written confirmation by the Company of Shareholder approval of the special resolution necessary to amend the Constitution to permit the Company to issue the Toll RPS and of ASX quotation of Toll RPS. If the Constitution has not been amended to permit the Company to issue Toll RPS prior to 5.00pm on 14 November 2003 (or such date as is agreed between the Company and the Joint Lead Managers), then the Joint Lead Managers will have no further obligations under the Offer Management Agreement.

Fees and expenses of the Offer

The Joint Lead Managers will be paid in equal proportions:

- a management and selling fee of 1.5% of the total proceeds of the Offer (excluding any proceeds raised pursuant to the issue of Toll RPS in response to oversubscriptions); and
- an oversubscription fee of 1.0% of the proceeds raised from the issue of Toll RPS in response to oversubscriptions.

The Joint Lead Managers may also receive in equal proportions an incentive fee of up to 0.25% of the total proceeds raised pursuant to the Offer (excluding any proceeds raised from the issue of Toll RPS in response to oversubscriptions) dependent upon the amount of the Initial Margin.

The Company is responsible for the payment of the costs and expenses of, and incidental to, the Offer and the issue of the Toll RPS.

Representations and warranties

The Offer Management Agreement contains various representations and warranties and imposes various obligations on the Company, including to ensure that this Prospectus complies with the Corporations Act and other laws and regulations and other legally binding requirements of ASIC or ASX which may be applicable to it.

Termination events

Each Joint Lead Manager may terminate its obligations under the Offer Management Agreement at any time before the allotment of all of Toll RPS if:

- (a) **ASIC stop order:** ASIC issues an order under section 739(1) of the Corporations Act or an interim order under section 739(3) of the Corporations Act or ASIC applies for an order under sections 1324B or 1325 of the Corporations Act in relation to the Prospectus and the application is not dismissed or withdrawn within 3 Business Days;
- (b) **ASX approval:** unconditional approval (or conditional approval, provided such condition would not, in the reasonable opinion of the Joint Lead Manager, have a Material Adverse Effect) by the ASX for the official quotation of the RPS is refused, or is not granted by the Institutional Settlement Date, or is withdrawn;
- (c) **Bond Indices fall:** the UBS Warburg Composite Bond Index (All Maturities):
 - (1) closes on 5 consecutive Business Days at a level that is 7.5% or more below its closing level on the last market close prior to the execution of this agreement (**UBS Index Starting Level**);
 - (2) closes on a day which is less than 5 Business Days before the Broker Firm Settlement Date at a level which is 7.5% or more below the UBS Index Starting Level and closes at that or a lower level on each subsequent Business Day until and including the Business Day before the Broker Firm Settlement Date;
 - (3) closes on a day which is less than 5 Business Days before the Institutional Settlement Date at a level which is 7.5% or more below the UBS Index Starting Level and closes at that or a lower level on each subsequent Business Day until and including the Business Day before the Institutional Settlement Date; or
 - (4) is at any time at a level which is 10% or more below the UBS Index Starting Level;

- (d) **Lodgement Date:** the Company fails to lodge the Prospectus with ASIC on or before the Lodgement Date (or such later date as the Joint Lead Managers may agree in writing);
- (e) **Index fall:** the All Industrials Index of the ASX:
- (1) closes on 5 consecutive Business Days at a level that is 10% or more below its closing level on the last market close prior to the execution of this agreement (**Starting Level**);
 - (2) closes on a day which is less than 5 Business Days before the Broker Settlement Date at a level which is 10% or more below its Starting Level and closes at that or a lower level on each subsequent Business Day until and including the Business Day before the Broker Firm Settlement Date;
 - (3) closes on a day which is less than 5 Business Days before the Institutional Settlement Date at a level which is 10% or more below its Starting Level and closes at that or a lower level on each subsequent Business Day until and including the Business Day before the Institutional Settlement Date; or
 - (4) is at any time at a level which is 15% or more below its Starting Level;
- (f) **Supplementary Prospectus:** a Supplementary Prospectus is, in the reasonable opinion of a Joint Lead Manager, required under the Corporations Act or the Company lodges a Supplementary Prospectus;
- (g) **consent:** any person whose consent to the issue of the Prospectus is required by section 720 of the Corporations Act who has previously consented to the issue of the Prospectus withdraws such consent or any person otherwise named in the Prospectus with their consent (other than a Joint Lead Manager) withdraws such consent;
- (h) **withdrawal:** the Company withdraws the Prospectus or any part of the Offer;
- (i) **quotation of Shares:** quotation of Shares is suspended for more than 3 consecutive Business Days or Shares cease to be quoted on ASX;
- (j) **disruption in financial markets:** either of the following occurs:
- (1) a general moratorium on commercial banking activities in Australia, the United States of America or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or
 - (2) trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for one day on which that exchange is open for trading,
- in either case the effect of which is such as to make it, in the reasonable judgment of the Joint Lead Manager, impracticable to market the Offer or to enforce contracts to issue and allot RPS.
- (l) any of the following events occur, subject to the Joint Lead Manager having reasonably determined that the event has or is likely to have a material adverse effect and the relevant Joint Lead Manager has given notice in the form prescribed in the Offer Management Agreement:
- (1) **Prospectus:**
 - (A) The Prospectus omits any material required by the Corporations Act, contains any statement that is misleading or deceptive or which is likely to mislead or deceive or otherwise fails to comply with the Corporations Act, the Listing Rules, any other laws and regulations or any other legally binding requirements of ASIC or ASX;
 - (B) The issue or distribution of the Prospectus is misleading or deceptive or likely to mislead or deceive;
 - (C) The effect of ASIC Class Order 00/195 is that section 713 does not apply to the Prospectus; or
 - (D) Any person gives a notice under section 730;
 - (2) **due diligence:** there is an omission from the results of the investigation performed under the Due Diligence Investigations or from the verification material or the results of the investigation or the verification material are false or misleading or deceptive;
 - (3) **unable to issue RPS:** the Company is prevented from allotting and issuing the RPS within the time required by the Listing Rules by the ASX or ASIC, any statute or regulation, by the order of a court of competent jurisdiction or by a Governmental Agency;
 - (4) **revocation of authorisation:** any licence, permit, authorisation or consent which is material to anything referred to in the Prospectus or necessary to conduct the business of a member of the Group is repealed, revoked, terminated or expires or is modified or amended in a manner unacceptable to a Joint Lead Manager;

9. Additional information continued

- (5) **unauthorised alterations:** without the prior written consent of the Joint Lead Managers, a member of the Group alters its share capital (other than in a manner expressly contemplated in the Prospectus) or its constitution in any material respect without first obtaining the consent of the Joint Lead Managers which consent will not be unreasonably withheld or delayed;
- (6) **change in laws:** there is introduced into the Parliament of the Commonwealth of Australia or any State or Territory of Australia a law or prospective law, or any new regulation is made under any statute, or a Governmental Agency (including without limitation ASIC, the Reserve Bank of Australia or APRA) adopts a policy, or there is any announcement that such a law, prospective law or regulation may be introduced or policy may be adopted;
- (7) **failure to comply:** any member of the Group fails to comply with a provision of its constitution, any statute or regulation or a requirement, order or request, made by or on behalf of ASIC, ASX or any Governmental Agency;
- (8) **Prescribed Occurrence:** an event set out in section 652C(1) or (2) of the Corporations Act (but substituting 'the target' for 'the Company' and 'a subsidiary' for 'any other member of the Group') occurs;
- (9) **Insolvency Event:** an Insolvency Event occurs. In this context Insolvency Events means a member of the Group being or stating that it is unable to pay its debts as and when they fall due or failing to comply with a statutory demand or any step being taken towards the appointment of a liquidator, provisional liquidator, administrator, receiver, receiver and manager or other similar official in relation to, or to any property of, a member of the Group, or towards a member of the Group being wound up or dissolved or entering into a scheme, moratorium, composition or other arrangement with, or to obtain protection from, its creditors or any class of them or an assignment for the benefit of its creditors or any class of them, or circumstances existing which would permit a presumption of insolvency in relation to a member of the Group under section 459C(2) of the Corporations Act, or anything analogous or having a substantially similar effect occurring;
- (10) **capital:** a member of the Group passes, or takes any steps to pass, a resolution under section 254N or 260B or division 2 of part 2J.1;
- (11) **judgment:** a judgment is made by a court of competent jurisdiction, or a fine or penalty is imposed by a Governmental Agency, in an amount equal to or exceeding \$10 million against a member of the Group and such judgment, fine or penalty is not set aside or satisfied within 7 days after it is made or imposed;
- (12) **hostilities:** there is an outbreak or escalation of hostilities (whether or not war has been declared) involving any one or more of Australia, New Zealand, the United States, the United Kingdom, Korea, any member of the European Union, Indonesia, China or Japan or the declaration by any of these countries of a national emergency or war, or a terrorist attack is perpetrated anywhere in the world;
- (13) **public statement:** a member of the Group makes a public statement in relation to the RPS, the Offer or the Group without the prior consent of the Joint Lead Managers (which consent will not be unreasonably withheld or delayed);
- (14) **default:** the Company is in default of any of the terms and conditions of this agreement or breaches any warranty or covenant given or made by it under this agreement;
- (15) **director:** a director of a member of the Group:
- (A) is charged with an indictable offence relating to any financial or corporate matter or any regulatory body commences any public action against the director in his or her capacity as a director of a member of the Group or announces that it intends to take any such action;
 - (B) is disqualified from managing a corporation under sections 206B, 206C, 206D, 206E or 206F of the Corporations Act;
- (16) **misrepresentation:** any warranty, representation or statement by any member of the Group in relation to the Offer is or is found to be false or misleading or deceptive;
- (17) **future information:** any statement as to a future matter (including any financial forecast or projection) in the Prospectus or which is provided to the Joint Lead Managers by or on behalf of the Company is or becomes incapable of being met or occurring or in the reasonable opinion of the Joint Lead Manager acting in good faith, becomes unlikely to be met or to occur in the projected timeframe;

- (18) **information supplied:** any information supplied by any member of the Group or on its behalf to the Joint Lead Managers in respect of the Offer of the Group is or is found to be false or misleading or deceptive or likely to mislead or deceive;
- (19) **charge:** any member of the Group grants or agrees to grant an Encumbrance over the whole or a substantial part of its business or property without the prior written consent of the Joint Lead Managers;
- (20) **adverse change:** there is an adverse change in the financial position, assets, liabilities, results of operations, profits, forecasts, losses, prospects, business or the directors or senior management of the Group taken as a whole from that reflected in the Prospectus; or
- (21) **trading halt:** trading in Shares on ASX is halted (excluding any trading halt initiated for the purposes of conducting the bookbuild) for more than 3 consecutive Business Days.

Indemnity

The Company has agreed to indemnify the Joint Lead Managers and parties affiliated with them against claims, demands, damages, losses, costs, expenses and liabilities suffered or incurred as a result of, or in connection with, the Offer, other than where they result from any bad faith, fraud, recklessness, wilful misconduct, negligence, breach of law, or material breach of the Offer Management Agreement of the indemnified party.

9.5 Residents of the United States

The Offer has not been and will not be registered under the US Securities Act and, therefore, Toll RPS may not be offered, sold, renounced or delivered, directly or indirectly, within the United States. Accordingly, except as described below, the Offer is not being made in the United States or to Shareholders with registered addresses in the United States and neither the Prospectus nor the Application Form will be sent into the United States or to persons with registered addresses in the United States.

Envelopes containing Application Forms should not be postmarked or otherwise dispatched from the United States and all persons subscribing for Toll RPS must provide addresses within Australia for the return of holding statements for Toll RPS. Toll reserves the right to treat as invalid any Application Form (i) that is postmarked in or which otherwise appears to have been dispatched from the United

States, (ii) that provides an address in the United States for delivery of holding statements for Toll RPS, or (iii) which, except as otherwise agreed with the Company, does not make the representation and warranty set out in the Application Form that the person acquiring Toll RPS is not in the United States and is not acting for the account or benefit of a person within the United States.

Any person who is unable to make the representation and warranty set out in the Application Form is not entitled to acquire Toll RPS pursuant to the Offer.

For the purposes of this Prospectus and the Application Form, 'United States' means the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

9.6 Consents

None of the parties referred to below has made, or purports to make, any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified below. Each of these parties, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name and a statement or report included in this Prospectus with the consent of that party, as specified in this section.

Clayton Utz have given and have not, before the lodgment of this Prospectus with ASIC, withdrawn their written consent to be named in this Prospectus as legal adviser to Toll in the form and context in which they are named.

Deutsche Bank AG has given and has not, before the lodgment of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as a Joint Lead Manager in the form and context in which it is named.

Goldman Sachs JBWere Pty Ltd has given and has not, before the lodgment of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as a Joint Lead Manager in the form and context in which it is named.

KPMG have given and have not, before the lodgment of this Prospectus with ASIC, withdrawn their written consent to be named as tax adviser to Toll in the form and context in which they are named and to the inclusion in this Prospectus of their taxation letter to Toll in the form and context in which it is included (and to the references to that report in sections 2.7 and 7.1).

9. Additional information continued

KPMG have given and have not, before the lodgment of this Prospectus with ASIC, withdrawn their written consent to be named in this Prospectus as auditor to the Company in the form and context in which they are named and to the inclusion of references in sections 5 and 6 to the audited financial statements of the Company in the form and context in which they are included.

Citigroup Global Markets Australia Pty Limited has given and has not, before the lodgment of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as a Co-manager in the form and context in which it is named.

Computershare Investor Services Pty Limited has given and has not, before the lodgment of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as Toll Share Registry in the form and context in which it is named.

9.7 Interests of advisers

Except as set out in the Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus nor the Joint Lead Managers has, or has had in the two years before lodgment of this Prospectus, an interest in:

- the formation or promotion of Toll;
- the Offer; or
- any property acquired or proposed to be acquired by Toll in connection with its formation or promotion or the Offer,

and no amounts (whether in cash or shares or otherwise) have been paid or are agreed to be paid to such persons in connection with the formation or promotion of Toll or the Offer.

KPMG have provided tax advice in relation to the Offer and have prepared the taxation letter to Toll contained in section 8. In respect of this work, Toll has paid or agreed to pay approximately \$70,000 (excluding disbursements and GST) to KPMG. Further amounts may be paid to KPMG in accordance with their normal time based charges.

KPMG have acted as the auditors for the Company and performed professional services to assist management in their due diligence enquiries on certain financial matters in this Prospectus. In respect of this due diligence work, Toll has paid or agreed to pay approximately \$90,000 (excluding disbursements and GST) to KPMG. Further amounts may be paid to KPMG in accordance with their normal time based charges.

Clayton Utz have acted as legal advisers to Toll and have performed work in relation to due diligence enquiries on legal matters. In respect of this work, Toll has paid or agreed to pay approximately \$150,000 (excluding disbursements and GST) to Clayton Utz. Further amounts may be paid to Clayton Utz in accordance with their normal time based charges.

Deutsche Bank AG is acting as a Joint Lead Manager for the Offer, in respect of which they will receive the commission and fees outlined in section 9.4 above.

Goldman Sachs JBWere Pty Ltd is acting as a Joint Lead Manager for the Offer, in respect of which it will receive the commission and fees outlined in section 9.4 above.

Computershare Investor Services Pty Limited is providing share registry services to Toll. Toll has paid or agreed to pay Computershare Investor Services Pty Ltd approximately \$50,000 (excluding disbursements and GST) in respect of these services.

Citigroup Global Markets Australia Pty Limited are acting as Co-manager. The Joint Lead Managers will be responsible for fees payable to the Co-manager, which will be 1.0% of the Face Value of all Toll RPS allocated to the Co-manager through the Bookbuild.

9.8 Directors' interests

Other than as set out in this Prospectus, no Director or proposed Director holds, at the time of lodgment of this Prospectus with ASIC, or has held in the two years before lodgment of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company; or
- the Offer; or
- any property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or with the Offer.

No one has paid or agreed to pay any amount, and no one has given or agreed to give any benefit, to any Director or proposed Director:

- to induce a person to become, or qualify as, a Director; or
- for services provided by a Director or proposed Director in connection with the formation or promotion of the Company or the Offer.

Directors are not required under the Constitution to hold any shares in Toll. No Director as at the date of this Prospectus has a relevant interest in any securities in Toll other than as set out below.

Director	Number of Ordinary Shares	Number of options to acquire Ordinary Shares
Mr J Moule	703,089	—
Mr P Little	36,931,300	1,600,000
Mr M Rowsthorn	33,023,008	1,600,000
Mr N Chatfield	503,484	480,000
Mr W Farrands	87,164	—
Mr R Dunning	10,115	—
Mr A Lucas	217,164	—

The Directors may acquire Toll RPS offered for subscription pursuant to this Prospectus subject to the terms of the ASX waiver in section 9.9.

Directors' remuneration for services provided to Toll as disclosed in the audited financial statements for the years ended 30 June 2002 and 30 June 2003, and for the period from 1 July 2003 to 30 September 2003 is shown below.

Director	Year ended 30 June 2002	Year ended 30 June 2003	Period from 1 July 2003 to 30 September 2003	Total
Mr J Moule	\$102,600	\$160,022	\$42,148	\$304,770
Mr P Little	\$1,200,000	\$1,900,000	\$287,500	\$3,387,500
Mr M Rowsthorn	\$1,050,000	\$1,540,000	\$250,001	\$2,840,001
Mr N Chatfield	\$535,000	\$752,500	\$156,250	\$1,443,750
Mr W Farrands	\$75,600	\$76,300	\$22,225	\$174,125
Mr R Dunning	\$70,753	\$76,300	\$19,075	\$166,128
Mr A Lucas	—	\$14,477	\$14,478	\$28,955
Total	\$3,033,953	\$4,519,599	\$791,677	\$8,345,229

NOTE: Excludes value of options relating to Senior Executive Option Plan in respect of Mr P Little, Mr M Rowsthorn and Mr N Chatfield as disclosed in Toll's 2003 Annual Report

Shareholder approval will be sought at Toll's Annual General Meeting on 30 October 2003 for an increase in the aggregate amount of fees payable to non-executive Directors and for the implementation of a Non-Executive Director Share Plan. If Shareholders approve either or both of these matters, there may be an adjustment to the fees payable to non-executive Directors for the period from 1 July 2003 to 30 September 2003.

9. Additional information continued

9.9 ASX waivers

ASX has granted Toll the following waivers in respect of the Offer:

- Listing Rule 6.9 has been waived to the extent necessary to permit Holders, when they have a right to vote in accordance with the Terms, to vote on an 'as converted' basis;
- Listing Rule 7.1.4 has been waived to the extent necessary to permit Toll, in calculating the number of Toll RPS it may issue in accordance with Listing Rule 7.1 to notionally Convert the Toll RPS at the volume weighted averaged price of Ordinary Shares on the day prior to the announcement of the proposed offer of Toll RPS;
- Listing Rule 7.3.8 has been waived to the extent necessary to permit the notice for Toll's Annual General Meeting not to include a voting exclusion statement;
- Listing Rule 7.40 has been waived to the extent necessary to permit Toll to schedule the Opening Date up to two Business Days before the despatch of the Prospectus to Eligible Shareholders; and
- Listing Rule 10.11 has been waived to permit Directors and their related parties to participate in the Offer, without Shareholder approval, on condition that Directors and their related parties in aggregate are restricted to applying for no more than 0.2% of the total number of Toll RPS which may be issued under the Offer and their participation is on the same terms and conditions as other Eligible Shareholders.

9.10 ASIC relief

Toll has obtained ASIC relief to permit the lodgment of this Prospectus with ASIC without the inclusion of the Minimum Dividend Rate and the Initial Margin and for their inclusion in the printed and electronic copies of this Prospectus following the Bookbuild described in section 4.3, on condition that an updated electronic copy of this prospectus is placed on Toll's website (www.toll.com.au) and lodged with ASIC within six business days of the date of this Prospectus.

9.11 Consents to lodgment

Each Director has given, and not withdrawn, their consent to the lodgment of this Prospectus with ASIC.

Appendix A – Terms of Toll RPS

Defined terms used in this appendix are set out in clause 9.2. References in this appendix to clauses are to clauses of this appendix.

1. Face Value

The face value of each Toll RPS will be \$100 (Face Value).

2. Quotation

Toll will apply for official quotation on ASX of:

- (a) Toll RPS; and
- (b) all Ordinary Shares issued under clauses 6.8(c) and 6.9.

3. Dividends

3.1 Calculation of Dividend

Subject to these Terms, the Holder of each Toll RPS held on the relevant Record Date of each Dividend Period is entitled to receive on the relevant Dividend Payment Date a Dividend which is calculated in accordance with the following formula:

Dividend Entitlement = $(N \times \text{Dividend Rate} \times \text{Face Value})/365$

where:

N is the number of days in that Dividend Period; and

Dividend Rate (expressed as a percentage per annum) is:

- (a) for the period to (but not including) the first Reset Date, the greater of:
 - (i) 5.59% (Minimum Dividend Rate); and
 - (ii) the Swap Rate on the Allotment Date minus a margin of 0.04%; and
- (b) for the period from (and including) a Reset Date until (but not including) the next Reset Date, a rate expressed as a percentage per annum specified in accordance with clause 7 (which, for the avoidance of doubt, may be a rate calculated by reference to a formula specified by Toll).

3.2 Change in corporate tax rate and franked amount

If on a Dividend Payment Date, the Australian corporate tax rate applicable to the franking account of Toll from which the Dividend will be franked differs from the Australian corporate tax rate applicable at the immediately preceding Reset Date (or if such Dividend Payment Date occurs prior to the first Reset Date, the Allotment Date), Toll will adjust the amount of the Dividend in accordance with the following formula (rounded to the nearest four decimal places):

$$\frac{D \times (1 - T_i)}{(1 - T)}$$

where:

D is the Dividend calculated under clause 3.1;

T_i is the Australian corporate tax rate applicable to the franking account of Toll from which the Dividend will be franked, expressed as a decimal; and

T is the Australian corporate tax rate applicable at the immediately preceding Reset Date (or if such Dividend Payment Date occurs prior to the first Reset Date, the Allotment Date), and which for the period to the first Reset Date will be taken to be 0.30.

3.3 Unfranked portion of Dividend

If any Dividend is not franked to 100% under Part 3-6 of the Tax Act (or any provisions that revise or replace that Part), Toll will adjust the amount of the Dividend, such adjusted amount to be calculated in accordance with the following formula (rounded to the nearest four decimal places):

$$\frac{D}{1 - [T_i \times (1 - f)]}$$

where:

D means the Dividend calculated under clause 3.1 and when relevant clause 3.2;

T_i has the same meaning as in clause 3.2; and

f means the franking percentage within the meaning of Part 3-6 of the Tax Act (or any provisions that revise or replace that Part) of the Dividend, expressed as a decimal to the nearest four decimal places.

3.4 Payment of Dividend

The payment of a Dividend (including any Shortfall Dividend) is subject to:

- (a) the Corporations Act and any other Law not prohibiting the Company paying the Dividend (including there being funds and profits legally available for the payment of dividends); and
- (b) the Directors, at their discretion, determining the Dividend to be payable.

3.5 Dividend Payment Dates

Subject to this clause 3 and clause 7.1(f), the Dividend in respect of a Dividend Period will be payable in arrears on:

- (a) 11 May 2004 and then on each following 11 November and 11 May until the next Reset Date or until the Toll RPS are Converted or Repurchased; and
- (b) the Exchange Date in respect of a Toll RPS that is Converted or Repurchased.

Appendix A – Terms of Toll RPS continued

3.6 Non-cumulative Dividends

The entitlement of a Holder to the payment of a Dividend in respect of a Dividend Period is non-cumulative. If, because of the provisions of clause 3.4, a Dividend is not paid in respect of a Dividend Period or the Dividend paid in respect of a Dividend Period is less than the Dividend Entitlement for that Dividend Period, Toll has no liability to pay the Dividend Entitlement or the balance of that Dividend Entitlement for that Dividend Period and, notwithstanding the Directors' discretion to pay a Shortfall Dividend, the Holder has no claim in respect of such a non-payment of the Dividend.

3.7 Deductions

Toll may deduct from any Dividend payable to a Holder the amount of any withholding or other tax, duty or levy required by Law to be deducted from it, and where it does so:

- (a) Toll must pay the amount required to be deducted, to the relevant revenue or collection authority within the time allowed for such payment;
- (b) Toll must pay to the Holder the balance of the Dividend after allowance for the payment referred to in clause (a) above; and
- (c) upon compliance by Toll with clauses (a) and (b) above, the Holder is taken to have been duly paid the Dividend by Toll.

3.8 Rounding

All calculations of Dividend Entitlement will be rounded to the nearest four decimal places. For the purposes of calculating a Holder's aggregate Dividend Entitlement, any fraction of a cent will be disregarded.

3.9 Record Date

- (a) A Dividend is only payable to those persons registered as Holders at 7.00pm (Melbourne time), on the relevant Record Date in respect of each Dividend, or in the case of a Dividend payable under clause 3.5(b) to the Holders whose Toll RPS have been Exchanged, on the Exchange Date.
- (b) A Shortfall Dividend is only payable to those persons registered as Holders on the Record Date in respect of that Shortfall Dividend.

4. Ranking and Participation

4.1 Ranking

Toll RPS rank equally among themselves in all respects and are subordinated to all creditors of the Company in respect of:

- (a) return of capital (subject to these Terms, not exceeding the Face Value for each Toll RPS); and
- (b) payment of any Dividends determined to be payable but unpaid.

4.2 Priority of Dividends

- (a) If:
 - (i) a Dividend Entitlement; or
 - (ii) a dividend entitlement on any other shares in the capital in Toll which rank equally with Toll RPS as to dividends,
has not been, or is not able to be, paid in full, any Dividends and any dividends payable on those other shares must be paid pro-rata.
- (b) Until Conversion, Toll RPS rank in priority to Ordinary Shares for the payment of dividends.

4.3 Unpaid Dividends

If a Dividend equivalent to the Dividend Entitlement has not been paid in full within 20 Business Days after a Dividend Payment Date, Toll must not:

- (a) pay any dividends or make any distribution on any share capital in Toll over which Toll RPS rank in priority for participation in profits; or
- (b) redeem, reduce, cancel, buy back or acquire for any consideration (whether cash or other property) any share capital in Toll over which Toll RPS rank in priority,

unless and until:

- (c) the Company has obtained the approval of a Special Resolution;
- (d) a Dividend is paid in respect of two consecutive Dividend Periods equal to the Dividend Entitlements for those two consecutive Dividend Periods (or an equivalent amount of Dividends if the frequency of payment is other than semi-annual);
- (e) no Toll RPS remain on issue; or
- (f) the Company has paid a Dividend equal to the difference between the aggregate Dividends determined to be payable in respect of the immediately preceding two semi-annual Dividend Periods (or equivalent Dividends if the frequency of the payment is other than semi-annual) and the aggregate Dividend Entitlement in respect of those corresponding Dividend Periods (**Shortfall Dividend**).

Without derogating from clauses 3.4 and 3.6, the Directors may, in their absolute discretion, resolve that the Company pay a Shortfall Dividend from time to time.

4.4 Return of capital on winding-up

Until Conversion, if there is a return of capital on a winding-up of the Company, Holders will be entitled to receive out of the assets of the Company available for distribution to holders of share capital in Toll, in respect of each Toll RPS held, a cash payment equal to the sum of:

- (a) the amount equivalent to the Dividend Entitlement (whether Directors have determined to pay a Dividend or not) calculated on a daily basis (assuming a 365 day year) throughout the period from and including the preceding Dividend Payment Date to the date of commencement of the winding-up; and

(b) the Face Value,

before any return of capital is made to holders of Ordinary Shares or any other class of shares ranking behind Toll RPS.

4.5 Shortfall on winding-up

If, upon a return of capital on a winding-up, there are insufficient funds to pay in full the amounts referred to in clause 4.4 and the amounts payable in respect of any other shares in the capital of Toll ranking as to such distribution equally with Toll RPS on a winding-up, the Holders and the holders of any such other shares will share in any distribution of assets of the Company in proportion to the amounts to which they are entitled respectively.

4.6 Participation in surplus assets and profits

Toll RPS do not confer on their Holders any further right to participate in the surplus assets of Toll on a winding-up, or in the property or profits of the Company beyond the rights set out in these Terms.

4.7 Further security issues

- (a) Until all Toll RPS have been Converted or Repurchased, Toll must not, without the approval of a Special Resolution, issue, or permit the conversion of any existing shares into, shares ranking in priority to Toll RPS as to dividends or return of capital on winding-up.
- (b) Toll may issue further Toll RPS or other securities ranking equally with or behind Toll RPS, whether in respect of payment of dividends, return of capital on winding-up or otherwise without the approval of a Special Resolution or any other Holder approval. For the avoidance of doubt, Toll may issue preference shares which rank in priority to existing Toll RPS in respect of payment of dividends only to the extent that dividends are payable on the preference shares with effect from their issue date (or some other date), and which otherwise rank equally with or behind existing Toll RPS. Such an issue does not constitute a variation or cancellation of the rights attached to the existing Toll RPS.

4.8 Participation in new issues

Until Toll RPS are Converted, they confer no rights to subscribe for new securities in Toll or to participate in any bonus issues by the Company.

5. Voting Rights

5.1 Notice and attendance

Holders have the same rights as holders of Ordinary Shares to receive audited accounts, reports and notices and to attend meetings of the Company's members.

5.2 Speaking and voting

Holders may not speak or vote at meetings of Toll except in the following circumstances:

- (a) if at the time of the meeting, a Dividend has been determined to be payable and the relevant Dividend Payment Date has passed but the Dividend has not been paid in full;
- (b) on a proposal:
 - (i) to reduce the share capital of the Company;
 - (ii) that affects the rights attaching to Toll RPS;
 - (iii) to wind up the Company; or
 - (iv) for the disposal of the whole of the property, business and undertaking of the Company;
- (c) on a resolution to approve the terms of a buy-back agreement; or
- (d) during the winding-up of the Company,

in which case, Holders shall have the same right to vote as a holder of Ordinary Shares (as if immediately prior to the meeting Toll RPS had converted into the number of Ordinary Shares provided for in clause 6.9 as if the Exchange Date is the deadline for receipt of instruments of proxy under the Constitution for the relevant meeting).

6. Exchange

6.1 Exchange

Toll RPS can only be Exchanged in the circumstances set out in, and in accordance with, this clause 6.

6.2 Exchange Date

The Exchange Date in respect of a Toll RPS is, if:

- (a) clause 6.3(a)(i) or 6.6(a)(i) (Holder Exchange Notice or Company Exchange Notice prior to Reset Date) applies, the Reset Date immediately following the giving of the relevant notice;
- (b) clause 6.3(a)(ii) (Holder Exchange Notice following a Trigger Event) applies:
 - (i) if the relevant Trigger Event is one specified in clause 6.4(a)(i) or (ii), the next Dividend Payment Date; and
 - (ii) otherwise, 50 Business Days after the Trigger Event Notice is given;
- (c) clause 6.6(a)(ii), (iii) or (iv) applies, 21 Business Days after the Company Exchange Notice is given; and
- (d) clause 6.6(b) applies, 21 Business Days after the Remainder Exchange Notice is given.

Appendix A – Terms of Toll RPS continued

6.3 Holder Exchange

- (a) Subject to this clause 6, a Holder may deliver a request for Toll to Exchange (**Holder Exchange Notice**):
- (i) all or some of their Toll RPS by giving notice in writing to Toll at least 35 Business Days (but no more than three months) before a Reset Date; or
 - (ii) all (but not some) of their Toll RPS by giving notice in writing to Toll within 20 Business Days after the publication of a Trigger Event Notice under clause 6.4(b).
- (b) Subject to this clause 6, to be valid, a Holder Exchange Notice must:
- (i) indicate under which of clause 6.3(a)(i) or (ii) the Holder is giving notice;
 - (ii) in the case of Exchange under clause 6.3(a)(i), apply to a minimum of the lesser of:
 - (A) 20 Toll RPS; and
 - (B) the number of Toll RPS registered in the name of the Holder who gives the Holder Exchange Notice; and
 - (iii) if required by Toll, comply with clause 6.16(b).

6.4 Holder Trigger Event

- (a) Trigger Event means the occurrence of any of the following:
- (i) a Dividend equivalent to the Dividend Entitlement has not been paid in full within 20 Business Days after the relevant Dividend Payment Date;
 - (ii) a Dividend, at the time it is paid, is not franked to 100% or the Australian corporate tax rate applicable to the franking account of Toll from which the Dividend will be franked differs from the Australian corporate tax rate applicable at the immediately preceding Reset Date (or if prior to the first Reset Date, the Allotment Date), and the Dividend is not increased in accordance with clause 3.2 or 3.3 by the Business Day which is 20 Business Days after the relevant Dividend Payment Date;
 - (iii) Toll resolves in general meeting to be wound up;
 - (iv) a provisional liquidator is appointed to the Company;
 - (v) a court makes an order to wind-up the Company (other than to effect a solvent reconstruction);
 - (vi) an administrator of the Company is appointed under the Corporations Act;
 - (vii) Toll executes a deed of company arrangement;
 - (viii) a takeover offer (as defined in the Corporations Act), or any type of equivalent offer made under any successor sections of the Corporations Act relating to takeovers, is made to acquire

all or some of the Ordinary Shares and the bid is, or becomes, unconditional and:

- (A) the bidder has at any time during the offer period, a relevant interest (as defined in the Corporations Act) in more than 50% of the Ordinary Shares on issue; or
 - (B) the Directors issue a statement recommending that shareholders accept the bid;
- (ix) a court approves a scheme of arrangement under Part 5.1 of the Corporations Act or any successor sections of the Corporations Act relating to schemes of arrangement, which, when implemented, will result in a person having a relevant interest (as defined in Corporations Act) in more than 50% of the Ordinary Shares on issue;
- (x) Ordinary Shares or Toll RPS are suspended from trading on ASX for more than 20 consecutive Business Days; or
- (xi) Toll enters into an agreement to sell all or substantially all of its business undertaking or assets (other than to effect a solvent reconstruction or where, after the sale, the Company will retain a beneficial or economic interest in at least 50% of the business undertaking or assets sold).
- (b) Toll must give notice to Holders of the occurrence of a Trigger Event by publishing a Trigger Event Notice as soon as practicable after becoming aware of that occurrence.

6.5 Exchange mechanism for Holder Exchange

- (a) On receipt of a valid Holder Exchange Notice under clause 6.3, Toll must, at its option, do one or a combination of the following in relation to the Toll RPS which are the subject of the notice:
- (i) Convert the Toll RPS into Ordinary Shares on the Exchange Date in accordance with clause 6.9;
 - (ii) Repurchase the Toll RPS for the Repurchase Amount on the Exchange Date, in accordance with clause 6.8; or
 - (iii) procure the acquisition of the Toll RPS by the Resale Agent and cause to be paid to the Holder an amount equal to the Repurchase Amount on the Exchange Date, in accordance with clause 6.5(d).
- (b) No later than 25 Business Days prior to the relevant Exchange Date, Toll must notify Holders who have submitted a Holder Exchange Notice of the Exchange mechanism(s) (and, if applicable, the combination thereof) referred to in clause 6.5(a) it has chosen (**Determination Notice**). Where a combination is elected, all Holders given Determination Notices will be treated proportional as to that combination in respect of the Toll RPS they hold. If Toll does not notify the Holders in accordance with this clause, then clause 6.5(a)(i) will apply.

- (c) Each Holder is taken to irrevocably offer to sell any or all of the Toll RPS set out in the Holder Exchange Notice delivered under clause 6.3(a) to:
- (i) Toll for the Repurchase Amount, which offer Toll may elect to accept in whole or in part under clause 6.5(b) or (d)(v), provided that Toll may only accept the offer if:
 - (A) the Repurchase is structured so that the Holder will receive the Dividend to which it would be entitled under clause 3.5(b); and
 - (B) Toll is otherwise entitled to give a Determination Notice under these Terms; and
 - (ii) the Resale Agent in accordance with clause 6.5(d), if Toll elects under clause 6.5(b) to procure the acquisition of some or all of those Toll RPS by a Resale Agent.
- (d) Where Toll elects to Exchange some or all of the Toll RPS in accordance with clause 6.5(a)(iii):
- (i) Toll will, as agent for the Holder, communicate an irrevocable offer in writing (**Resale Offer**) to the Resale Agent as soon as practicable and no later than 30 Business Days before the Exchange Date, for sale of some or all of the Toll RPS the subject of the Holder Exchange Notice at a price determined by the Company, being no lower than Face Value (**Resale Price**);
 - (ii) the Resale Agent may, but is not bound to, accept the offer (either as principal or agent) in respect of some or all of the Toll RPS by giving written notice of acceptance to Toll, which must include the number of Toll RPS in respect of which the offer is being accepted, not later than a date for acceptance specified in the Resale Offer, which must be no later than 4.00pm on the Business Day 29 Business Days before the Exchange Date;
 - (iii) if the Resale Agent purchases or arranges the purchase of any Toll RPS which are the subject of a Holder Exchange Notice:
 - (A) the Resale Agent must pay the Resale Price to Toll no later than 5.00pm on the Business Day before the Exchange Date (the part of that payment, not exceeding the Repurchase Amount, is received and held on bare trust for the relevant Holder);
 - (B) Toll must cause to be paid to the Holder an amount equal to the Repurchase Amount at the same time as Toll pays the Holder the Dividend payable under clause 3.5(b) (for the avoidance of doubt, Holders have no entitlement to the difference between the Repurchase Amount per Toll RPS and the Resale Price per Toll RPS, such difference being the sole property of Toll); and
- (C) Toll must cause the register of Holders to be altered to reflect that the purchaser is with effect from the Exchange Date the new Holder;
- (iv) if the Resale Agent accepts the offer in respect of only some of the Toll RPS which are offered to it, and the Toll RPS the subject of the offer are owned by more than one Holder, the offer will be taken to be accepted in respect of each Holder's Toll RPS pro-rata to their respective holdings which are the subject of the offer; and
 - (v) if the Resale Agent accepts the offer in respect of only some of the Toll RPS which are offered to it, and Toll is unable to procure the acquisition by other Resale Agents of the remaining Toll RPS subject to a Holder Exchange Notice, Toll must, at its option, notify Holders that it elects either to Convert or Repurchase (or a combination thereof) the remaining Toll RPS in accordance with clause 6.5(a)(i) or (ii) respectively. If 25 Business Days before the Exchange Date no such election has been made by Toll, then clause 6.5(a)(i) will apply with respect to such Toll RPS.

6.6 Company Exchange

- (a) Toll may Exchange all or some Toll RPS by giving Holders notice (**Company Exchange Notice**):
- (i) at least 25 Business Days (but no more than six months) before a Reset Date;
 - (ii) if the Directors resolve on reasonable grounds (having obtained an opinion from a reputable legal counsel or tax adviser) that a change in any taxation Law, interpretation or ruling issued by any relevant governmental body has occurred (or has been announced) and that change may have a material adverse effect on the ability of Toll to attach franking credits under the Franking Provisions to Dividends or may materially increase the payments, costs and expenses (including additional Dividend payments) incurred by Toll in relation to the Toll RPS;
 - (iii) not later than 20 Business Days after Toll lodges with ASIC a draft explanatory statement for a scheme of arrangement that the Company proposes to enter into under Part 5.1 of the Corporations Act or any successor sections of the Corporations Act relating to schemes of arrangement, or announces any other form of proposed capital reconstruction, which if approved and implemented will result in a person having a relevant interest in more than 50% of the Ordinary Shares on issue; or
 - (iv) not later than 20 Business Days after Toll has published a notice under clause 6.4(b) in relation to a takeover offer or scheme or arrangement described in clause 6.4(a)(viii) or (ix).

Appendix A – Terms of Toll RPS continued

- (b) Toll will Exchange all (but not some) Toll RPS on the Exchange Date by giving Holders a Company Exchange Notice (**Remainder Exchange Notice**) not more than 30 Business Days after:
- (i) a Reset Date, if the aggregate Face Value of Toll RPS which remain on issue at the Reset Date; or
 - (ii) the expiry of the period of 30 Business Days after publication of a Trigger Event Notice, if the aggregate Face Value of Toll RPS which would remain on issue if all the Toll RPS in respect of which valid Holder Exchange Notices have been received by Toll at the time the Company Exchange Notice is issued were Exchanged,
- is less than \$50 million.

6.7 Exchange mechanism for Company Exchange

- (a) Where Toll gives a Company Exchange Notice, Toll must, at its option (but subject to all necessary approvals being obtained), do one or a combination of the following in relation to the Toll RPS which are the subject of the notice:
- (i) Convert the Toll RPS into Ordinary Shares on the Exchange Date in accordance with clause 6.9; or
 - (ii) Repurchase the Toll RPS for the Repurchase Amount on the Exchange Date in accordance with clause 6.8.
- (b) Toll must specify in the Company Exchange Notice which of the above Exchange mechanism(s) (and, if applicable, the combination thereof) it has selected. Where a combination is selected, all Holders given Company Exchange Notices will be treated proportional as to that combination in respect of the Toll RPS they hold.
- (c) Each Holder is taken to irrevocably offer to sell to Toll any or all of its Toll RPS if the Company elects to Repurchase the Toll RPS under clause 6.7(a)(ii).

6.8 Repurchase Amount

- (a) For the purposes of clauses 6.5 and 6.7, the **Repurchase Amount** for a Toll RPS will be an amount equal to the greater of:
- (i) the Face Value; and
 - (ii) the amount determined by multiplying the Minimum Conversion Number at the Exchange Date by the VWAP at that date;
- (b) If the Repurchase Amount in relation to the Toll RPS is greater than the Face Value, then the **Differential Value** is:
- (i) in the case of Toll RPS being Repurchased under clause 6.5(a)(ii) or 6.7(a)(ii), the amount by which the Repurchase Amount exceeds Face Value; and
 - (ii) in the case of Toll RPS being sold to the Resale Agent under clause 6.5(d)(iii), the amount by which the Repurchase Amount exceeds the Resale Price.

- (c) Toll will, in lieu of that part of the Repurchase Amount constituted by the Differential Value, issue to the Holder of those Toll RPS a number of Ordinary Shares calculated in accordance with this formula:

$$AS = \frac{DV \times NT}{VWAP \times (1 - CD)}$$

where:

AS is the number of Ordinary Shares to be issued;

DV is the Differential Value for each Toll RPS being sold;

NT is the number of Toll RPS being sold; and

VWAP and **CD** have the same meaning as in clause 6.9(c).

- (d) Where the total number of additional Ordinary Shares to be issued under clause 6.8(c) to a Holder includes a fraction, that number will be rounded down to the nearest whole number.

6.9 Conversion

- (a) Each Toll RPS confers all of the rights attaching to one Ordinary Share but these rights do not take effect until 5.00pm on the date they are Converted into Ordinary Shares under clause 6.5(a)(i) or 6.7(a)(i). Until such time, Toll RPS have the rights set out in these Terms. When a Toll RPS is Converted:
- (i) all other rights or restrictions conferred on that Toll RPS under these Terms will no longer have effect (except for rights relating to a Dividend which is due but has not been paid on or before the Exchange Date which rights will subsist); and
 - (ii) the resulting Ordinary Shares will rank equally with all other Ordinary Shares then on issue and Toll will issue a statement that the holder of those shares holds a share so ranking.
- (b) Conversion does not constitute cancellation, redemption or termination of a Toll RPS, or an issue or creation of a new share (other than the additional Ordinary Shares (if any) issued under clause 6.9(c)).
- (c) If a Toll RPS is Exchanged and the Toll RPS is not Repurchased or resold under clause 6.5(a)(ii) or (iii) or 6.7(ii), that Toll RPS will Convert into one Ordinary Share on the relevant Exchange Date and each Toll RPS will entitle the Holder to be issued an additional number of Ordinary Shares equal to one less than the conversion ratio, where the conversion ratio is an amount calculated in accordance with the formula outlined below (**Conversion Ratio**):

$$\text{Conversion Ratio} = \frac{\text{Face Value}}{VWAP \times (1 - CD)}$$

where:

VWAP means the VWAP on the Exchange Date; and

CD means until and including the first Reset Date, the conversion discount of 2.5% (expressed as a decimal fraction to four decimal places, that is, 0.0250) and thereafter from each Reset Date until and including the next Reset Date, the rate (so expressed) specified in accordance with clause 7.1(c) (**Conversion Discount**),

provided that the Conversion Ratio may never be less than 8.34 (**Minimum Conversion Number**) or greater than 100 (**Maximum Conversion Number**) until the Reset Date.

- (d) Where the total number of additional Ordinary Shares to be issued on Conversion to a Holder includes a fraction, that number will be rounded down to the nearest whole number.

6.10 Adjustments for bonus and rights issues

- (a) Subject to clause (b), if Toll makes a pro-rata bonus issue or a pro-rata rights issue of Ordinary Shares to holders of Ordinary Shares generally, the Minimum Conversion Number and Maximum Conversion Number shall be adjusted immediately in accordance with the following formula:

$$CN = CNo \times P \times \frac{(RD + RN)}{(RD \times P) + (RN \times A)}$$

where:

CN means the Minimum Conversion Number and Maximum Conversion Number respectively applying immediately after the application of this formula, as provided for in clause 6.9(c);

CNo means the Minimum Conversion Number and Maximum Conversion Number respectively applying immediately prior to the application of this formula, as provided for in clause 6.9(c);

P means the VWAP during the period from the first Business Day after the announcement of the bonus or rights issue to ASX up to and including the last Business Day of trading cum bonus or rights issue. Where the period from the first Business Day after the announcement of the bonus or rights issue to ASX up to and including the last Business Day of trading cum bonus or rights issue is less than three Business Days, **P** means the VWAP over the three Business Days up to and including the last Business Day of trading cum bonus or rights issue;

RD means the number of Ordinary Shares on issue immediately prior to the issue of new Ordinary Shares pursuant to the bonus or rights issue;

RN means the number of Ordinary Shares issued pursuant to the bonus or rights issue; and

A means the subscription or unit price per Ordinary Share for the rights issue and is zero in the case of a bonus issue.

- (b) No adjustment to the Minimum Conversion Number or Maximum Conversion Number shall occur if **A** exceeds **P**.

6.11 Adjustments for off market buy-backs

- (a) Subject to clause (b) below, if Toll undertakes an off market buy-back, the Minimum Conversion Number and Maximum Conversion Number shall be adjusted immediately on completion of the buy-back in accordance with the following formula:

$$CN = CNo \times P \times \frac{(BD - BN)}{(BD \times P) - (BN \times A)}$$

where:

CN means the Minimum Conversion Number and Maximum Conversion Number respectively applying immediately after the application of this formula, as provided for in clause 6.9(c);

CNo means the Minimum Conversion Number and Maximum Conversion Number respectively applying immediately prior to the application of this formula, as provided for in clause 6.9(c);

P means the VWAP during the 20 Business Days prior to the announcement of the buy-back;

BD means the number of Ordinary Shares on issue immediately prior to the buy-back;

BN means the number of Ordinary Shares bought back; and

A means the buy-back price per Ordinary Share.

- (b) No adjustment to the Minimum Conversion Number or Maximum Conversion Number shall occur if **P** exceeds **A**.

6.12 Adjustment for return of capital or Capital Distribution

If Toll makes a return of capital or there is a Capital Distribution to holders of Ordinary Shares (other than by way of a share buy-back), the Minimum Conversion Number and Maximum Conversion Number shall be adjusted in accordance with the following formula:

$$CN = CNo \times \frac{P}{(P - C)}$$

where:

CN means the Minimum Conversion Number and Maximum Conversion Number respectively applying immediately after the application of this formula, as provided for in clause 6.9(c);

CNo means the Minimum Conversion Number and Maximum Conversion Number respectively applying immediately prior to the application of this formula, as provided for in clause 6.9(c);

P means the VWAP during the period from the first Business Day after the announcement of the return of capital to ASX up to and including the last Business Day of trading cum the return of capital; and

C means:

Appendix A – Terms of Toll RPS continued

- (a) with respect to a return of capital, the amount of the cash and/or the value (as reasonably determined by the Directors) of any other property distributed to holders of Ordinary Shares per Ordinary Share (or such lesser amount such that the difference between P and C is greater than zero); and
- (b) with respect to a Capital Distribution, the amount of such Capital Distribution as defined in clause 9.2.

6.13 Adjustment for capital reconstruction

If at any time the Ordinary Shares are reconstructed, consolidated, divided or reclassified (other than by way of a bonus issue, which is dealt with under clause 6.10) into a lesser or greater number of securities, Toll RPS must, in accordance with Listing Rules (as they apply to Toll), be reconstructed, consolidated, divided or reclassified by the Directors on the same basis and the Face Value (for the purpose of calculating the Dividends on Toll RPS and the Conversion Ratio) shall be adjusted by the Directors as appropriate.

6.14 Adjustment to the Conversion Ratio for a takeover offer or scheme of arrangement

In the case of Conversion as a consequence of the Trigger Events in clause 6.4(a)(viii) or (ix), the denominator of the formula in clause 6.9(c) will be the lesser of:

- (a) $(100\% - \text{Conversion Discount})$ multiplied by the bid price under the takeover offer or the consideration under the scheme of arrangement; and
- (b) the VWAP over the 20 Business Days immediately preceding the announcement of the takeover offer or the scheme of arrangement plus 50% of the amount calculated by subtracting that VWAP from the bid price or the consideration (as applicable).

The bid price or consideration under the takeover offer or scheme of arrangement is the cash consideration offered for each Ordinary Share or, if cash consideration is not the only consideration offered, the bid price for the purpose of this clause shall equal $(100\% - \text{Conversion Discount})$ multiplied by the value of the consideration offered as reasonably determined by an independent investment bank or other independent expert (which shall act as an expert) appointed by the Directors.

6.15 Discretion in adjustment of Conversion mechanism

Where:

- (a) the number of additional Ordinary Shares to be issued to the Holder on Conversion of Toll RPS or under clause 6.8, is not, in the reasonable opinion of the Directors, appropriate in any particular circumstances (including for the reason that more than one adjustment provision applies to a particular occurrence); or
- (b) any other event (including a demerger as defined in the Demerger Provisions) occurs in relation to Toll that may have a diluting or

concentrative effect on the value of the Ordinary Shares or otherwise affect the value of Toll RPS,

and the Directors determine that any such occurrence would, in the reasonable opinion of the Directors, affect the relative values of Toll RPS and Ordinary Shares, the Directors may:

- (c) make any alterations to the Face Value, the Conversion Ratio or Conversion Discount that the Directors reasonably consider appropriate or necessary to maintain that relativity; or
- (d) extend an entitlement to the Holders to participate in a distribution or payment based upon the number of Ordinary Shares to which those Holders would have been entitled if their Toll RPS had been Converted on a date nominated by the Directors and adapting the formula in clause 6.9(c) as the Directors reasonably consider appropriate to maintain the relativity.

6.16 Notices

- (a) A Holder Exchange Notice, a Determination Notice and a Company Exchange Notice once given are irrevocable.
- (b) Toll may require that a Holder Exchange Notice must be accompanied by evidence of title reasonably acceptable to the Company for the Toll RPS being Exchanged and, in such circumstances, the Holder Exchange Notice is not taken to be a valid notice unless and until such evidence is received by the Company.
- (c) A form of Holder Exchange Notice which may be used by Holders must be made available by Toll upon request.
- (d) Where Toll has received a valid Holder Exchange Notice in respect of all or some of a Holder's Toll RPS, any Company Exchange Notice issued subsequently by the Company does not apply to any of that Holder's Toll RPS which were the subject of the Holder Exchange Notice.
- (e) Where Toll has issued a valid Company Exchange Notice to a Holder in respect of all or some of that Holder's Toll RPS, any Holder Exchange Notice given by that Holder which is received subsequently by the Company is not valid to the extent that it relates to Toll RPS which were the subject of the Company Exchange Notice.
- (f) Where, as a result of clause 6.16(d) or (e), a notice relates to some only of a Holder's Toll RPS, the Directors may apply the adjustments (if any) that the Directors reasonably consider necessary to reflect the fact that the relevant notice will apply to a lesser holding of Toll RPS.
- (g) Where a notice is received by Toll from a Holder on the same day that Toll issues a notice to the Holder, Toll is taken to have given notice first.

- (h) Unless otherwise specified in these Terms, notices may be given by Toll to a Holder in the manner prescribed by the Constitution for the giving of notices and the relevant provisions of the Constitution apply with all necessary modification to notices to Holders.
- (i) A Holder Exchange Notice is taken to be received by Toll when it is received at Toll's nominated share registry.
- (j) Where a Holder gives a Holder Exchange Notice:
 - (i) the Holder may not transfer, dispose of, encumber or otherwise deal with the Toll RPS the subject of that Holder Exchange Notice; and
 - (ii) either:
 - (A) those Toll RPS must be reserved in a subposition established under the CHESS Rules for the purpose (and the Holder authorises Toll to take all actions that the Company thinks appropriate on the Holder's behalf to cause the Toll RPS to be so reserved); or
 - (B) if those Toll RPS are not entered in the Company's issuer sponsored subregister the Holder authorises the Company to take all actions that the Company thinks appropriate on the Holder's behalf to cause the Toll RPS to be so entered.

7. Reset of Terms

7.1 Resetting of Terms

If any Toll RPS would be on issue on a relevant Reset Date, Toll may at least 50 Business Days before that Reset Date give notice to the Holders of:

- (a) the next Reset Date after the relevant Reset Date;
- (b) the Dividend Rate applying to those Toll RPS from and including the relevant Reset Date until (but not including) the next Reset Date (Reset Period);
- (c) the Conversion Discount applying during the Reset Period;
- (d) the Minimum Conversion Number and the Maximum Conversion Number applying during the Reset Period;
- (e) the definition of Capital Distribution; and
- (f) the timing of Dividend payments during the Reset Period.

If such notice is given, the terms referred to in clauses (a) to (f) inclusive above shall apply from the relevant Reset Date.

7.2 Deemed reset

If Toll does not give notice to the Holders of the matters set out in clause 7.1, Toll will be deemed to have given a notice under clause 7.1 specifying that the next Reset Date to be the fifth anniversary of the relevant Reset Date and that the Dividend Rate, Conversion Discount, Minimum Conversion Number, Maximum Conversion Number, timing of Dividend payments and definition of Capital Distribution to apply in the

Reset Period are the same as those applying immediately before the relevant Reset Date.

7.3 Holder acceptance of reset

A Holder who does not give a Holder Exchange Notice to Toll by the time specified in clause 6.3(a)(i) in relation to the relevant Reset Date is conclusively treated as having agreed to the terms specified in a notice under clause 7.1 applying to its Toll RPS during the Reset Period.

8. General

8.1 Amendment to Terms

Subject to complying with all Laws, Toll may, without the authority, assent or approval of Holders, amend or add to these Terms if such amendment or addition is, in the opinion of the Company:

- (a) of a formal, minor or technical nature;
- (b) made to correct a manifest error; or
- (c) not likely (taken as a whole and in conjunction with all other modifications, if any, to be made contemporaneously with that modification) to be materially prejudicial to the interests of the Holders.

8.2 Power of attorney

Each Holder irrevocably appoints Toll and each of its Authorised Officers (each an **Appointed Person**) severally to be the attorney and agent of the Holder with power in the name and on behalf of the Holder to do all such acts and things including signing all documents or transfers as may, in the opinion of the Appointed Person, be necessary or desirable to be done in order to record or perfect the transfer of the Toll RPS held by the Holder under clause 6.5 or 6.7.

8.3 Governing law

These Terms are governed by law in force in the State of Victoria, Australia.

9. Definitions and interpretation

9.1 Interpretation

- (a) Unless the context otherwise requires, if there is any inconsistency between the provisions of these Terms and the Constitution, then, to the maximum extent permitted by Law, the provisions of these Terms will prevail.
- (b) If a calculation is required under these Terms, unless the contrary intention is expressed, the calculation will be performed and rounded to the nearest four decimal places.
- (c) Where, under these Terms, the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the following Business Day.
- (d) Definitions and interpretation under the Constitution will also apply to these Terms except where a term is defined in these Terms.

Appendix A – Terms of Toll RPS continued

- (e) A reference to a statute, regulation or other law includes consolidations, amendments, re-enactments or replacements of any of them. Provisions of these Terms which refer to or rely for their operation on legislation that has been introduced into parliament as at the date of the prospectus containing these Terms but not then enacted, only have effect on the enactment of that legislation.
- (f) Headings are for convenience only and do not affect the interpretation of the Terms.
- (g) Defined terms used may have various grammatical forms, unless the context requires otherwise.
- (h) The singular includes the plural and vice versa.
- (i) A reference to a clause is to a clause of these Terms.
- (j) All references to '\$', dollars and cents are to Australian currency.
- (k) Unless otherwise specified, the Directors may exercise all powers of Toll under these Terms which are not, by the Corporations Act or the Constitution, required to be exercised by Toll in general meeting.
- (l) Calculations, elections and determinations made by Toll under these Terms are binding on Holders in the absence of manifest error.

9.2 Definitions

In these Terms:

Allotment Date means the date that Toll RPS are issued to Toll RPS applicants;

Appointed Person has the meaning given to it in clause 8.2;

ASIC means Australian Securities and Investments Commission;

ASX means Australian Stock Exchange Limited (ABN 98 008 624 691), or the market operated by it as the context requires;

Authorised Officer means such Director and secretary of Toll and any person delegated on the authority of the Directors to exercise the power of attorney conferred by clause 8.2;

Business Day has the meaning given to it in the Listing Rules;

Business Rules means the Business Rules of ASX from time to time;

Capital Distribution is the amount by which the sum of all dividends per Ordinary Share (grossed up for franking) paid by Toll in respect of a financial year exceeds \$0.29 for the financial year ending 30 June 2004, and thereafter 140% of the prior financial year amount (where, at the sole discretion of Directors, appropriate adjustment for dilution factor, arising from pro-rata issues and other capital reconstructions, is made in accordance with Listing Rules and market conventions);

CHESS Rules means the Business Rules of ASTC as a CS Facility (as that term is defined in the Corporations Act);

Company means Toll;

Company Exchange Notice means a notice given under clause 6.6 requiring Exchange of a specified number or proportion of Toll RPS and includes a Remainder Exchange Notice;

Constitution means the constitution of Toll;

Conversion means the taking effect of the rights of a Toll RPS under clause 6.9(a) and the issue of additional Ordinary Shares (if any) under clause 6.9(c) and **Convert** has an equivalent meaning;

Conversion Discount has the meaning given to it in clause 6.9(c);

Conversion Ratio has the meaning given to it in clause 6.9(c);

Corporations Act means the Corporations Act 2001 (Cth);

Demerger Provisions means, subject to clause 9.1(e), the provisions of Division 125 of the Tax Act;

Determination Notice has the meaning given to it in clause 6.5(b);

Differential Value has the meaning given to it in clause 6.8(b);

Directors means the directors of Toll from time to time;

Dividend means a dividend in respect of a Toll RPS;

Dividend Entitlement has the meaning given to it in clause 3.1;

Dividend Payment Date means each date on which a Dividend is payable in accordance with clauses 3.1 and 3.5 (but if that day is not a Business Day, the next following Business Day) whether or not a Dividend is paid on that date;

Dividend Period means, in respect of a Toll RPS:

- (a) the period from (and including) the Allotment Date until (but not including) the first Dividend Payment Date; and
- (b) thereafter the period from (and including) each Dividend Payment Date until but not including the first to occur of:
 - (i) the next Dividend Payment Date; or
 - (ii) the Exchange Date of that Toll RPS;

Dividend Rate has the meaning given to it in clause 3.1;

Exchange means:

- (a) in the case of the Holder issuing a Holder Exchange Notice, the Conversion of the Toll RPS concerned into Ordinary Shares, the acquisition of the Toll RPS concerned by a third party or the Repurchase of the Toll RPS concerned, as determined by Toll, and as effected, in accordance with clause 6.5;
- (b) in the case of Toll issuing a Company Exchange Notice to the Holder, Conversion of Toll RPS concerned into Ordinary Shares or the Repurchase of the Toll RPS concerned for the Repurchase Amount, as determined by Toll, and as effected, in accordance with clause 6.7;

Exchange Date has the meaning given to it in clause 6.2;

Face Value has the meaning given to it in clause 1;

Franking Provisions means the provisions of Part 3-6 of the Tax Act (or any provisions that revise or replace that Part);

Holder means a holder of Toll RPS;

Holder Exchange Notice means a notice given by a Holder to Toll under clause 6.3(a) requesting Exchange of a specified number of Toll RPS and complying with clause 6.16;

Law means any applicable legal requirement, whether at common law (including at equity) or under any statute, regulation, proclamation, ordinance or by-law from time to time;

Listing Rules means the Listing Rules of ASX from time to time with any modification or waivers granted to Toll by ASX;

Maximum Conversion Number means 100 Ordinary Shares;

Minimum Conversion Number means 8.34 Ordinary Shares;

Minimum Dividend Rate has the meaning given to it in clause 3.1;

Ordinary Share means a fully paid ordinary share in the capital of Toll;

Record Date means, for payment of:

- (a) a Dividend, the date which is 11 Business Days before the Dividend Payment Date for that Dividend or such other date as required by ASX; and
- (b) a Shortfall Dividend, the date prior to its payment that is determined by Toll;

Remainder Exchange Notice has the meaning given to it in clause 6.6(b);

Repurchase means either the buy-back or cancellation upon return of capital to the Holder (whichever is specified in the Determination Notice) by Toll of the Toll RPS the subject of a Determination Notice;

Repurchase Amount has the meaning given to it in clause 6.8(a);

Resale Agent means an investment bank or holder of an Australian financial services licence, nominated by Toll;

Resale Offer has the meaning given to it in clause 6.5(d)(i);

Resale Price has the meaning given to it in clause 6.5(d)(i);

Reset Date means 11 November 2008 and thereafter the date specified by Toll under clause 7.1;

Reset Period has the meaning given to it in clause 7.1;

Shortfall Dividend has the meaning given to it in clause 4.3(f);

Special Resolution means a resolution passed at a meeting of Holders by at least three-quarters of the votes cast by Holders present in person or by proxy and entitled to vote on the resolution;

Swap Rate means the rate expressed as a percentage per annum calculated as the mid-point of the quoted average swap reference rates at three pre-determined times for five year securities on the Australian swap reference rates page SWAPREF of the Australian Financial Markets Association or AFMA service (or any page which replaces that page) on the relevant date;

Tax Act means the Income Tax Assessment Act 1936 (Cth) and the Income Tax Assessment Act 1997 (Cth) (as applicable);

Terms means these terms and conditions of issue of Toll RPS;

Toll means Toll Holdings Limited (ABN 25 006 592 089);

Toll RPS means a reset preference share issued by Toll pursuant to these Terms;

Trigger Event has the meaning given to it in clause 6.4(a);

Trigger Event Notice means a notice in a nationally circulating newspaper in Australia which specifies the particular Trigger Event;

VWAP means the average of the daily volume weighted average sale price of Ordinary Shares sold on ASX during:

- (a) in the case of VWAP on the Exchange Date, the 20 Business Days preceding (and excluding) the Exchange Date; and
- (b) in any other case, the period specified in these Terms,

excluding any transaction defined in the Business Rules as 'special', crossings prior to the commencement of normal trading, crossings during the after hours adjust phase and any overseas trades or exchange traded option exercises, and subject to the following adjustments:

- (c) if Toll received a Holder Exchange Notice following a suspension of trading of the Ordinary Shares, the VWAP will instead be calculated during the 20 Business Days preceding the day when the Ordinary Shares were suspended;
- (d) subject to clause (c), if the Ordinary Shares were suspended during any part of the 20 Business Day period over which VWAP is calculated, any day on which the Ordinary Shares were suspended (for all or part of that day) will be excluded in counting the 20 preceding Business Days;
- (e) in the case where Ordinary Shares are not trading on ASX over the 20 Business Day period over which the VWAP is calculated (for whatever reason, including, but not limited to suspension from trading), the relevant VWAP will be deemed to be the VWAP calculated over the 20 Business Days immediately preceding the date on which the Ordinary Shares last traded on ASX (subject to any adjustments required pursuant to clauses (f) and (g) or this definition), unless, having considered the matter, the Directors reasonably consider that the value is inappropriate in the circumstances in which case the VWAP will be deemed to have a value determined by the Directors to be appropriate. In making each such determination, the Directors are to have regard to the purpose of VWAP in the relevant provision in these Terms;

Appendix A – Terms of Toll RPS continued

- (f) where, on some or all of the Business Days in the relevant period, Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement which is not extended to the Holder, and the Toll RPS will Exchange into Ordinary Shares after the date those Ordinary Shares no longer carry that entitlement, then the VWAP on the Business Days on which those shares have been quoted cum dividend, or cum any other distribution or entitlement shall be reduced by an amount (Cum Value) equal to:
 - (i) in the case of a dividend or other distribution, the amount of that dividend or distribution including, if the dividend or distribution is franked, the amount that would be included in the assessable income of a recipient of the dividend or distribution who is a natural person under the Tax Act;
 - (ii) in the case of an entitlement which is traded on ASX on any of those Business Days, the volume weighted average price of all such entitlements sold on ASX during the relevant period on the Business Days on which those entitlements were traded; or
 - (iii) in the case of an entitlement not traded on ASX during the relevant period, the value of the entitlement as reasonably determined by the Directors; and
- (g) where, on some or all of the Business Days in the relevant period, Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement, and Toll RPS will Exchange into Ordinary Shares which would be entitled to receive the relevant dividend, distribution or entitlement, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement shall be increased by the Cum Value.

Appendix B – Glossary of defined terms

The following is a glossary of the defined terms used in this Prospectus. Other defined terms are set out in clause 9 of the Terms in appendix A.

ABN	Australian Business Number
Annual General Meeting	Toll's Annual General Meeting to be held on 30 October 2003
Applicant	a person who submits an Application on the conditions set out in this Prospectus
Application	a valid application made on the conditions set out in this Prospectus by using an Application Form to apply for a specified number of Toll RPS
Application Form	each application form attached to or accompanying this Prospectus upon which an application to subscribe for Toll RPS must be made
Application Monies	the monies payable on Application, being the product of multiplying the number of Toll RPS applied for by the Face Value (\$100)
ASTC	ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532) as a holder of a licence to operate a clearing and settlement facility
ASTC Operating Rules	the operating rules of ASTC, except to the extent of any relief given by ASTC
Board	the Board of Directors, from time to time
Bookbuild	the process conducted by the Joint Lead Managers prior to the opening of the Offer whereby institutional investors and Participating Brokers lodge bids for Toll RPS. On the basis of those bids, Toll and the Joint Lead Managers will determine the Initial Margin, Minimum Dividend Rate and firm allocations of Toll RPS to institutional investors and Participating Brokers
Broker Firm Applicant	an Applicant who applies through a Participating Broker for a broker firm allocation
Business Day	has the same meaning as in the Listing Rules
CHESS	Clearing House Electronic Subregister System
Closing Date	the last day on which an Application Form and Shareholder Application Form will be accepted, which is expected to be 3 November 2003 ¹
Co-manager	Citigroup Global Markets Australia Pty Limited (ABN 64 003 114 832)
Company	Toll
Corporations Act	the Corporations Act 2001 (Cth)
Deutsche Bank	Deutsche Bank AG (ABN 13 064 165 162)
Director	a director of Toll
EBITDA	earnings before interest, tax, depreciation and amortisation
Eligible Shareholder	a Shareholder with a registered address in Australia as at 7.00pm on 1 October 2003
Exposure Period	the period of seven days (which may be extended by ASIC for a further seven days) following lodgment of this Prospectus with ASIC during which Toll must not process Applications

Appendix B – Glossary of defined terms continued

Goldman Sachs JBWere Group	Goldman Sachs JBWere Pty Ltd (ABN 21 006 797 897) Toll and its subsidiaries
IFRS	International Financial Reporting Standards
Initial Margin	the initial margin determined through the Bookbuild
Issue Date	the date on which Toll RPS are issued to successful Applicants
Joint Lead Managers	Deutsche Bank and Goldman Sachs JBWere
Offer	the offer made pursuant to this Prospectus for investors to apply for Toll RPS
Offer Management Agreement	the agreement dated 2 October 2003 between Toll and the Joint Lead Managers, and as summarised in section 9.4
Offer Period	the period from the Opening Date to the Closing Date
Opening Date	the first day on which Application Forms may be accepted, which is expected to be 10 October 2003
Pacific National	Pacific National (NSW) Pty Ltd – a 50/50 joint venture between Toll and Patrick Corporation Limited to acquire and operate the rail freight business of National Rail Corporation Limited and FreightCorp
Participating Brokers	the Joint Lead Managers, the Co-manager and any participating organisation of ASX selected by the Joint Lead Managers
Prospectus	this prospectus dated 2 October 2003
Shareholder	a holder of Ordinary Shares
Shareholder Application Form	the personalised green Application Form for Eligible Shareholders
Terms	the terms of issue of Toll RPS set out in appendix A to this Prospectus
TFN	Tax File Number
Toll	Toll Holdings Limited (ABN 25 006 592 089)
Toll RPS	a reset preference share issued by Toll pursuant to the Terms set out in appendix A to this Prospectus
Toll Share Registry	Toll Share Registry, Computershare Investor Services Pty Limited, Level 12, 565 Bourke Street, Melbourne Victoria 3000
Tranz Rail	Tranz Rail Holdings Limited, a company incorporated in New Zealand

NOTE: 1 – The dates are indicative only and may change. Toll, in conjunction with the Joint Lead Managers, may extend the Closing Date, close the Offer early without notice or withdraw the Offer at any time prior to the issue of Toll RPS.

How to complete this form

A Number of Toll RPS applied for

Enter the number of Toll RPS you wish to apply for. The Application must be for a minimum of 25 Toll RPS.

B Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Toll RPS by the Face Value per Toll RPS (A\$100.00).

C Registration name(s)

Enter the full name you wish to appear on the registered holding of your Toll RPS. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct forms of registrable name. Applications using the wrong form of name may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

D Postal address

Enter your postal address for all correspondence. All communications to you from the Toll Share Registry will be mailed to the person(s) and address as shown. For joint applicants, only one address can be entered.

E Contact details

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

F CHES

If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Toll RPS allotted to you under the Toll RPS Offer on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and, on allotment, you will be sponsored by Toll and allocated a Securityholder Reference Number (SRN).

G Payment

Make your cheque(s) and/or money order(s) payable to 'Toll RPS Offer Account' in Australian currency and cross the cheque(s) 'not negotiable'. Your cheque(s) and/or money order(s) must be drawn on an Australian branch of a financial institution in Australian dollars.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B.

Sufficient cleared funds must be held in your bank account, as cheques returned unpaid may result in your Application being rejected. Pin (do not staple) your cheque(s) and/or money order(s) to the Application Form where indicated. Cash payments will not be accepted. No receipt for payment will be forwarded to you.

You do not need to sign the Application Form.

If you have any enquiries concerning your Application, please contact the Toll RPS InfoLine 1800 104 704. You may also call (03) 9649 5438.

Before completing the Application Form, Applicant(s) should read the Prospectus dated 2 October 2003 to which the Application Form relates. By lodging the Application Form, the Applicant(s) declares that this Application is for Toll RPS issued by Toll Holdings Limited upon and subject to the terms of the Prospectus, the Terms of Issue of Toll RPS contained in Appendix A of the Prospectus and the Constitution of Toll Holdings Limited. The Applicant(s) agree(s) to take any number of Toll RPS that may be allocated to the Applicant(s) pursuant to the Prospectus and this Application Form and declares that all details and statements made are complete and accurate. Each Applicant warrants that they are not in the United States and they are not acting for the account or benefit of any person within the United States.

Lodgement of Application

Application Forms must be received at the Melbourne office of Toll Share Registry by no later than **5.00pm (Melbourne time) on 3 November 2003**.

Return the Application Form with your cheque(s) or money order(s) to:

Toll RPS Offer GPO Box 52 MELBOURNE VIC 8060	OR	Toll RPS Offer C/- Computershare Investor Services Pty Limited Level 12 565 Bourke Street MELBOURNE VIC 3000
----------------------------------------------------	----	--------------------------------------------------------------------------------------------------------------------------

Privacy Statement

Please refer to Section 3.9 of the Prospectus for details about the collection, holding and use of your personal information. If you do not provide the information required on the Application Form, Toll may not be able to accept or process your Application.

Important notice if you obtained an electronic copy of the Prospectus

The Prospectus dated 2 October 2003 which accompanies this Application Form contains information about investing in Toll RPS. You should read the Prospectus carefully before completing the Application Form to apply for Toll RPS. The Offer is expected to close at 5.00pm (Melbourne time) on 3 November 2003 and the Prospectus expires on 2 November 2004.

You can obtain a paper copy of the electronic Prospectus, any supplementary document and this Application Form free of charge by calling the **Toll RPS InfoLine 1800 104 704** during the Offer Period described in the Prospectus. Any person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus and any supplementary document.

If you apply for Toll RPS on the basis of the Application Form accompanying the electronic Prospectus, you are deemed to declare to Toll that you received personally the electronic Prospectus, or a print out of it, together with the Application Form before applying for Toll RPS.

Prospectus

The version of the Prospectus accompanying this Application Form differs from the version lodged with ASIC in that this Prospectus includes the Minimum Dividend Rate and the Initial Margin for Toll RPS.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Toll RPS. Applications must be made in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of investor	Correct form of registration	Incorrect form of registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A. Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/unincorporated bodies/business names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

How to complete this form

A Number of Toll RPS applied for

Enter the number of Toll RPS you wish to apply for. The Application must be for a minimum of 25 Toll RPS.

B Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Toll RPS by the Face Value per Toll RPS (A\$100.00).

C Registration name(s)

Enter the full name you wish to appear on the registered holding of your Toll RPS. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct forms of registrable name. Applications using the wrong form of name may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

D Postal address

Enter your postal address for all correspondence. All communications to you from the Toll Share Registry will be mailed to the person(s) and address as shown. For joint applicants, only one address can be entered.

E Contact details

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

F CHES

If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Toll RPS allotted to you under the Toll RPS Offer on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and, on allotment, you will be sponsored by Toll and allocated a Securityholder Reference Number (SRN).

G Payment

Make your cheque(s) and/or money order(s) payable to 'Toll RPS Offer Account' in Australian currency and cross the cheque(s) 'not negotiable'. Your cheque(s) and/or money order(s) must be drawn on an Australian branch of a financial institution in Australian dollars.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B.

Sufficient cleared funds must be held in your bank account, as cheques returned unpaid may result in your Application being rejected. Pin (do not staple) your cheque(s) and/or money order(s) to the Application Form where indicated. Cash payments will not be accepted. No receipt for payment will be forwarded to you.

You do not need to sign the Application Form.

If you have any enquiries concerning your Application, please contact the Toll RPS InfoLine 1800 104 704. You may also call (03) 9649 5438.

Before completing the Application Form, Applicant(s) should read the Prospectus dated 2 October 2003 to which the Application Form relates. By lodging the Application Form, the Applicant(s) declares that this Application is for Toll RPS issued by Toll Holdings Limited upon and subject to the terms of the Prospectus, the Terms of Issue of Toll RPS contained in Appendix A of the Prospectus and the Constitution of Toll Holdings Limited. The Applicant(s) agree(s) to take any number of Toll RPS that may be allocated to the Applicant(s) pursuant to the Prospectus and this Application Form and declares that all details and statements made are complete and accurate. Each Applicant warrants that they are not in the United States and they are not acting for the account or benefit of any person within the United States.

Lodgement of Application

Application Forms must be received at the Melbourne office of Toll Share Registry by no later than **5.00pm (Melbourne time) on 3 November 2003**.

Return the Application Form with your cheque(s) or money order(s) to:

Toll RPS Offer GPO Box 52 MELBOURNE VIC 8060	OR	Toll RPS Offer C/- Computershare Investor Services Pty Limited Level 12 565 Bourke Street MELBOURNE VIC 3000
----------------------------------------------------	----	--------------------------------------------------------------------------------------------------------------------------

Privacy Statement

Please refer to Section 3.9 of the Prospectus for details about the collection, holding and use of your personal information. If you do not provide the information required on the Application Form, Toll may not be able to accept or process your Application.

Important notice if you obtained an electronic copy of the Prospectus

The Prospectus dated 2 October 2003 which accompanies this Application Form contains information about investing in Toll RPS. You should read the Prospectus carefully before completing the Application Form to apply for Toll RPS. The Offer is expected to close at 5.00pm (Melbourne time) on 3 November 2003 and the Prospectus expires on 2 November 2004.

You can obtain a paper copy of the electronic Prospectus, any supplementary document and this Application Form free of charge by calling the **Toll RPS InfoLine 1800 104 704** during the Offer Period described in the Prospectus. Any person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus and any supplementary document.

If you apply for Toll RPS on the basis of the Application Form accompanying the electronic Prospectus, you are deemed to declare to Toll that you received personally the electronic Prospectus, or a print out of it, together with the Application Form before applying for Toll RPS.

Prospectus

The version of the Prospectus accompanying this Application Form differs from the version lodged with ASIC in that this Prospectus includes the Minimum Dividend Rate and the Initial Margin for Toll RPS.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Toll RPS. Applications must be made in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of investor	Correct form of registration	Incorrect form of registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A. Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/unincorporated bodies/business names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

Corporate directory

Registered and Head Office

Toll Holdings Limited

Level 8
380 St Kilda Road
Melbourne VIC 3004

Joint Lead Managers

Deutsche Bank AG

Level 18
225 George Street
Sydney NSW 2000

Goldman Sachs JBWere Pty Ltd

Level 17
101 Collins Street
Melbourne VIC 3000

Co-Manager

Citigroup Global Markets Australia Pty Limited

Level 40
2 Park Street
Sydney NSW 2000

Legal Adviser

Clayton Utz

Level 18
333 Collins Street
Melbourne VIC 3000

Auditors and Tax Advisers

KPMG

161 Collins Street
Melbourne VIC 3000

Toll Share Registry

Computershare Investor Services Pty Limited

Level 12
565 Bourke Street
Melbourne VIC 3000

Toll RPS InfoLine

1800 104 704
(03) 9649 5438

Toll RPS



We set the standard for excellence of integrated logistics and distribution through total commitment to quality people and services, with superior financial results.