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The Manager
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Dear Sir

2005 AGM – 27 OCTOBER 2005 – <u>REPLACEMENT</u> CHAIRMAN AND MANAGING DIRECTOR'S SPEECHES

Please find attached for immediate release to the market the correct speeches by the Company's Chairman, and Managing Director, at the Company's Annual General Meeting held at 11am on 27 October 2005.

Yours faithfully
TOLL HOLDINGS LIMITED

Bernard McInerney
<u>Company Secretary</u>

Encl.

CHAIRMAN'S ADDRESS

I would now like to present my report to shareholders.

2005 PERFORMANCE

I am sure that we are all delighted that in the year to 30 June 2005 Toll produced another record performance and at the same time as producing record earnings, through effective management and further development of innovative solutions, Toll has established an excellent platform for future growth.

The company reported a 28% improvement in after tax profit to $215.8 million.

Earnings per share, fully diluted, increased 22% to 61.2 cents per share, another record for the company. Over the past 5 years there has been a 29% compound annual growth rate in earnings per share.

Since 30 June, the company has paid a final dividend of 15.5 cents per share, an increase of 29% over the previous year. The total dividend paid to ordinary shareholders for the year was 26.5 cents per share, also 29% higher than the previous total.

The total payout to ordinary shareholders in respect of the 2005 financial year was $87 million, an increase of 32% over 2004.

In addition, the company paid $15.5 million in dividends to our Reset Preference Shareholders.

Toll completed the year in a very sound financial position, and with a range of future profitable growth opportunities ahead of us. The most significant growth opportunity for the Company is our takeover offer for Patrick Corporation Limited. The strategy underlying this bid is to profitably extend Toll's capture of services to Australian supply chains. Mr Little will expand on this and our other outstanding prospects in his report.

On behalf of your Board and all shareholders, I want to publicly acknowledge the contributions of all of our employees in producing yet another outstanding result. Results of the quality that have been achieved by Toll are generated by the talents and commitment of a very dedicated management team, our staff, employees and contractors.

Management deserve the applause of our shareholders and they deserve to be well rewarded and incentivised to maintain the handsome returns enjoyed by shareholders. It is this balanced and sensible partnership of capital and labour that is essential to the ongoing prosperity of successful companies. I believe that Toll has this partnership just right.

CORPORATE GOVERNANCE

Corporate Governance has continued to attract much attention from the investment community, governments and the media. At Toll the principles of sound corporate governance have always been key elements in the way we conduct our business, and this will continue.

During the course of last year we continued to review and enhance our policies to ensure that where appropriate they conform with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

Our annual report sets out the basis of our Corporate Governance and this is also fully detailed on the Toll website.

SAFETY

The Company strives throughout all its operations to ensure a safe working environment for all employees, and this continues to have a very positive impact. In the year to June 2005, the lost time injury frequency rate reduced a further 36%, continuing the strong improvements achieved over recent years.

We are continuing to strive to grow employee awareness, reconfigure premises and equipment, focus efforts on identifying the causes of accidents and minimise the number of injuries across our diverse operating base.

The Company's Risk Management Committee is providing sound leadership and commitment to our overall Occupational Health and Safety regime.

BOARD COMPOSITION

Toll regularly reviews its requirements in relation to Board composition, having regard to the strategic direction of the Group and the skills input best suited to deliver our strategies.

Since our last AGM we have been delighted to welcome Mr Ray Horsburgh, CEO of Smorgon Steel Limited, as a Non Executive Director. Mr Horsburgh brings considerable senior business experience, especially in the international arena.

The Board will continue this review process to ensure that we have people of the calibre necessary to drive the growth strategy which has to date delivered outstanding shareholder returns. Your Board is conscious of its preference to maintain a majority of Non Executive Directors on the Board, and we expect to return to this position during the current financial year.

SENIOR EXECUTIVE OPTION PLAN

As I have indicated at previous shareholder meetings, the Board considers that the Senior Executive Option Plan forms an integral part of effectively rewarding and incentivising executive management. There has been a very significant increase in the Company's share price since the Plan's introduction in 1999 which has enabled shareholders to enjoy significant growth in Total Shareholder Return and Earnings Per Share whilst also incentivising key management. Clearly, it is in everyone's interests that the Plan continues to be an effective incentive to senior management.

Although no new options are on this year's AGM agenda, the application of option hurdles and their nature is a matter that continues to be of great interest to shareholders. The setting of appropriate hurdles is considered by the Board on each occasion when fresh options are being contemplated. At such times professional advice is typically sought, by the Board, as the Board believes that it is appropriate to review hurdle parameters at the time of each grant, so that contemporary remuneration and shareholder issues can be considered. I can confirm that the hurdle parameters applicable to the most recent option grants approved at the 2004 AGM were determined by the Board after considering advice received from remuneration consultants.

AUDIT INDEPENDENCE

The Board continues to regard the need for auditor independence as a priority. Toll's Auditor Independence Policy is displayed in the corporate governance section of our website. Again this year, all work performed by KPMG was in accordance with that policy, with the great majority of the non-audit work related to taxation services. This position derives from KPMG's ongoing appointment as Toll's tax adviser, and their continued advice in relation to tax assistance with potential and actual acquisitions. There are sensible and pragmatic reasons for using KPMG for the above non-audit work and the Board is of the opinion that this does not in any way compromise the auditor's independence.

In addition, it is pertinent to acknowledge that KPMG continue to be subject to their own and the profession's strict rules and policies regarding auditor independence, as well as certain statutory requirements. KPMG have confirmed that these requirements have been complied with.

OUTLOOK

The momentum currently established in the company provides us with strong confidence in our ability to drive further earnings and cash flow growth and to capitalise on additional growth opportunities.

CHIEF EXECUTIVE OFFICER'S ADDRESS

Ladies and gentlemen, it is my pleasure to report to you today, on the performance of our Company during the financial year to 30 June 2005, and at the same time, provide an update on our strategic direction.

Not only did we achieve record financial results and exceptional shareholder returns, but we also continued our focus, on further lifting our return on capital, expanding revenue yields and growing service capability across our Australian, New Zealand and Asian operations, all ongoing key objectives for the 2006 year.

EARNINGS

The Company's earnings before interest and tax or EBIT for the 2005 year, grew 23.6% to $239.1 million, due to Group-wide improvement from:

- New depot infrastructure and increased capacity
- Fleet upgrading programs
- New contracts; and
- Technology benefits

We have achieved particularly pleasing outcomes from Toll IPEC, Toll Priority and other activities within the Networks Division. These operations are showing the direct benefits of enhanced capacity and efficiency, driven by investment in new infrastructure and technology.

Toll New Zealand reported its first full year EBIT contribution of $59.6 million compared to $41.6 million for the 9 months to 30 June 2004. Progress with integration of this acquisition, is in line with expectations, and key results to date have exceeded plan.

EBIT margins continued to grow with the overall margin increasing from 5.91% to 6.29% on EBIT of $239 million.

Our margin excluding Toll NZ in 2005 was 5.66% based on EBIT of $180 million, compared to a margin of 5.32% in 2004 on EBIT of $152 million.

Revenue for the Group was $3.8 billion, excluding our 50% equity share of Pacific National, and represented a 16% increase over the previous year. This increase was driven by the full year impact of Toll NZ revenues, together with strong organic growth. Organic growth, including major new contracts, increased by over 8% for the year, continuing to demonstrate the underlying strength throughout the company of superior customer solutions.

Net profit of $215.8 million represents a 28% increase over the previous period.

For the year, Pacific National, contributed equity accounted after tax earnings of $51.5 million compared to $41.8 million in the previous year, whilst Toll NZ provided an after tax contribution of $35.5 million, in its first full year of reporting.

BALANCE SHEET

Group cashflows remained very strong with operating cashflow after interest and tax increasing 52% to $318 million. Group net debt to book equity gearing, reduced to 24% at year-end, with net debt of $311 million. Interest cover was very strong, at over 10 times.

In the year to 30 June 2005, the company's capital expenditure of $234 million included approximately A$70 million on property, incorporating the new rail terminal facilities throughout Queensland, A$75 million of fleet upgrades for new and existing customers within Australia, and A$58 million on new fleet within New Zealand.

Since 30 June, Toll announced the formation of a property venture with Macquarie Goodman. This relationship will provide the company with access to direct development funding and strategic properties, without impacting on its balance sheet or diluting return on capital. Two properties valued at $37 million were sold into the new structure prior to year-end, whilst three other properties have been sold since June 30.

During the last six months of the 05 year, the company invested $156 million to secure a 3.9% stake in Patrick Corporation, whilst the 12% stake in Owens Limited in New Zealand was sold yielding a small profit. Since balance date, the Patrick stake was increased to 4.3% with the total investment of $170 million.

SHAREHOLDER RETURNS

The Company's Earnings Per Share grew 22% to 61.2 cents per share – continuing the momentum established over a sustained period.

Over the last five years, the company has achieved a 29% compound annual growth rate, in Earnings Per Share.

Toll is proud of its excellent record of shareholder returns of 48% compound annual growth over the last 10 years. During the last five years, Toll has ranked in the top six companies within the S&P / ASX 200 for total shareholder returns.

The company has declared a final fully franked ordinary share dividend of 15.5 cents per share, bringing the full year dividend to 26.5 cents per share, an increase of 29% over the previous year. Another record for the company.

Total ordinary share dividend payout in respect of the 2005 financial year was $87 million, an increase of 32% over the previous year.

The dividend payout ratio of 40% is consistent with previous periods, and is being maintained to assist increases in the equity base, to support continued growth.

OPERATIONS

Whilst economic conditions during the year remained relatively stable, the transport and logistics sector continued to experience high levels of competition, in an environment where customers are continually looking for enhanced supplier capabilities.

All divisions improved earnings for the year, including achieving strong organic growth.

Toll Networks

The Toll Networks Division achieved revenue increase of 9.5% to $1.366 billion, whilst EBIT grew 29% to $82.1 million.

The division is benefiting from recent capital expenditure in property, fleet and technology, resulting in increased capacity and efficiencies. A strong cost control focus is also driving margin expansion, with EBIT margin growing by 18% to 6%.

Toll IPEC again performed well, as greater use of technology and the creation of additional capacity, collectively resulted in new business and improved yields. Some of the newly secured contracts include TEAC, Ripcurl, Kincrome Australia, and Wilson Sporting Goods Australia.

Pleasingly, Toll Priority and Toll Fast are also delivering ongoing margin improvement and a number of new sites are presently being developed, to increase operational capacity and efficiency.

A major new facility being developed for Toll Priority in Port Melbourne is well advanced, and will provide a significant increase in highly efficient capacity to satisfy increasing demand for services. In addition, we plan to complete, new terminals in all other Capital cities during 2006.

New depot facilities are also planned for Toll Express in Perth and Sydney.

Toll SPD and Toll Tasmania both returned solid performances for the year and maintained their market leadership positions.

Toll North

The Toll North division posted an increased EBIT of $28.6 million, a 3.6% improvement on the previous year, with revenues that grew 18% from $540 million to $639 million.

This result was achieved notwithstanding very difficult operational conditions for QRX.

NQX, the division's road express forwarder and distribution operator, again posted a strong result. Continued organic revenue growth, plus margin expansion, were features of their trading. Investment in new infrastructure and technology has seen the development of new NQX terminals in Perth, Mt Isa and Mackay.

QRX, which is the company's North Queensland rail forwarding operation, had a particularly difficult year, and posted a significant loss. For the most part of the year, QRX suffered from excessive rail linehaul charges imposed by Queensland Rail, plus very poor rail linehaul service levels.

During March 2005, Pacific National commenced rail linehaul services throughout Queensland, and is now delivering over 15 train services per week into the northern region. In preparation for this new service, Toll developed rail terminals in Townsville, Bowen and Mackay.

The resources sector, activities of which are included in Toll North, performed very strongly throughout the year. Trading in both Queensland and Western Australia was at high levels, and a number of new exciting opportunities, are being pursued.

I am pleased to announce today, that the company has in recent weeks increased its exposure and capability in this Resource sector, with the acquisition of Korn Bulk Haulage, a business specialising in mine coal haulage.

Toll North seeks to capitalise on opportunities presented by this acquisition, to further enhance our ability to add value to the wider resources industry. Korn Bulk Haulage holds contracts with blue chip mining companies, employs 170 people and carries 20 million tonne of coal per annum.

Toll International consolidated its international freight forwarding and project logistics activities across the Group, and at the same time, grew strongly throughout the year with contracts including Supercheap Auto, Exide Technologies, Rolleston and BCL (Broadcasting Communications Limited).

The offshore procurement operations of a growing number of customers, continues to provide significant opportunities.

Toll Logistics

The Logistics division performed solidly for the year recording an EBIT of $68.7 million, an increase of 13% over the previous year.

Revenues for the division increased to $1.167 billion, or 9.1% higher than last year.

During the 2005 year, Toll Logistics developed warehouses of approximately 40,000m^2 throughout Australia and New Zealand, with plans for additional development in Queensland, Victoria and Western Australia, during 2006.

The automotive sector also continued its solid growth, as the company maintained its focus on delivering superior solutions to the sector, with rail increasingly becoming an even more important modal alternative.

Bass Strait shipping operations returned to normal in the second half of the year following the unscheduled outage of the Victorian Reliance, in November and December 2004.

Port Operations traded satisfactorily, with our Western Stevedoring acquisition improving Toll's bulk stevedoring presence in Western Australian ports.

I am pleased to announce that In2store, the Company's retail and fashion industry logistics specialist, has made an immediate impact in the market, by securing major contracts such as Optus, Coles Myer, Philips Lighting and Footlocker. The key thrust of our in2store business, is the provision of integrated fulfilment and transport services, for the retail sector.

Over the last twelve months, in2store has commissioned new integrated facilities in Melbourne and Brisbane, accommodating transport and processing for major retail customers such as Coles Myer and Footlocker.

In addition, in2store has grown significantly in Sydney, with operations in Granville and Yennora, following contract wins with Optus and Philips Lighting.

Moving across the Tasman, our logistics business established a joint venture operation with the Port of Tauranga owned, Owens Cargo services, and significantly enhanced our port capability in the region.

Building on the JD Lyons acquisition in March 2005, new warehousing contracts with customers such as Winstone Industries, Fosters Group NZ, South Pacific Tyres, San Remo, Philips, Spicers Paper and Unilever, have been secured.

Also in Logistics, the TenixToll joint venture successfully completed the operational transition-phase of the Defence Integrated Distribution System (DIDS) contract.

During the year, Toll Personnel, a recruitment business run by Toll focusing solely on the Transport and Logistics industry, was established.

The business is providing an efficient pool of well-trained labour, to a range of Toll sites. To date, Toll Personnel manages in excess of 1,100 people, servicing over 120 Toll sites.

Asia

The Group's activities throughout Asia continue to grow, as customers are continually seeking our support in the region.

Within our growing international freight forwarding business, capabilities and service levels are now more competitive, and attracting new business.

Incountry contracts in Thailand, Malaysia and more recently Vietnam, will provide a stable base and quality infrastructure, from which to develop further growth, and enhance relationships with both our Australian and Global customer base.

The company has been examining a number of opportunities, in order to further improve our Asian footprint, and at the same time, investing in developing relationships in the region.

Further acquisitions or joint ventures within the Asian region will continue to be considered in line with our criteria of:

- Low risk profile, including capital commitments.
- Attractive customer base and segments, in line with our current market strategy and focus.
- Retaining control over any new venture, including operations and structure.
- Only partner with professionally run companies, that clearly demonstrate specialisation in their field.

Toll NZ

The 2005 financial year represented the first full year of contribution for Toll New Zealand, following our takeover in October 2003.

Revenue for the year was $626 million, compared to $415 million reported in the period from acquisition last year. On a full year comparative basis, revenue grew $67 million or 12%, reflecting improved customer focus, as well as new contracts.

New rail based long-term contracts executed during the 2005 year include: Genesis Coal, Solid Energy and Fonterra, each providing further confidence in an ability to increase rail's share of the freight task.

EBIT grew 43.3% to $59.6 million for the year, and likewise on a year-on-year basis, increased from $41.6 million in the full 2004 year, to $59.6 million in the 2005 year.

The improvement in overall EBIT margin to 9.5%, an increase of 34% on a full year basis, was driven by greater cost efficiencies, continuing reduction in overheads, and the benefits of integration.

During the year, rail track infrastructure was transitioned back to the New Zealand Government, and the company has been working to assist the Government in building a sustainable rail network.

We have developed a strong alignment over the need to improve rail infrastructure and attract the growing freight transport task from road to rail.

The company believes that future access changes will be reflective of a significantly improved infrastructure and will ensure that Toll's financial returns are adequate in the long-term, in supporting a sustained level of capital investment.

At the same time, the company has been implementing a refurbishment and upgrade program to its New Zealand locomotive and rail wagon fleet, delivering improved capacity and operating performance.

A highlight however in New Zealand, was the performance of Rail's Tranz Alpine service, trading above expectations following a strong marketing campaign, and resulting in record passenger numbers.

A number of developments were made in the interisland ferry operations over the year. These include refurbishment of the vessel **Arahura**, and the decision to replace the **Lynx** and **Purbeck**, with a high capacity passenger and freight vessel, the **Kaitaki (Kitaki)**, commissioned in New Zealand from early August 2005.

Recent concerns given to the operation of Trans Cook ferries through the Marlborough Sounds are being actively addressed by the company.

Negotiations are continuing positively with Marlborough District Council, and both parties expect to arrive at an acceptable position.

Discussions have centred around Toll's requirement to perform three round trips per day. With a focus on wave height management and compliance, operations will not be adversely affected.

Pacific National

Pacific National, made an equity contribution of $51.5m for the year. This represented an increase of 23.2% over the previous year.

Total revenues for Pacific National were $1.366 billion, including the contribution of $159 million from Freight Australia, acquired in September 2004, reflecting new business, and underlying revenue growth of 10.2%.

Intermodal revenue growth continued to gain momentum, as higher road transport fuel costs improved rail’s relative competitiveness. In addition, as the national freight task grows, rail is increasingly seen as an environmentally friendly and cost competitive modal alternative.

Commencement of the North Queensland intermodal operations occurred in March 2005 and these have now reached over 15 train services per week.

Coal volumes also continued to grow with high levels of export coal being maintained. The company is working closely with industry customers and infrastructure providers, to improve efficiencies throughout the coal chain.

Low grain volumes due to drought conditions, particularly in Victoria, had a major impact on Freight Australia earnings since acquisition, whilst the immediate outlook has improved with recent rains.

Pacific National continues to provide outstanding value for its shareholders and is increasingly delivering innovative solutions to its customer base.

PATRICK BID

On 22 August 2005, Toll made an off-market bid for Patrick Corporation. This proposal will create a Leading World Class Transport and Logistics Business, servicing the Asian region.

Specifically, the merged business will have a market capitalisation over $8 billion, making the company a top 25 ASX listed entity, and at the same time, producing a consolidated balance sheet with strong financial capacity for future growth initiatives.

Strategic Rationale

This is an exciting opportunity for Toll Shareholders, and strategically compelling, and indeed the market has anticipated it for some time.

Toll and Patrick are highly complementary businesses, with Patrick's international stevedoring focus and Toll's land based logistics focus, enhancing our total service offering.

This acquisition will see the creation of Australia's leading transport and logistics business, with a key focus on the Asian region.

Furthermore, the merging of Toll and Patrick's operations will create an organisation with global scale and diversity of activities, significantly benefiting all customers and the economy as a whole.

We estimate from our experience and understanding of Patrick, that we can achieve synergies of approximately $65 million pa over a 2 -3 year period.

The transaction will create an entity with a strong financial capability, enhancing further investments and regional expansion, and will maximise value for both groups of shareholders, with participation in a mostly scrip bid, capturing the synergistic benefits of merging two strong logistics groups.

Transaction Highlights

Some of the key transaction highlights include:

- Our offer is a scrip and cash off-market takeover bid.

- Patrick shareholders will own approximately half of the merged group. Pro forma earnings per share will be accretive for both groups of shareholders in the first full year.

- The bid results in a conservative capital structure, providing financial strength for future investment in critical freight infrastructure and growth.

- Our offer is conditional on 90% minimum acceptance, ACCC approval and other conditions, included in the announcement and bidders statement.

- With Virgin Blue, we propose a better structured exposure to the volatile aviation business, through a reduced shareholding plus an alliance on airfreight linehaul.

Diversified Revenue Mix

The diversified revenue mix of Toll and Patrick are created with the merging of complementary businesses that don't materially compete.

Where Toll and Patrick's businesses do compete, these businesses operate in fragmented freight forwarding markets and in 'arms-length' sea and rail linehaul sectors.

Toll is presently engaged in discussions with the ACCC in relation to the takeover bid. While shareholders need to understand that the ACCC's statement of issues, due to be released in mid November, will probably identify some issues for further investigation, we are confident our strong case will demonstrate in the final analysis, that there will be no lessening of competition as a consequence of the takeover.

Merged Group – Global Logistics Sector

The Merged Group will become a relevant and meaningful player in the growing global logistics sector.

The sector is consolidating on a global scale and the emphasis on the Asian Region is growing strongly, with recently announced DHL acquisition of Exel, yet further proof of this trend.

The Merged Group will have the scope to capitalise on opportunities with multi-national customers seeking global and regional transport and logistics solutions, and the scale to consider international expansion opportunities beyond the resources of either company individually.

In addition, the Merged Group will have a conservative capital structure with low gearing and strong earnings. This will leave it in a strong position to fund currently planned and future capital expenditure, as well as the ability to participate in regional growth opportunities as and when they arise.

Progress of Bid

Patrick's tactics in attempting to defend the Toll bid have been quite bizarre, and we believe will ultimately help the Toll bid succeed.

Firstly, Mr Corrigan has tried to manufacture the appearance of a major dispute over the provisions of a contract between Pacific National and Toll that Mr Corrigan signed of his own free will and volition.

This has included a scurrilous and completely unjustified attack on Toll personnel who have contributed strongly to Pacific National's growth and success since acquisition.

Mr Corrigan signed this contract in August 2003, but it wasn't until more than 2 years later that he made any mention to his shareholders that he had a problem with it : a problem he says is now so fundamental that it merits potentially breaking up the whole Pacific National business.

So Mr Corrigan is asking his shareholders to believe that, as one of Australia's most astute businessmen, he and his executives don't actually read material contracts before they sign them. And that a dispute can be so material that it merits attempting to break up Pacific National and damage one of Patrick's best businesses, but not material enough for Mr Corrigan to bother sharing his concerns with shareholders until – amazingly – just after Toll had bid for Patrick.

For the record, Pacific National continues to operate exceedingly well.

Second, Mr Corrigan has produced a Target Statement that adopts a very superior tone about the quality of Patrick's businesses compared to Toll, without so much as a single mention of the fact that Toll has made about three times as much money for its shareholders, as Patrick over the past 5 years. Or any vision or sense of strategic direction for the Patrick business. Or perhaps a cash flow statement that might shed some helpful light for his shareholders on what looks like a $400 million funding hole for Patrick next year.

Frankly, we think Mr Corrigan has treated his shareholders with contempt. They deserve better.

I said that I believe that Mr Corrigan's tactics will ultimately help our bid succeed. With ACCC approval for our bid, we will be able to present Patrick shareholders with a very clear and simple choice:

- Accept Toll's offer, and participate in the value creation, acknowledged by Mr Corrigan himself, when he was quoted in last Saturday's *Weekend Australian* newspaper as saying, *"Many recognise that the two companies, put together, are worth more than the sum of the parts".*

- Or reject it, and face the music of a falling Patrick share price and a very uncertain future which includes a significant exposure to the volatile airline industry.

Our bid received a strong endorsement by the market on announcement, with the Toll share price rising to $14.60 on the first day. Since that time the Toll share price has fallen partly due to a market correction and uncertainties about the bid proceeding, but we have been very heartened by the overwhelming support for the takeover strategy from institutional investors.

We remain confident that this strong underlying market support will be reflected in our share price once the prospects for the bid's success are clearer.

I would like to take this opportunity to remind Toll shareholders that while the acquisition of Patrick presents a unique opportunity for both Toll and Patrick shareholders, we will not compromise on our disciplined approach to investments.

We see no merit in Patrick's self serving valuation of itself and believe our offer to represent exceptional value for Patrick shareholders.

COMMUNITY

With over 20,000 employees, 33,000 shareholders, 40,000 customers spread across six countries, Toll takes seriously its social and community responsibilities.

During the 2005-year, Toll was actively involved in supporting various community projects.

Toll assisted the Tsunami Relief effort through a combination of cash donations and the provision of transport and logistics services to World Vision, and the distribution of donated goods for other various aid agencies.

Toll Thailand and Shell, both assisted in delivering fresh water to people in the Tsunami affected areas throughout Thailand.

Toll is continuing its leading role in supporting the ground breaking and highly successful Second Step program, a Toll concept offering employment experience for people who have overcome drug addictions. In addition, the program is encouraging other Australian Corporates to become involved.

Toll is the leading supporter of Foodbank Australia, delivering food parcels to more than 1500 State based accredited welfare agencies such as the Salvation Army, Mission Australia, St Vincent de Paul and the Smith Family.

With over 6,500 tonnes of food being distributed per annum, more than 25,000 people are assisted by this program daily.

Toll Thailand plays an active leading role in supporting Convoy for Kids, assisting the welfare of crippled children in Thailand.

Other

Other activities through our business units include:

- Special Children's Christmas Party
- TLC for Kids
- Smith Family
- Anti-Cancer Council
- Surf Life Saving
- Plus many other worthwhile causes across the various countries and regions where Toll operate.

ECONOMIC CONDITIONS

The Australian and New Zealand economies have shown solid growth over the year, and whilst some limited slowdown was experienced in particular sectors, overall activity was not materially impacted, and trading remained strong.

Based on current trading, we do not envisage any significant deterioration in economic activity.

At the same time, interest rates and inflation appear benign, and are also unlikely to disrupt the solid growth outlook.

Major costs across the company are well managed, and the cost structure continues to be relatively stable.

Labour issues are well defined, and Enterprise Agreements within Australia and New Zealand, have been settled over the last 8 months with minimal disruption and at the same time, producing a future stable industrial climate for our Group.

The company remains committed to improving safety standards across all aspects of its operations. During the 2005 financial year, the lost time injury frequency rate fell over 36%, with a compound annual reduction exceeding 35%, over the past 3 years, reflecting the company's focus on driver training, fatigue management and accident prevention.

Fuel costs have continued at very high levels throughout the year, and there is no present indication that prices will reduce by any material extent, in the short to medium term.

The control and recovery of increased fuel costs however, are major issues for the industry, and it is vital that these are efficiently managed.

Whilst the company has a sound regime of fuel cost recovery, it continues to closely monitor opportunities to reduce the impact on our customer base, by adopting innovative solutions including fuel-efficient practices and the greater use of rail.

OUTLOOK

The 2005 year was another outstanding year for the company, with development of new platforms for growth, through a number of major new contracts, and the increased operations within the Asian region.

In addition, the company has increased operational capacity through the introduction of new terminal facilities, ship configurations and new fleet, all of which will lead to further profitable growth during 2006 and beyond.

In terms of the outlook for 2006, given the present economic climate and the excellent rate of business growth, the company expects to produce its twelfth consecutive year of record results. Although Pacific National has under-performed compared to last year, due largely to the ongoing impact of drought affected low grain volumes, trading since 30 June 2005 has remained particularly strong throughout the business, and results are well ahead of last year.

The outlook is very positive, and the company is confident of continuing to deliver outstanding shareholder return