Toll Holdings Limited
ABN 25 006 592 089

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23 April 2007

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

Lodged Through ASX On Line
Total No. of Pages: 322

Dear Sir

MEDIA RELEASE – TOLL RESTRUCTURE SCHEME BOOK

Please find attached the Toll Group Restructure Scheme Book for immediate release to the market.

Yours faithfully
TOLL HOLDINGS LIMITED

Bernard McInerney
Company Secretary

Encl.

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TOLL HOLDINGS LIMITED ABN 25 006 592 089

Restructure Scheme Book

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

You should become familiar with the contents of this Scheme Book prior to deciding whether or not to vote in favour of the Restructure Proposal. If you are in any doubt as to how to deal with this Scheme Book, please consult your legal or financial advisor immediately. If you have sold all of your Toll Shares, please ignore this Scheme Book.

The Restructure is to be effected by schemes of arrangement between Toll and Toll Shareholders and reductions in the capital of Toll. **The Toll Directors recommend that you vote in favour of each of the resolutions required to implement the Restructure Proposal.**

This document is neither an offer to sell nor a solicitation of an offer to buy securities, as those terms are defined under the US Securities Act of 1933, as amended.

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20 April 2007

Dear Shareholder

On 13 December 2006 Toll Holdings Limited announced the 'Restructure Proposal' – a restructuring initiative involving the separation of the Toll Group's transport infrastructure assets from its network and supply chain business. Toll proposes to establish two market leading, ASX listed entities – Toll and Asciano – aimed at maximising shareholder value and positioning both entities for enhanced future growth in a global market.

Under the Restructure Proposal, Toll will retain the current Australian, New Zealand and Asian logistics businesses of Toll, including the logistics businesses acquired with the takeover of Patrick Corporation and Toll's 62.8% stake in Virgin Blue. Toll will continue its strategy of providing seamless logistics solutions within the Asia Pacific region to underpin its highly successful model and further boost return on capital.

Asciano will control two unique transport infrastructure assets – 100% of Pacific National and Patrick container ports as well as the combined port operations and stevedoring businesses of Toll and Patrick. The business will focus on investment opportunities in ports, rail, airports, toll roads and similar assets within the transport sector in Australia and internationally, led by an experienced management team with no external management or performance fees.

Toll shareholders will retain their existing shareholding in Toll and receive a stapled security consisting of one new share in Asciano Limited and one new unit in the Asciano Finance Trust. The stapled security structure is intended to enhance the ability of Asciano to maximise cash distributions to investors.

The Restructure Proposal builds on Toll's current strong results and performance and will provide both Toll and Asciano with the opportunity to adopt capital structures appropriate for the separate businesses and greater freedom to accelerate organic and strategic acquisitions growth. Regulatory concerns over growth will also be eased due to the separation of rail and port infrastructure assets from Toll's network and supply chain businesses. Importantly, shareholders, through their new holding in Asciano, will be able to retain a 100% interest in Pacific National as a result of the waiver of the ACCC's requirement to divest a 50% stake following the acquisition of Patrick.

After considering the advantages, disadvantages and risks associated with the Restructure Proposal, the Toll Directors believe the Restructure Proposal is in the best interests of Toll and its shareholders and that shareholders are likely to be materially better off if the Restructure proceeds. The Toll Directors recommend that you vote in favour of the resolutions required to implement the Restructure.

The Restructure Proposal has been reviewed by an independent expert, Grant Samuel & Associates. Their report concludes that the Restructure Proposal is, on balance, in the best interests of Toll shareholders. The report is set out in Section 16 of this Scheme Book.

This Scheme Book sets out details of the Restructure Proposal and the steps associated with its implementation. We encourage you to read this Scheme Book carefully. It contains important information to help you make an informed decision about how to vote on the resolutions necessary to implement the Restructure. Shareholders are asked to vote on these matters – either in person (in which case you should bring the meeting registration forms included with this Scheme Book) or by proxy (by completing and returning the proxy forms included with this Scheme Book) – at meetings to be held on 28 May 2007.

If you have any questions in relation to this Scheme Book or the Restructure Proposal, please contact the Toll Restructure Infoline on 1300 306 835 (Australia) or +61 3 9415 4325 (international).

On behalf of your Board of Directors, we look forward to your support of this Restructure Proposal and your continuing involvement with Toll and Asciano.

JOHN MOULE, AM
Chairman

PAUL LITTLE
Managing Director

Key Dates

Event	Date
Meetings	11 am, 28 May 2007
Court approval of Schemes	1 June 2007
Effective Date and last date Toll Shares trade cum-entitlement	5 June 2007
Trading of Toll Shares ex-entitlement and ASX listing of Asciano	6 June 2007
Record Date	13 June 2007
Implementation Date	15 June 2007
Dispatch of holding statements	19 June 2007
Commencement of normal trading in Stapled Securities	20 June 2007
Securities sold under Sale Facility	20 June 2007 to 10 July 2007
Dispatch of payment to Ineligible Overseas Shareholders	13 July 2007

Shareholder actions	Date
Lodgement of proxy forms for Meetings	By 11am, 26 May 2007
Lodgement of Sale Facility form	By 5pm, 5 June 2007

The dates and times in the indicative timetable may change depending on a number of factors, some of which are outside the control of Toll (e.g. the timing of Court approval of the Schemes). In addition, Toll has the right to vary any or all of the times and dates in the timetable without notifying Toll Shareholders.

Once the Effective Date is confirmed, Toll will announce to ASX the timetable for the balance of the Restructure.

If you have any questions in relation to this Scheme Book or the Restructure Proposal, please contact the Toll Restructure Infoline on 1300 306 835 (Australia) or +61 3 9415 4325 (international).

All times refer to Melbourne, Australia, time.

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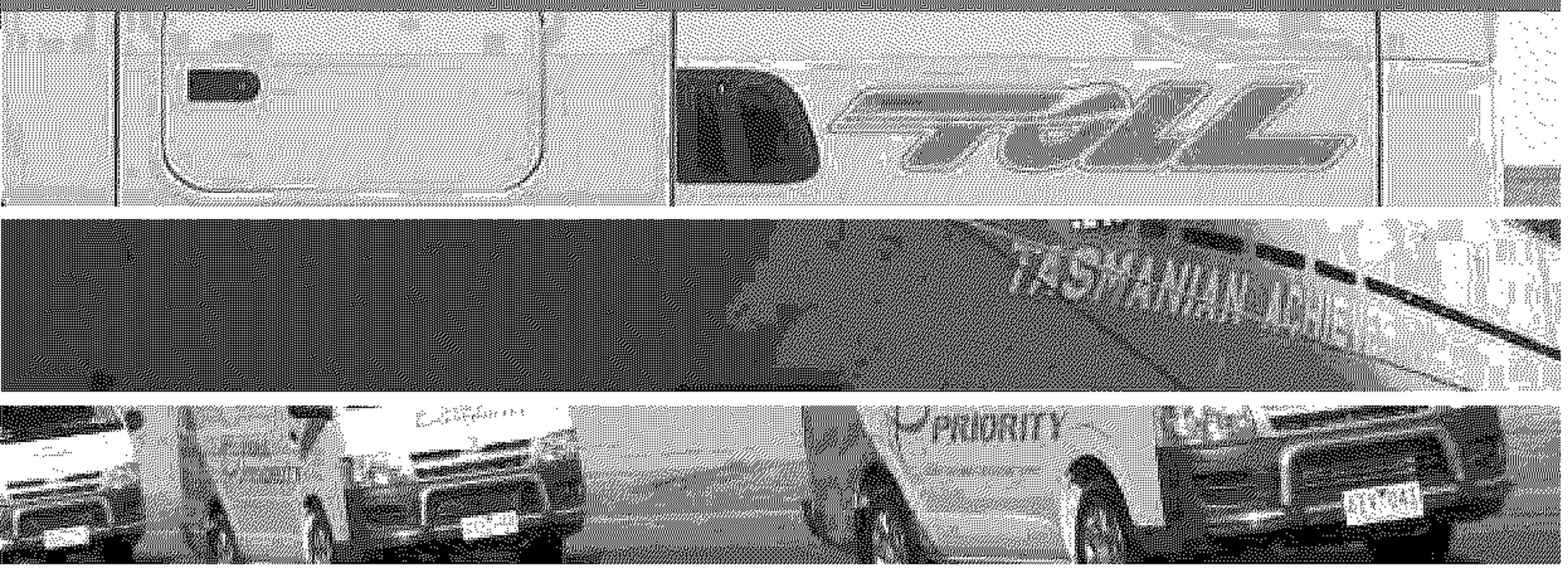
Important Notices



2. Important Notices

Shareholders should read the Scheme Book in its entirety before making a decision as to how to vote on the resolutions to be considered at the Scheme Meetings.

2.1 Purpose of Scheme Book

This Scheme Book sets out the effects of the Restructure, certain information required by law and all other information known to Toll Directors which is material to the decision of Shareholders whether or not to approve the Restructure (other than information previously disclosed to Shareholders) and includes:

- The explanatory statement, as required by section 412 of the Corporations Act in relation to the Schemes;
- A statement of all the information known to Toll that is material to Toll Shareholders in deciding how to vote on the Capital Reduction Resolutions, as required by section 256C(4) of the Corporations Act;
- A statement setting out all the information required by section 200E(2) of the Corporations Act in relation to the Executive Services Resolutions;
- An explanatory statement setting out all the information required by section 219(1) of the Corporations Act and the Listing Rules in relation to the Placement Resolution and the Directors' Deeds Resolution; and
- A statement setting out all the information required by section 260B(4) of the Corporations Act in relation to the Financial Assistance Resolution.

A copy of this Scheme Book has been distributed by post to all Shareholders. This Scheme Book is also available to Shareholders in electronic form on the internet at www.tollgroup.com.

A copy of this Scheme Book has been lodged with ASIC in accordance with sections 218, 256C(5) and 260B(5) of the Corporations Act and registered by ASIC under section 412(6) of the Corporations Act. Neither ASIC nor its officers take any responsibility for the contents of this Scheme Book.

2.2 ASX listing

Within seven days after the date of the lodgement of this Scheme Book for registration by ASIC, application will be made to ASX for the admission of Asciano to the ASX official list and for official quotation of the Stapled Securities on ASX.

A copy of this Scheme Book has been lodged with ASX. Neither ASX nor any of its officers take any responsibility for the contents of this Scheme Book. The fact that ASX may admit Asciano to the ASX official list is not to be taken in any way as an indication of the merits of Asciano.

Securityholders should note that ASX reserves the right to remove Asciano from the official list of ASX if:

- The Stapled Securities cease to be stapled;
- The Responsible Entity of the Trust issues Asciano Units that are not stapled to an equivalent number of Asciano Shares; or
- Asciano Limited issues Asciano Shares that are not stapled to an equivalent number of Asciano Units.

2.3 Responsibility statement

This Scheme Book (including the descriptions of the outlooks for each of the businesses contained in Sections 7 (other than 7.13) and 8 and other forward-looking statements) has been prepared by Toll and the Toll Directors as at the date of this Scheme Book and Toll and the Toll Directors are responsible for this Scheme Book.

Sections 4.3.4, 7.13 and 12.15 of this Scheme Book have been prepared by Asciano Limited and its directors as at the date of this Scheme Book and Asciano Limited and its directors are responsible for those sections of this Scheme Book.

Tim Poole and Chris Barlow will become directors of Asciano Limited and Asciano Finance Limited after 15 June 2007. Tim Poole and Chris Barlow have had no involvement in the preparation of this Scheme Book and expressly disclaim and take no responsibility for any part of this document.

2.4 Investment decisions

This Scheme Book does not take into account the investment objectives, financial situation or particular needs of any Shareholder or any other person. This Scheme Book should not be relied upon as the sole basis for any investment decision in relation to Toll Shares, the Stapled Securities or any other securities. Independent financial and taxation advice should be sought before making an investment decision in relation to Toll Shares, the Stapled Securities or any other securities.

2.5 Forward-looking statements

Certain statements in this Scheme Book relate to the future, including forward-looking statements relating to Toll and Asciano's financial position, financial performance and strategy. These forward-looking statements, including the forecast financial information in Section 7.12 and Section 8.7 of this Scheme Book, involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of Toll or Asciano to be materially different from future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties, assumptions and other important factors include, among other things, general economic conditions, exchange rates, interest rates, the regulatory environment, structural changes in the industries in which Toll and Asciano operate, competitive pressures, trade barriers, fuel prices, selling prices and market demand. The forward-looking statements in this Scheme Book reflect views held only as of the date of this Scheme Book.

Other than as required by law, neither Toll, Asciano nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Scheme Book will actually occur and you are cautioned not to place undue reliance on such forward-looking statements.

Subject to any continuing obligations under law or the Listing Rules or as contemplated by Section 2.3 of this Scheme Book, Toll and Asciano and the Toll Directors and Asciano Directors disclaim any obligation or undertaking to disseminate after the date of this Scheme Book any updates or revisions to any forward-looking statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

2.6 Pro forma (normalised) financial information

Unless otherwise specified, reference in this Scheme Book to the revenue, EBITDA and EBIT of Asciano and Toll are to the pro-forma revenue, EBITDA or EBIT (as appropriate) of Asciano and Toll disclosed in the pro-forma statements of financial performance set out in Sections 7 and 8 of this Scheme Book which have been prepared on the basis set out in those Sections.

2.7 Privacy and personal information

Toll, Asciano and their mutual share registry – Computershare Investor Services Pty Limited (each an 'Organisation'), may collect personal information in the process of implementing the Restructure. The personal information may include the names, addresses, other contact details and details of the shareholdings of Shareholders, and the names of individuals appointed by Shareholders as proxies, corporate representatives or attorneys at the Meetings.

Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. Such individuals should call 1300 850 505 (within Australia only) or +61 3 9415 4000 (international) in the first instance if they wish to request access to that personal information held by any of the Organisations.

The personal information is collected for the purpose of implementing, and administering the security holdings arising from, the Restructure. An Organisation may disclose personal information collected by it to another Organisation, to securities brokers, to print and mail service providers and any other service providers and advisers engaged by an Organisation in relation to the implementation and administration of the security holdings arising from the Restructure. The personal information of Ineligible Overseas Shareholders may also be disclosed to the Sale Agent for the purposes of the Schemes.

2. Important Notices

The main consequence of not collecting the personal information outlined above would be that Toll may be hindered in, or prevented from, conducting the Meetings and implementing the Restructure.

Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Meetings should inform such individual of the matters outlined above.

2.8 Status of the Scheme Book

a) Australia

This Scheme Book is not a prospectus lodged under Chapter 6D of the Corporations Act nor a product disclosure statement lodged under Part 7.9 of the Corporations Act.

b) US

This Scheme Book is neither an offer to sell nor a solicitation of an offer to buy securities as such terms are defined under the US Securities Act of 1933, as amended ('Securities Act'). The securities referred to in this Scheme Book have not been and will not be registered under the US Securities Act of 1933, as amended (Securities Act), or under the securities laws of any jurisdiction of the United States, and therefore may not be offered or sold in the United States without registration or an applicable exemption from the registration requirements of the Securities Act. This Scheme Book does not constitute an offer to issue or sell or the solicitation of any offer to buy any such securities in any jurisdiction where the offer or sale is not permitted.

c) Singapore

This Scheme Book has not been registered as a prospectus with the Monetary Authority of Singapore. In relation to Singapore, this Scheme Book is intended for the exclusive use of Shareholders in connection with the Schemes and shall not be distributed or reproduced (in whole or in part) to any other parties in Singapore or used for any purpose other than in connection with consideration by such shareholders of the Schemes.

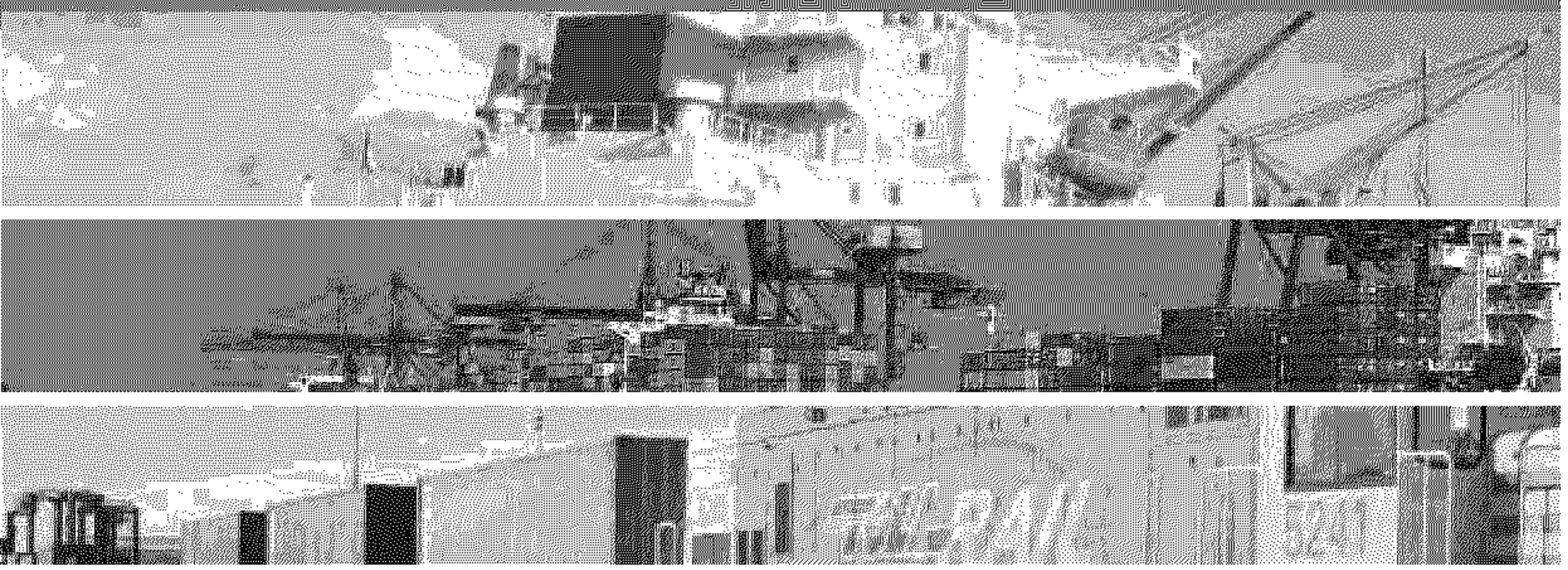
2.9 Defined terms and abbreviations

Capitalised terms and abbreviations used in this Scheme Book are explained in the Glossary in Section 17 of this Scheme Book.

2.10 Supplementary information

Refer to Section 12.19 for information about the steps Toll will take if information about the Restructure Proposal needs to be updated.

3
Key Questions and Answers



3. Key Questions and Answers

Section

1 What has to happen for the Restructure to proceed? 4.4

In summary, Shareholders must vote to approve the resolutions to implement the Restructure at the Meetings to be held on 28 May 2007 and the Court must approve the Schemes at a hearing scheduled for 1 June 2007.

2 What will I receive? 4.1.3

If the Restructure is implemented, then on the Implementation Date (expected to be 15 June 2007), Toll Shareholders will:

- Retain their existing shareholding in Toll, and
- Receive one new Stapled Security for each Toll Share held, consisting of one Asciano Share and one Asciano Unit.

3 What is the expected impact on my holding in Toll?

If the Restructure is implemented, on the Implementation Date Toll Shareholders will retain their Toll Shares and receive one Stapled Security for each Toll Share held. The market price of your Toll Shares after the Restructure will be less than the market price of your Toll Shares prior to the Restructure. This is because, after the Restructure, the Infrastructure Assets currently owned by Toll will be owned by Asciano, which will be separately listed on the ASX which will reflect its own market price per Stapled Security.

4 What is Asciano? 7

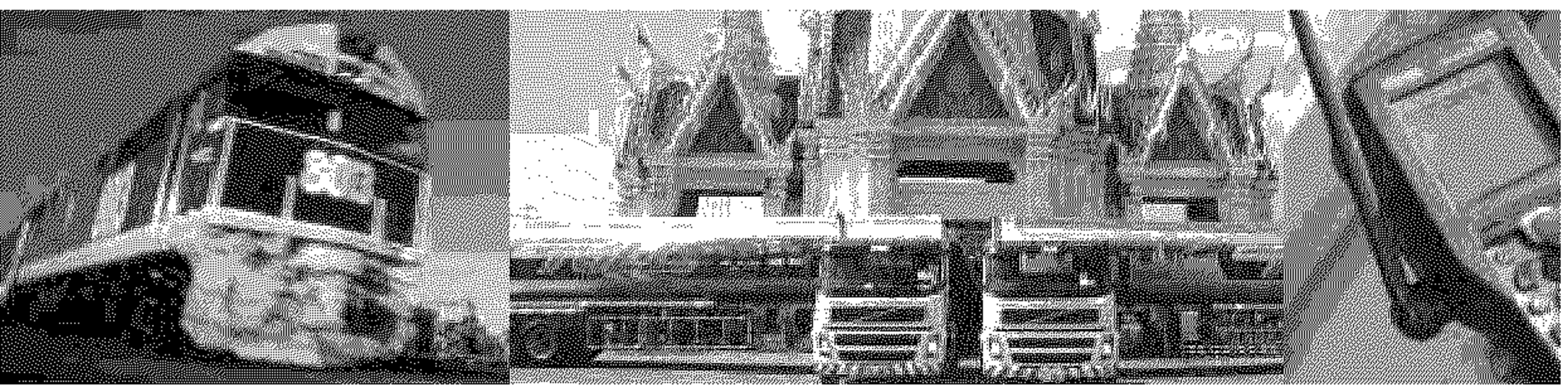
Asciano consists of Asciano Limited and the Asciano Finance Trust. Currently they are Subsidiaries of Toll. As part of the Restructure, Asciano Limited will acquire the Infrastructure Assets from Toll and the Asciano Finance Trust will borrow the necessary funds to allow a refinancing of the existing debt relating to these Infrastructure Assets.

Following the Restructure, Asciano will be one of Australia's largest listed infrastructure owners, with a primary focus on transport infrastructure, including ports and rail assets, and the associated operations and services. The business is forecast to generate revenues in excess of $2.5 billion for the pro forma year ending 30 June 2007, and is well positioned to benefit from expected strong growth in global trade. Asciano's portfolio of assets will include four leading container terminals, bulk export facilities, a range of stevedoring equipment and associated services, extensive rail operations and a skilled workforce.

5 Can I buy more or sell my Toll Shares or Stapled Securities? 6.4

You can currently sell your Toll Shares on ASX. Until (and including) the Effective Date (intended to be 5 June 2007), Toll Shares will trade cum the entitlement to receive Stapled Securities. From (and excluding) the Effective Date, Stapled Securities will commence trading on a deferred settlement basis, and Toll Shares will trade excluding the entitlement to receive Stapled Securities.

A Sale Facility is being provided under which Toll Shareholders will have the option, after the Restructure, to sell part or all of their holding in either or both Toll post Restructure or Asciano without brokerage fees, subject to a limit on the number of securities. Full details of the Sale Facility are provided in Section 6.4.



		Section
6	**What is the expected impact on Toll's dividend payments?** Full details of the dividend policy of Toll post-Restructure are provided in Section 5.5.4.	5.5.4
7	**What are the taxation implications of the Restructure?** There are taxation implications for Toll Shareholders. These implications will differ depending on the individual circumstances of each Toll Shareholder. If you are in any doubt about the taxation implications, it is important that you seek your own independent tax advice. An overview of some of the taxation implications is set out in Section 5.5.1. A general analysis of the taxation implications that will arise for Toll Shareholders as a result of the Restructure, including an illustrative example of how to apportion the existing cost base of Toll Shares over both Stapled Securities and Toll Shares, is included in Section 9 of this Scheme Book.	9
8	**Why is Toll proposing the Restructure?** The principal objective of the Toll Directors in proposing the Restructure is to create long term value for Toll Shareholders. Following the implementation of the Restructure, each of Asciano and Toll will have a separate management team, the capacity to adopt an appropriate capital structure and financial policies (including dividend and distribution policies) having regard to the nature of their businesses and an enhanced ability to continue the pursuit of development and growth opportunities.	4.2
9	**What are the key steps to implement the Restructure?** The key steps in implementing the Restructure are: • Shareholders will vote to approve the Restructure at the Meetings; and • Following this, an application will be made to the Court to approve the Schemes at a court hearing expected to be held on 1 June 2007. If any of the above approvals are not obtained, the Restructure will not be implemented. Further details regarding the Restructure Resolutions and the Schemes are set out in Sections 6 and 18 of this Scheme Book. The terms of the Schemes are contained in Section 13 of this Scheme Book. The General Meeting and the Scheme Meetings will be held on 28 May 2007 at: Savoy Ballroom, Grand Hyatt Melbourne 123 Collins Street Melbourne Victoria. The Notices of Meeting in Section 18 provide meeting details.	4.4, 6, 13 and 18
10	**Who is entitled to vote at the Meetings and what is the procedure?** A summary of the entitlement of Toll Shareholders and RPS Holders to vote at the Meetings and instruction on how to vote are set out below. More details are included in Section 6.7 and the Notices of Meetings.	6.7 and 18

3. Key Questions and Answers

		Section
11	**What is my entitlement to vote?** If you are a registered Toll Shareholder on the Toll Share Register at the Close of Registers you may vote at the Meetings in person, by attorney, by proxy or, in the case of corporate shareholders, by corporate representative. If you are a registered RPS Holder at the Close of Registers you may vote only on the Capital Reduction Resolutions at the General Meeting in person, by attorney, by proxy or, in the case of corporate shareholders, by corporate representative.	4.8.1
12	**How do I vote in person?** If you are a Toll Shareholder entitled to vote at the Meetings or a RPS Holder entitled to attend and vote at the General Meeting and wish to do so in person, you can attend the General Meeting and/or Scheme Meetings as applicable to be held on 28 May 2007 at: Savoy Ballroom, Grand Hyatt Melbourne 123 Collins Street Melbourne Victoria. The proxy forms included with this Scheme Book also serve as meeting registration forms for the Meetings. You should bring these forms with you to the Meetings. If you are attending as an attorney or a corporate representative, you should also bring to the Meetings an original (or certified copy) of the power of attorney or your appointment as corporate representative (as the case may be), unless you have previously provided the power of attorney or appointment (as the case may be) to Toll care of the Toll Share Registry.	4.8.2

	Section
13 How do I vote by proxy?	4.8.3

Three proxy forms are included with this Scheme Book for Toll Shareholders. If you are a Toll Shareholder and wish to appoint a proxy to attend and vote at:

- The First Scheme Meeting, complete the blue proxy form;
- The Second Scheme Meeting, complete the green proxy form;
- The General Meeting, complete the red proxy form.

A yellow proxy form is included with this Scheme Book for RPS Holders. If you are a RPS Holder and wish to appoint a proxy to attend and vote at the General Meeting, complete the yellow proxy form.

Proxy forms must be:

- Sent to the Toll Share Registry (using the reply paid envelope included with this book) at:

  Toll Share Registry
  Computershare Investor Services Pty Limited
  GPO Box 242
  Melbourne VIC 3001

Or

- Faxed to +61 3 9473 2555 or +61 3 9694 2880

Or

- Sent to Toll's registered office at:
  Level 8, 380 St Kilda Road
  Melbourne VIC 3004

so that they are received by no later than 11am on Saturday 26 May 2007.

If an attorney signs a proxy form on your behalf, a copy of the authority under which the proxy form was signed must be received by the Toll Share Registry or Toll at the same time as the proxy form (unless you have already provided a copy of the authority to Toll). If you complete and return a proxy form, you may still attend the relevant Meeting in person, revoke the proxy and vote at the Meeting.

Shareholders wishing to lodge electronic proxies on line may do so by first registering on the Toll website at www.tollgroup.com and clicking on 'Shareholder Information' and then 'GM Proxy Voting'. On line voting must be complete by no later than 11am on Saturday 26 May 2007.

3. Key Questions and Answers

		Section
14	**What if I am an overseas Toll Shareholder?**	6.8.2

Toll Shareholders whose registered address on the Toll Share Register at the Record Date is in any jurisdiction other than Australia, New Zealand or Singapore will be Ineligible Overseas Shareholders. Toll will directly notify any Toll Shareholders who are determined to be Ineligible Overseas Shareholders.

If you are an Ineligible Overseas Shareholder, you will participate in the Special Dividends, Capital Reductions and the Schemes on the same basis as all other Toll Shareholders. However, as an Ineligible Overseas Shareholder, you will not receive the Stapled Securities to which you otherwise would be entitled under the Schemes. Those Stapled Securities will be sold under the Sale Facility and the proceeds of sale remitted to you (refer to Section 6.4 for details of the Sale Facility). 6.4

15 What is the Scheme Book?

This Scheme Book sets out the effect of the Restructure, certain information required by law and all other information known to Toll Directors which is material to the decision of Shareholders whether or not to approve the Restructure (other than information previously disclosed to Shareholders) and includes:

- The explanatory statement as required by section 412 of the Corporations Act in relation to the Schemes;
- A statement of all the information known to Toll that is material to Toll Shareholders in deciding how to vote on the Capital Reduction Resolutions, as required by section 256C(4) of the Corporations Act;
- A statement setting out all the information required by section 200E(2) of the Corporations Act in relation to the Executive Services Resolutions;
- An explanatory statement setting out all the information required by the Listing Rules and section 219(1) of the Corporations Act in relation to the Placement Resolution and the Directors' Deeds Resolution; and
- A statement setting out all the information required by section 260B(4) of the Corporations Act in relation to the Financial Assistance Resolution.

16 When will the Stapled Securities commence trading on ASX?

Within seven days after the date of lodgement of this Scheme Book for registration by ASIC, application will be made to ASX for admission of Asciano to the ASX official list and for official quotation of all Stapled Securities on ASX. It is currently anticipated that the application will be lodged on 24 April 2007.

The Stapled Securities are expected to commence trading on ASX, initially on a deferred settlement basis, on 6 June 2007. Normal trading of Stapled Securities is expected to commence on or about 20 June 2007. The Stapled Securities are expected to trade under the ASX code 'AIO.'

It is the responsibility of each Toll Shareholder to determine their entitlement to Stapled Securities before trading those Stapled Securities to avoid the risk of selling Stapled Securities they do not own. If Toll Shareholders sell their Stapled Securities without receiving confirmation of their entitlement, they do so at their own risk.

		Section
17	**What if the Restructure is not implemented?**	5

If the Restructure does not proceed:

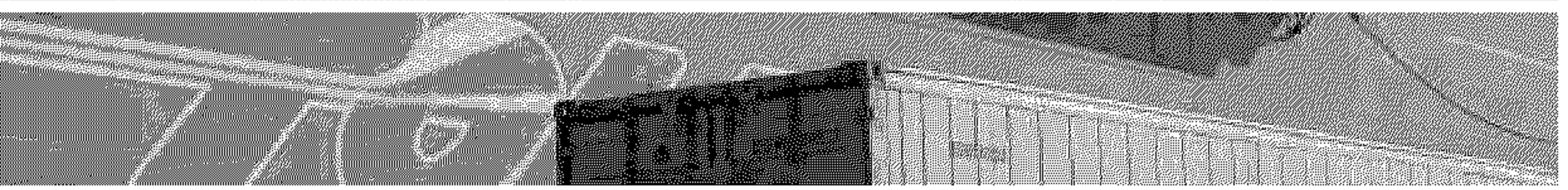
- Toll will continue to be listed on the ASX and will continue to own the assets that will otherwise be transferred to Asciano;
- Toll will be required to undertake asset sales consistent with previous ACCC requirements, as detailed in Section 5.5.5;
- You will not receive Stapled Securities in Asciano;
- Cash transaction costs of approximately $15 million are expected to have been incurred or committed to by Toll;
- The advantages and benefits of the Restructure described in Section 5, which the Toll Directors consider should create longer term value for Toll Shareholders, may not be realised;
- The disadvantages and risks of the Restructure described in Section 5 may not arise; and
- Toll will need to refinance its existing bridge facility in connection with the acquisition of Patrick Corporation.

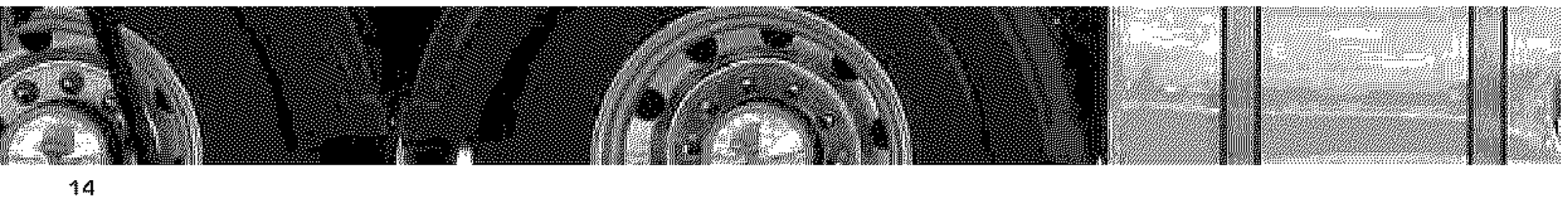
If the Restructure does not proceed the Toll Directors and management may reconsider alternatives to the Restructure.

18 Is there any number that I can call if I have further queries in relation to the Scheme?

If you have any questions in relation to this Scheme Book or the Restructure Proposal, please contact the Toll Restructure Infoline on 1300 306 835 (Australia) or +61 3 9415 4325 (international).

4
Summary





4.1 About the Restructure

4.1.1 Background to the Restructure Proposal

The Toll business was founded in 1888 by Albert Toll in Newcastle. It became part of the Peko Wallsend Group in the 1960s transporting goods associated with diversified mining and manufacturing activities. In 1986 Toll was sold to a management buyout team led by current CEO Paul Little and former Chairman of the Toll Board Peter Rowsthorn. In 1993 Toll listed on ASX.

Since listing on ASX, Toll has progressively built and grown its unique logistics model in response to increasing customer demand for a complete end-to-end logistics solution, incorporating the critical components of operational expertise, scale, diversity of services, infrastructure and technology solutions. Toll has undergone significant organic and strategic acquisition growth over the past decade.

In 2006 Toll merged with Patrick Corporation, gaining control of Patrick Corporation's ports, rail and air businesses. Also in 2006, Toll acquired SembCorp Logistics, providing the Toll Group with one of the most extensive supply chain and in-country physical distribution networks in Asia. As at 19 April 2007, Toll's Market Capitalisation was approximately $13.1 billion, ranking it the 23rd largest company in the S&P/ASX 100.

In order to lay the foundation for continued growth, Toll has proposed separating its transport infrastructure assets from its network and supply chain business. The overarching objective of the Restructure Proposal is to maximise shareholder value.

4.1.2 The Restructure Proposal

On 13 December 2006 Toll announced its intention to restructure the Toll Group into two market leading, ASX listed entities – Toll and Asciano. Both are expected to be S&P/ASX 50 entities and will have separate boards of directors and management teams.

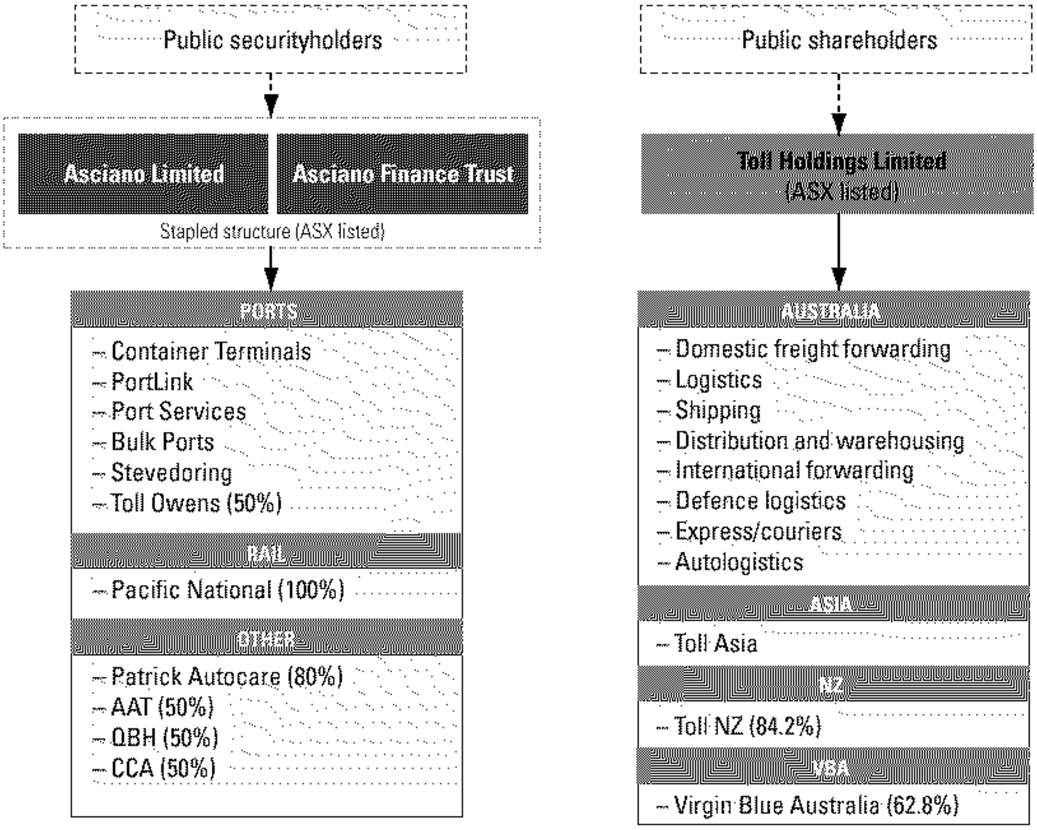
Toll will comprise the current Australian, New Zealand and Asian logistics businesses of the Toll Group, including the logistics businesses acquired with the takeover of Patrick Corporation and Toll's 62.8% stake in Virgin Blue. Toll will continue the consistent strategy of providing integrated logistics solutions using appropriate infrastructure within the Asia Pacific region to underpin its highly successful model and improve return on capital.

Asciano will control a unique transport infrastructure portfolio, including 100% of Pacific National and the Patrick container ports as well as the combined port operations and stevedoring businesses of Toll and Patrick Corporation. Asciano will focus on investment opportunities in ports, rail, airports, toll roads and similar transport infrastructure assets within the transport sector in Australia and internationally, led by an experienced management team with no external management or performance fees borne by Securityholders.

A summary of the proposed structure of each of Toll and Asciano after the Restructure is set out in Figure 4.1 below:

4. Summary

Figure 4.1: Proposed business structure post-Restructure and asset sales



4.1.3 How the Restructure is to be carried out

The Restructure will be achieved by means of the Special Dividends, the Capital Reductions and the Schemes (which are to be approved by Toll Shareholders and the Court). If the Restructure is implemented, on the Implementation Date Toll Shareholders will:

- Retain their existing shareholding in Toll; and
- Receive one Stapled Security for each Toll Share held.

Shareholders will vote to approve the Restructure at the Meetings, to be held on 28 May 2007 at:

> Savoy Ballroom, Grand Hyatt Melbourne
> 123 Collins Street
> Melbourne Victoria.

Following Shareholder approval, an application will be made to the Court to approve the Schemes at a court hearing expected to be held on 1 June 2007.

If Shareholder approval of any of the Restructure Resolutions and the Schemes is not obtained or the Court does not approve the Schemes, the Restructure will not be implemented.

Further details regarding the Restructure and the Schemes are set out in Section 6 of this Scheme Book. The terms of the Schemes are contained in Section 13 of this Scheme Book.

4.1.4 Placement of Stapled Securities

A placement of A$150 million of Stapled Securities will be settled on 15 June 2007 for the purpose of providing ongoing working capital for Asciano.

Full details of the Placement are included in Section 6.5 of this Scheme Book.

4.2 Benefits and advantages of the Restructure

The principal objective of the Toll Directors in proposing the Restructure is to create longer term value for Toll Shareholders. Following the Restructure, each of Toll and Asciano will have a separate management team and the separate capacity to fund growth opportunities in a manner consistent with their assets and businesses.

The benefits and risks of the Restructure are explained in Section 5 of this Scheme Book. The Toll Directors believe that the benefits and advantages of the Restructure Proposal (summarised below) outweigh its risks and disadvantages.

1. Allows Toll and Asciano to concentrate on their core businesses

The Restructure will create a focussed logistics and freight group of companies and a leading transport infrastructure group of companies that will be better able to concentrate on their respective core businesses and competencies as well as implementing strategies most suited to their individual needs.

Toll will continue the strategy of providing integrated logistics and freight solutions to customers using appropriate infrastructure within the Asia Pacific region to underpin its highly successful model.

Asciano will control a unique transport infrastructure portfolio, including 100% ownership of Pacific National, the Patrick Group container ports and the former ports and stevedoring activities of Toll and Patrick Group, with an investment focus on ports, rail, airports, toll roads and similar transport infrastructure assets. Asciano will be led by an experienced management team with no leakage from external management or performance fees borne by Securityholders.

Senior management personnel critical to the continued success of both entities will enter into long-term employment contracts and management will have enhanced employment and career opportunities.

2. Both businesses will have an enhanced ability to pursue growth opportunities

Both Toll and Asciano will be better able to pursue organic and strategic acquisition growth opportunities due to an easing of regulatory concerns over growth following the separation of rail and port infrastructure assets from Toll. An industry-aligned cost of capital will enable each of Toll and Asciano to be competitive in acquisitions within their respective investment mandate.

Detailed growth opportunities for each of Toll and Asciano are set out in Section 4.3.

3. Clear investment choice will unlock shareholder value

The Restructure will expand investment opportunities available to Toll Shareholders and investors and increase transparency by creating two separately listed businesses. Toll will provide investors with an exposure to the freight and logistics industry and an EPS and total shareholder return-orientated company, whilst Asciano will provide investors with an exposure to port, rail, and potentially airport and toll road infrastructure assets and a dividend yield-orientated entity focussing on cash flow growth.

4. Provides a capital structure appropriate to each business

Toll and Asciano will each be able to adopt a capital structure and dividend policy appropriate to their respective businesses and strategies. Competing capital demands and capital raising limitations associated with combining infrastructure businesses and logistics and freight assets within a single listed corporation will be overcome, resulting in enhanced balance sheet efficiency.

5. Retains synergy benefits

The Toll Directors expect that, after the Restructure, Toll and Asciano will not forgo the planned synergies associated with the Patrick Corporation acquisition that are attributable to the respective post Restructure operations.

There may also be material disadvantages and risks associated with the Restructure, which you should consider before deciding whether to vote in favour of the resolutions proposed. The risks and disadvantages are set out in Section 5 of this Scheme Book.

4. Summary

4.3 Separated entities at a glance

4.3.1 Toll

Toll will remain one of the Asian region's leading providers of transport and logistics services, generating annual consolidated revenue in excess of $7.5 billion and operating a network of over 600 sites throughout Australia and the Asian region.

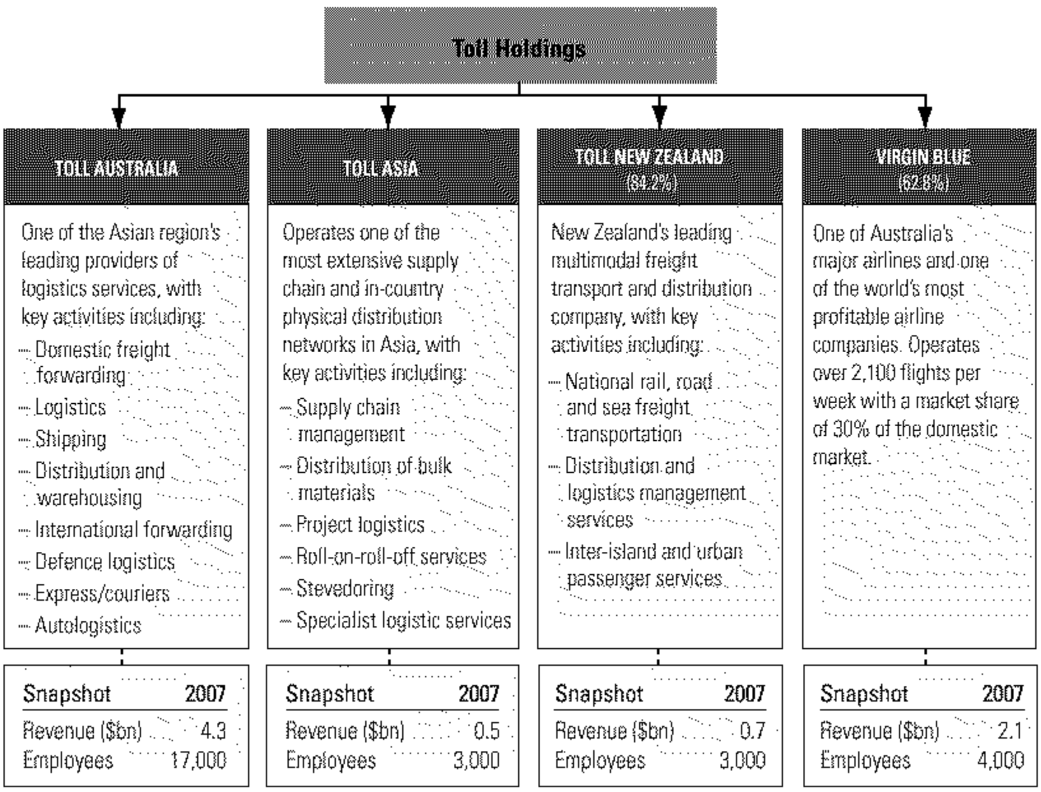
Toll will have a rationalised balance sheet after the Restructure, allowing it to accelerate growth opportunities and enhance return on invested capital. Toll will further develop its highly successful model of accessing appropriate infrastructure through strategic alliances, joint ventures and other relationships in order to provide seamless end-to-end customer solutions without necessarily owning the underlying infrastructure assets. After the Restructure, Toll will continue to have a highly experienced management team.

After the Restructure, Toll will provide logistics and freight services in the Asia-Pacific region, with the Toll Group's principal activities including:

- Domestic freight forwarding;
- Contract logistics and supply chain management;
- Shipping;
- Distribution and warehousing;
- International air and sea forwarding;
- Defence logistics;
- Express and time sensitive freight distribution;
- Asian supply chain solutions; and
- Autologistics.

The key divisions constituting Toll after the Restructure, and a summarised overview of each of the divisions, are presented in Figure 4.2.

Figure 4.2: Proposed Toll business structure



Toll features

✔	Pan-Asian logistics business
✔	Exposed to high growth Australian and Asian markets
✔	Experienced management team
✔	Undergeared balance sheet post Restructure providing financial flexibility for acquisition growth
✔	Expected to be an S&P/ASX 50 company
✔	Unique integrated logistics player – access to infrastructure enabled by scale and volume – integration through alliances, joint ventures and other relationships

Growth opportunities

Toll will pursue the growth avenues in Figure 4.3.

Figure 4.3: Growth avenues to be pursued by Toll

Organic growth driven by:	Growth in intra-Australia and New Zealand trade: • Intra-Australian and New Zealand trade estimated at over $66 billion in 2006 • It is anticipated that the freight task will double in size over the next 15 years
	Growth in intra-Asia trade: • Many of the fastest growing markets internationally reside in the Asian region
	Growth in Australia and New Zealand to Asia trade: • Australia and New Zealand to Asia trade estimated at approximately $150 billion in 2006 • Five out of Australia's top ten trading partners are located in the Asian region
	Growth in global trade: • Global trade is growing at a rate three times that of global GDP growth
Strategic acquisition growth:	• Successful history of growth through strategic acquisitions in key geographical segments • Well positioned to pursue value-adding bolt-on acquisitions

4. Summary

4.3.2 Asciano

Asciano will be one of Australia's largest listed infrastructure owners, with a primary focus on transport infrastructure, including ports and rail assets, and associated operations and services. The business is forecast to generate revenues in excess of $2.5 billion for the pro forma year ending 30 June 2007, and is well positioned to benefit from expected strong growth in global trade.

Asciano's portfolio of assets includes four leading container terminals, bulk export facilities, a significant range of stevedoring equipment and associated services, extensive rail operations, investments in a number of strategic joint ventures, and a highly skilled workforce. These assets combined with Asciano's highly experienced management team will create a strong presence in the ports and rail industries.

Asciano's management team has experience in integrating businesses and extracting synergies from acquisitions.

The key divisions constituting Asciano after the Restructure, and a summarised overview of each of the divisions, are presented in Figure 4.4 below.

Figure 4.4: Proposed Asciano business structure

PORTS AND STEVEDORING	PACIFIC NATIONAL	OTHER BUSINESSES
• **Container Terminals** – Australia's leading lessee operator of container terminals, with operations in Australia's four largest container ports • **Port Services** – National network of land-based port-related freight services, including container parks • **PortLink** – Rail-based import/export landside logistics and freight forwarding • **Toll Owens** – The largest on-wharf logistics company in New Zealand (50% interest) • Australia's largest stevedoring provider with the flexibility and capability to handle all cargo types • Australia's leading operator of bulk cargo terminals	• Australia's largest carrier of interstate rail freight and the only operator providing daily services between all major cities • Established operator in rail freight services for coal, grain and bulk industrial customers	• **Patrick Autocare** – (80% JV) Offers an integrated service of processing, storage and distribution of motor vehicles to the growing imported motor vehicle market • **AAT** – (50% JV) provides land-side logistics and freight forwarding between ports, regional centres and capital cities

Snapshot	2007
Revenue ($bn)	0.9
Employees	3,000

Snapshot	2007
Revenue ($bn)	1.5
Employees	4,000

Snapshot	2007
Revenue ($bn)	0.2
Employees	700

Note: Revenue attributed to Other Businesses is the estimated total revenue for Patrick Autocare and AAT. Patrick Autocare is 100% consolidated in the accounts of Asciano as reported in the pro forma income statement in Section 7.12.4 and the Ports and head office segment of the key operating segments as reported in Section 7.12.5. No revenue for AAT is included in either the pro forma income statement in Section 7.12.4 or key operating segments as reported in Section 7.12.5, as this business' results will be equity accounted by Asciano.

4.3.3 Asciano features

✔	Excellent transport infrastructure portfolio
✔	Positioned to capitalise on growth in international trade
✔	Efficient capital structure
✔	No external management fees
✔	Experienced management team
✔	Expected to be an S&P/ASX 50 company

4.3.4 Growth opportunities

Asciano will pursue the growth avenues in Figure 4.5.

Figure 4.5: Growth avenues to be pursued by Asciano

Organic growth driven by:	Growth in global trade: • Global trade is growing at a rate three times that of global gross domestic product (GDP) growth • As a major infrastructure and service provider at Australia's international trade gateways, Asciano is ideally placed to capitalise on this growth
	Optimisation of existing port operations: • Roll out of automated port facilities at major container terminals • Improved customer services via receipt and delivery, fast cargo turnaround and availability
	Further efficiencies in Pacific National: • 100% ownership of Pacific National will provide an ability to drive operational improvements and extract synergies
	Pursue organic growth opportunities: • Expansion in the demand for port and rail services in bulk commodities • Expansion of the north-south rail corridor (Melbourne – Sydney – Brisbane)
Strategic acquisition growth:	• Asciano will look to target strategic acquisitions in Australia and offshore in transport infrastructure, including but not limited to ports, rail, toll roads and airports • Asciano will aim to leverage management's experience in running and optimising major transport infrastructure assets.

The Asciano Directors believe that after the Restructure and the Placement, Asciano will have sufficient working capital to meet its objectives as detailed in Section 7.

4. Summary

4.4 Elements of the Restructure

4.4.1 Key elements of the Restructure

The Restructure involves the following steps (shown in chronological order):

Creation of Asciano	• Toll has established Asciano Limited and Asciano Finance Trust as wholly owned entities of Toll
First Court hearing	• At this hearing an order was sought from the Court convening the Scheme Meetings
Filing of Scheme Book	• Following the first Court order, the Scheme Book was formally lodged with ASIC and ASX
Dispatch of shareholder documentation	• This Scheme Book and the relevant proxy forms were dispatched to Shareholders
Application to ASX for listing	• An application will be made to the ASX for listing of Asciano
Shareholder meetings	• The Meetings will be held on 28 May 2007
Second Court hearing	• An order will be sought from the Court approving the Schemes • The Schemes will become effective and binding once the Court order is lodged with ASIC, currently anticipated to occur 4 days after the second Court hearing
Transfer of Infrastructure Assets	• The Infrastructure Assets will be transferred to Asciano Limited, intended to occur on 15 June 2007
Separation of Asciano Finance Trust	• The share capital amount of Toll will be reduced by the First Capital Reduction Amount and the retained earnings of Toll will be reduced by the First Special Dividend. The First Capital Reduction Amount and the First Special Dividend will be applied on behalf of Toll Shareholders to subscribe for one Asciano Unit for each Toll Share they hold
Separation of Asciano Limited	• The share capital amount of Toll will be reduced by the Second Capital Reduction Amount and the Second Special Dividend will be payable. Toll Shareholders will receive one Asciano Share for each Toll Share they hold in satisfaction of these amounts
Creation of Stapled Securities	• Immediately upon issue to Toll Shareholders the Asciano Unit and the Asciano Share will be 'stapled' (by operation of the Constitutions of Asciano Limited and Asciano Finance Trust) to create the Stapled Security

Ineligible Overseas Shareholders will have the Stapled Securities to which they are entitled sold and the proceeds of sale remitted to them through the Sale Facility. Details of the Sale Facility are given in Section 6.4.

4.4.2 Overview of Meetings

The resolutions required to implement the Restructure will be voted on by Toll Shareholders and, in the case of the Capital Reduction Resolutions, by RPS Holders, at 3 separate meetings to be held consecutively on 28 May 2007 as follows:

- **General Meeting,** convened by the Toll Directors in accordance with the notice of general meeting set out in Section 18, which will consider and vote on the Capital Reduction Resolutions, the Placement Resolution, the Financial Assistance Resolution, the Executive Services Resolutions and the Directors' Deeds Resolution;
- **First Scheme Meeting,** convened by the Court pursuant to the first Scheme notice of meeting set out in Section 18, which will consider and vote on the Unit Scheme under which the First Reduction Amount will be applied in satisfaction of the subscription price of one Asciano Unit for each Toll Share held by Toll Shareholders; and
- **Second Scheme Meeting,** convened by the Court pursuant to the second Scheme notice of meeting set out in Section 18, which will consider and vote on the Share Scheme under which the obligation of Toll to pay the Second Reduction Amount will be satisfied by Toll causing the issue of one Asciano Share for each Toll Share held by Toll Shareholders.

The Restructure and Schemes are conditional on the Unit Scheme and Share Scheme, and each of the Restructure Resolutions, being approved.

4.5 Toll Directors' recommendation

The Toll Directors unanimously believe that, taking into account all relevant matters (including alternatives to the Restructure Proposal), the Restructure Proposal is in the best interests of both Shareholders and Toll, and that Shareholders are likely to be materially better off if the Restructure proceeds. The Toll Directors also believe that the Restructure Proposal will not materially prejudice the interests of Toll's creditors.

The Toll Directors recommend that you vote in favour of each of the resolutions required to implement the Restructure (other than Paul Little who makes no recommendation in relation to resolution 5 (in the notice of general meeting in Section 18 of this Scheme Book) in relation to his Executive Services Deed on the basis that he is materially interested in that resolution, Mark Rowsthorn who makes no recommendation in relation to the Placement Resolution and resolution 8 (in the notice of general meeting in Section 18 of this Scheme Book) in relation to his Executive Services Deed on the basis that he is materially interested in those resolutions and Neil Chatfield who makes no recommendation in relation to resolution 6 (in the notice of general meeting in Section 18 of this Scheme Book) in relation to his Executive Services Deed on the basis that he is materially interested in that resolution). None of the Toll directors makes a recommendation in relation to the Directors' Deeds Resolution on the basis that they are materially interested in that resolution.

Each Toll Director intends to vote all Toll Shares and RPS held or controlled by them in favour of all resolutions to be considered at the Meetings, unless they are stated in the relevant Notice of Meeting as being precluded from voting.

Refer to Section 12.5.1 for information about the interests of Toll Directors in Toll and Asciano marketable securities.

4.6 Summary of Independent Expert's Report

The Toll Board of Directors commissioned an independent expert, Grant Samuel & Associates, to prepare a report on the Restructure Proposal. The Independent Expert's Report concludes that the Restructure is, on balance, in the best interests of Toll's shareholders. The Independent Expert's Report also concludes that the First Capital Reduction and the Second Capital Reduction will not materially prejudice the interests of Toll creditors. The report is set out in Section 16 of this Scheme Book.

4.7 Arrangements between Asciano and Toll post Restructure

If implemented, the Restructure will result in the creation of two separately listed entities. At the time the Restructure is implemented, neither entity will have a shareholding in the other. Both entities will have independent management teams and boards of directors.

Certain contractual arrangements have been or will be entered into between Toll and Asciano as part of ongoing business relationships. These arrangements are summarised in Section 11 of this Scheme Book but include:

- An Implementation Deed detailing the arrangements between Toll and Asciano in relation to the Schemes;
- A Restructure Deed detailing the asset and share transfers between Toll and Asciano for the purpose of the Restructure; and
- Rail linehaul agreements between Toll and Pacific National on arm's length commercial terms.

4.8 Action to be taken by Toll Shareholders

You should read this Scheme Book in its entirety before deciding how to vote on the resolutions to be considered at the Meetings. If you are in any doubt as to how to deal with this Scheme Book, please consult your legal or financial adviser.

A summary of your entitlement to vote at the Meetings and instructions on how to vote are set out below. More details are included in Section 6.7 and in the notices of meeting in Section 18 of this Scheme Book.

4.8.1 Entitlement to vote

If you are a registered Toll Shareholder on the Toll Share Register at the Close of Registers you may vote at the Meetings in person, by attorney, by proxy or, in the case of corporate shareholders, by corporate representative.

If you are a registered RPS Holder at the Close of Registers you may only vote on the Capital Reduction Resolutions at the General Meeting in person, by attorney, by proxy or, in the case of corporate shareholders, by corporate representative.

4.8.2 How to vote in person

If you are a Toll Shareholder entitled to vote at the Meetings or a RPS Holder entitled to vote at the General Meeting and wish to do so in person, you can attend the General Meeting and/or Scheme Meetings as applicable to be held on 28 May 2007 at:

Savoy Ballroom, Grand Hyatt Melbourne
123 Collins Street
Melbourne Victoria.

The proxy forms included with this Scheme Book also serve as meeting registration forms for the Meetings. You should bring these forms with you to the Meetings.

If you are attending as an attorney or a corporate representative, you should also bring to the Meetings an original (or certified copy) of the power of attorney or your appointment as corporate representative (as the case may be), unless you have previously provided the power of attorney or appointment (as the case may be) to Toll care of the Toll Share Registry.

4.8.3 How to vote by proxy

Three proxy forms are included with this Scheme Book for Toll Shareholders. If you are a Toll Shareholder and wish to appoint a proxy to attend and vote at:

- The First Scheme Meeting, complete the blue proxy form;
- The Second Scheme Meeting, complete the green proxy form;
- The General Meeting, complete the red proxy form.

A yellow proxy form is included with this Scheme Book for RPS Holders. If you are a RPS Holder and wish to appoint a proxy to attend and vote at the General Meeting, complete the yellow proxy form.

Proxy forms must be:

- Sent to the Toll Share Registry (using the reply paid envelope included with this Scheme Book) at:
  Toll Share Registry
  Computershare Investor Services Pty Limited
  GPO Box 242
  Melbourne VIC 3001

Or

- Faxed to +61 3 9473 2555 or +61 3 9694 2880

Or

- Sent to Toll's registered office at:
  Level 8, 380 St Kilda Road
  Melbourne VIC 3004

so that they are received by no later than 11am on Saturday 26 May 2007.

If an attorney signs a proxy form on your behalf, a copy of the authority under which the proxy form was signed must be received by the Toll Share Registry at the same time as the proxy form (unless you have already provided a copy of the authority to Toll). If you complete and return a proxy form, you may still attend the relevant Meeting in person, revoke the proxy and vote at the Meeting.

Shareholders wishing to lodge electronic proxies on line may do so by first registering on the Toll website at www.tollgroup.com and clicking on 'Shareholder Information' and then 'GM Proxy Voting'. On line voting must be complete by no later than 11am on Saturday 26 May 2007.

5 Effect of Restructure

5. Effect of Restructure

5.1 Introduction

In addition to the other material presented in this Scheme Book, this Section identifies the material benefits, disadvantages, risks and other factors you should consider when deciding whether to vote in favour of the resolutions required to implement the Restructure.

The risks identified in this Section 5 are in addition to the business risks of Toll and Asciano which are explained in Sections 8.9 and 7.14 respectively.

5.2 Potential advantages and benefits of the Restructure

The principal objective of the Toll Directors in proposing the Restructure is to create long term value for Toll Shareholders. Following the implementation of the Restructure, each of Asciano and Toll will have a separate management team, the capacity to adopt an appropriate capital structure and financial policies (including dividend and distribution policies) having regard to the nature of their businesses and an enhanced ability to continue the pursuit of development and growth opportunities.

Shareholders should note the improved trading performance of Toll Shares in the period immediately before and after the announcement of the Restructure Proposal on 13 December 2006:

- For the 30 trading days preceding 13 December 2006, Toll Shares traded at a volume weighted average price of $16.64;
- For the 30 trading days subsequent to that announcement, including 13 December 2006, Toll Shares traded at a volume weighted average price of $19.15; and
- The closing price of Toll Shares on the trading day immediately prior to the date of this Scheme Book was $21.87.

5.2.1 Focus on core business activities and strategies

Following the Restructure, Toll and Asciano will be separate listed companies with separate boards of directors and management. The Toll Directors believe this will enable Toll and Asciano to focus on their respective objectives and core competencies and make strategic and operational decisions on the basis of priorities and objectives that are relevant to each business.

5.2.2 Improved growth opportunities

The Toll Directors believe that Toll and Asciano will be better able to pursue targeted growth opportunities as separate companies. This is due to:

- Toll and Asciano being better able to deliver strategic acquisitions as focussed businesses;
- Toll and Asciano each having the scale and an industry aligned cost of capital to enable competitive bidding for assets within their investment strategies; and
- Easing of regulatory concerns over growth due to the separation of rail and port infrastructure assets from Toll.

Toll is intending to focus on organic growth, as well as growth through acquisition of pan-Asian logistics businesses. Asciano will focus on investment opportunities in ports, rail, airports, toll roads and similar transport infrastructure assets in Australia and offshore.

5.2.3 Clear investment choice

The operating characteristics and financial profiles of Toll and Asciano will differ. Some investors look for different growth paths in earnings and for different levels of distributions from an industrial business compared to an infrastructure business. The combination of Toll and Asciano within a single group does not provide choice for those investors who prefer an exposure to an investment in one of these businesses but not the other.

The Restructure will provide current Toll Shareholders and future investors with a clear investment choice and the flexibility to choose the level of exposure that they would like to each business:

- Toll will provide investors with exposure to a pan-Asian logistics company which will focus on growth in earnings per share and total shareholder returns; and

- Asciano will provide investors with exposure to infrastructure businesses which will focus on cash flow growth and the making of Distributions to holders of Stapled Securities.

Following the Restructure, existing Toll Shareholders will be able to retain, increase or decrease their investments in each business having regard to their own financial profiles and risk preferences.

5.2.4 Appropriate capital structure

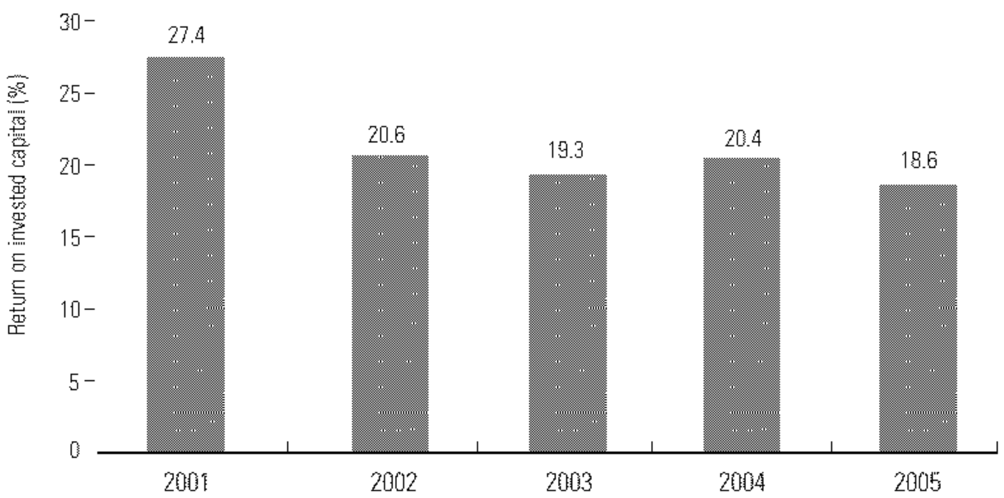
Following the Restructure, each of Toll and Asciano will have the ability to develop a capital structure and financial policies (including dividend or distribution policies) appropriate to its own particular operational and strategic objectives. An industry-aligned cost of capital will enable each of Toll and Asciano to be competitive in acquisitions within their respective investment mandates.

It is important to note that the ongoing capital structure and financial policies (including dividend or distribution policies) of Toll and Asciano will be at the discretion of their respective boards of directors and may change from time to time.

5.2.5 Enhanced return on invested capital for Toll

Through the separation of the capex-intensive infrastructure assets, Toll is better positioned to deliver a ROIC consistent with its ROIC for 2001-2005 as depicted in Figure 5.1.

Figure 5.1: Toll's return on capital employed: 2001-2005 (average return of 21% since 2001)



Notes:
1 Return on invested capital represents EBIT plus share of associates' NPAT divided by the average of opening and closing net assets plus net debt for the period.
2 Figure 5.1 includes share of Pacific National's NPAT.

5.3 Potential disadvantages of the Restructure

5.3.1 Restructure transaction costs

Transaction costs incurred prior to the Meetings relate to advisor fees, financial, legal, accounting and expert fees and other costs (including the deferred compensation payments referred to in Section 6.9.2). If the Restructure proceeds, further transaction costs will be incurred including the costs of establishing Asciano as a separate entity, financing costs, stamp duty, insurance, fees associated with its ASX listing, the establishment of information technology systems and human resources costs. Total Restructure transaction costs are estimated at approximately $60 million (after tax).

5.3.2 Additional costs for Asciano

Following the Restructure, Asciano will be an independent entity listed on ASX, which will necessarily involve additional corporate costs including maintaining a separate board of directors and management, share registry, information technology, reporting systems and other corporate functions. It is expected that these costs will initially be in the order of $10 million per annum, of which $4 million is currently incurred by Toll. These additional costs have been reflected in the pro forma results for Asciano set out in Section 7.12 of this Scheme Book.

5.3.3 Potential increased borrowing costs

Toll and Asciano will have different financial support and different credit profiles to those of the existing Toll. Following the Restructure each of Toll and Asciano may be subject to a higher cost of borrowing than that which Toll currently enjoys.

5.3.4 Effects of reduction in size and diversification

Following the Restructure, Toll and Asciano will each be smaller and less diversified companies than Toll is currently. The effect of a significant adverse event in the logistics businesses of Toll will no longer be offset by favourable developments in the transport infrastructure assets or vice versa. Accordingly, the proportionate impact of an adverse development on the value of a Toll Share or a Stapled Security following the Restructure can be expected to be more significant than the impact of the same adverse development on the current value of a Toll Share.

5.3.5 Lower individual index weightings than Toll's current weighting

Although Toll and Asciano are expected to be included in the S&P/ASX 50 Index and most other key market indices, both entities will have a lower Market Capitalisation and consequent lower weighting in the S&P/ASX 50 Index (compared to the current weighting of Toll), which may result in lower institutional investor interest in the separate entities relative to that for Toll before the Restructure.

5.4 Risk factors specific to the Restructure

5.4.1 Uncertainty about the combined market value of Toll and Asciano

As a result of a number of factors, including the other risk factors described in this Section 5.4 and the risk factors particular to Toll and Asciano described in Sections 8.9 and 7.14 respectively, there is a risk that the combined market value of Toll Shares and Stapled Securities after the Restructure will be less than the market value of Toll Shares before the Restructure. Toll Shareholders should note, however, that if the Restructure does not proceed, there can be no assurance that Toll Shares will continue to trade at prices in line with recent levels.

5.4.2 Potential impact of delays or unexpected costs in establishing Toll and Asciano as separate independent companies

Prior to the Restructure, certain Toll information technology systems, applications and business processes were deployed in the delivery of business functions in areas such as group finance, company secretarial, human resources and insurance to both the logistics businesses and Infrastructure Assets. The Restructure will require Asciano to have separate capabilities in these areas.

There is a risk that the establishment of these new capabilities in Asciano will not fully be in place by the Implementation Date, take longer than expected or may involve greater costs than currently anticipated.

5.4.3 Previously forecast synergies may not be realised

The Toll Directors expect that following the Restructure Toll and Asciano will not forgo the planned synergies associated with the Patrick Corporation acquisition that are attributable to the operations of Toll and Asciano following the Restructure. It is possible, however, that these synergies may not be realised following the establishment of Asciano as an independent entity or may take longer to realise than forecast.

5.4.4 Development of a liquid trading market

There has not previously been a separate public market for the Stapled Securities. Accordingly, there can be no assurance that an active trading market will develop following the Restructure for Stapled Securities or that the Stapled Securities and Toll Shares after the Restructure will have the same active trading market as for Toll Shares before the Restructure. Further, there can be no assurance that Stapled Securities or Toll Shares will trade at a particular level in the public market following the Restructure. The Toll Directors expect that following the Restructure a number of shareholders may seek to vary their holdings in Stapled Securities and/or Toll Shares and accordingly there may be, at least in the period shortly after the securities separately trade on ASX, a volatile market for the Stapled Securities and/or Toll Shares.

5.4.5 Court Delays

There is a risk that the Court may not approve the Schemes or that the approval of the Court is delayed.

5.4.6 Regulatory Risk

The obligations of Toll and Asciano, as a result of the Variation described in Sections 5.5.2 and 11.6 below, impose constraints on both Toll and Asciano which may have an effect on the performance of both Toll and Asciano during the life of the Variation (that is, until 31 March 2011).

The requirement that Toll and Asciano operate independently and separately of one another may have an impact on the operations of Asciano immediately post the Implementation Date.

The requirement that directors of Toll, Asciano Directors and relevant directors of subsidiaries of Toll and Asciano Limited, as well as the immediate family members of these directors, be 'Independent Toll Persons' (in the case of Toll and its subsidiaries) and 'Independent Asciano Persons' (in the case of Asciano Limited, Asciano Finance Limited and its subsidiaries) (as those terms are defined in the Variation and explained in section 11.6) may prejudice the ability of Toll, Asciano Limited and Asciano Finance Limited to attract and retain suitably qualified directors.

Further, any resignation of such a director ceasing to be an Independent Toll Person or an Independent Asciano Person (in the manner described in Section 11.6) necessitated by the Undertakings may occur on short notice and have an adverse effect on the relevant company.

Finally, the Variation will result in detailed, complex and broad ranging requirements, any breach or alleged breach of which may result in enforcement action by the ACCC against all or some of Toll, Asciano Limited, the directors of Toll, Asciano Directors and the relevant directors of subsidiaries of Toll and Asciano Limited.

5.4.7 Third Party Consents

There is a risk that the Restructure Proposal requires the consent of one or more third parties and that such a consent cannot be obtained or, if it can be obtained, it cannot be obtained on reasonable terms or conditions or within a reasonable period of time. The operation of provisions requiring consent may have negative consequences for Toll and/or Asciano such as the loss of contracts or assets, increased costs or the need to renegotiate such arrangements.

For further information on risk factors, including risks that affect the general economy and stock market, and those specific to Toll and Asciano, refer to Sections 7.14 and 8.9.

5.5 Other relevant considerations

5.5.1 Taxation Implications

There are taxation implications for Toll Shareholders. These implications will differ depending on the individual circumstances of each Toll Shareholder. It is important that you seek your own independent tax advice.

Principal taxation implications for Australian resident Toll Shareholders are as follows:

- The First Capital Reduction Amount received by each Toll Shareholder will operate to reduce the cost base of the Toll Share. For certain Toll Shareholders, this may result in the cost base of their Toll Shares being reduced to nil and in a capital gain being realised;

- The First Special Dividend will be a fully franked dividend which will be included in the assessable income for Toll Shareholders. Toll Shareholders who have a marginal tax rate of more than 30% may be required to pay tax on the First Special Dividend;
- Toll Shareholders will not receive the cash amount representing the First Capital Reduction Amount and the First Special Dividend as these will be applied under the Unit Scheme to subscribe for Asciano Units for the Toll Shareholder;
- Upon the issue of Asciano Shares under the Share Scheme, the cost base of Toll Shares held by Toll Shareholders (after the capital reduction resulting from the First Capital Reduction Amount) will be apportioned between the cost base of the Toll Shares and the Asciano Shares; and
- Toll is seeking a class ruling from the ATO to confirm the allocation of the CGT cost base by Toll Shareholders.

The Restructure is not expected to give rise to adverse tax consequences for the majority of Australian resident Toll Shareholders. The Toll Directors are of the view that the potential adverse tax consequences for some Toll Shareholders are far outweighed by the benefits that will accrue to all Toll Shareholders from the implementation of the Restructure.

A detailed discussion of the taxation implications, including an illustrative example of how to apportion the cost base, is included in Section 9 of this Scheme Book. It is important that you seek your own independent tax advice.

5.5.2 ACCC Approvals

On 18 April 2007, the ACCC accepted the Variation.

The Variation provides that once the Restructure is implemented, Toll will be relieved of its obligations to divest:

- the 50% interest in Pacific National;
- the Toll Autologistics Business; and
- Toll's interest in PrixCar.

Toll's obligations under the Undertakings to make available the Starter's Kit Assets, and to implement port and rail non-discrimination regimes will, following the Restructure, be taken over by Asciano under separate undertakings to the ACCC.

The port and rail non-discrimination regimes will apply until 31 March 2011, and the rail regime will be expanded following the Restructure to cover the provision of services by Pacific National to Patrick AutoCare in addition to Toll's freight forwarding and logistics businesses.

The Variation includes a range of measures designed to ensure that Toll and Asciano would be independent and separate of one another including a prohibition against cross-shareholdings/interests, no sharing of profits/revenues as between the two entities, and the separate listing of the entities on ASX.

The Variation also imposes a number of restrictions in respect of relevant directors of Toll and Asciano intended to ensure governance independence. These measures include prohibitions on common directors, no sharing or secondment of managers as between the two entities, no cross shareholdings in the other entity and restrictions on the employment of managers previously employed by the other entity.

The relevant Toll and Asciano directors (excluding directors of PIML) will also be required to divest their interests in Asciano and Toll respectively following the Restructure.

The relevant directors of Toll and Asciano (excluding directors of PIML) will be required to give undertakings to the ACCC to resign all positions including their employment, if no longer independent of the other entity. The existing directors of Toll and Asciano have given such undertakings.

The terms of the Variation and the additional undertakings to be given by Asciano, Toll Directors, Asciano Directors and relevant directors of subsidiaries are set out in more detail in section 11.6.

5.5.3 Financial and Operational Effect

The separation of Asciano from Toll will create two completely separate self contained businesses that operate on an arm's length basis.

Points of interaction between Toll and Asciano will exist including rail haulage, rail services in Queensland and vehicle haulage. The separation is not expected to impact these interactions as the services were already provided on normal commercial terms. Additionally the management involved in each of the businesses which interact will remain in place. Further details of the contracts governing these interactions are contained in Section 11.

The separation of the businesses will also result in the repayment of the majority of Toll's existing debt facilities and the introduction of a new debt facility to Asciano. Details of Toll's financial position following the Restructure are shown in Section 8.7.

The Asciano debt facility is designed to provide for the ongoing needs of Asciano. Details of Asciano's financial position following the Restructure are shown in Section 7.12.

5.5.4 Dividend/Distribution Policy

The current dividend policy for Toll Shares is to pay out profits from operations after making an allowance for ongoing commitments of the company and future growth opportunities, and in accordance with sound capital management practices. Over the past five years the payout ratio has been in the order of 40% other than for the year ended 30 June 2006 which was affected by the acquisitions of SembCorp Logistics and Patrick Corporation during the second half of the financial year. Following the Restructure this policy is expected to remain unchanged.

As a result of Asciano adopting a stapled trust and company structure, Distributions to Securityholders will not be limited to the accounting profits of the Asciano Group. Asciano intends to make regular half yearly Distributions to Securityholders after meeting debt obligations and net capital expenditure requirements. Distributions are expected to be a combination of:

(i) returns of capital and income Distributions from Asciano Finance Trust; and
(ii) partly or fully franked dividends from Asciano Limited.

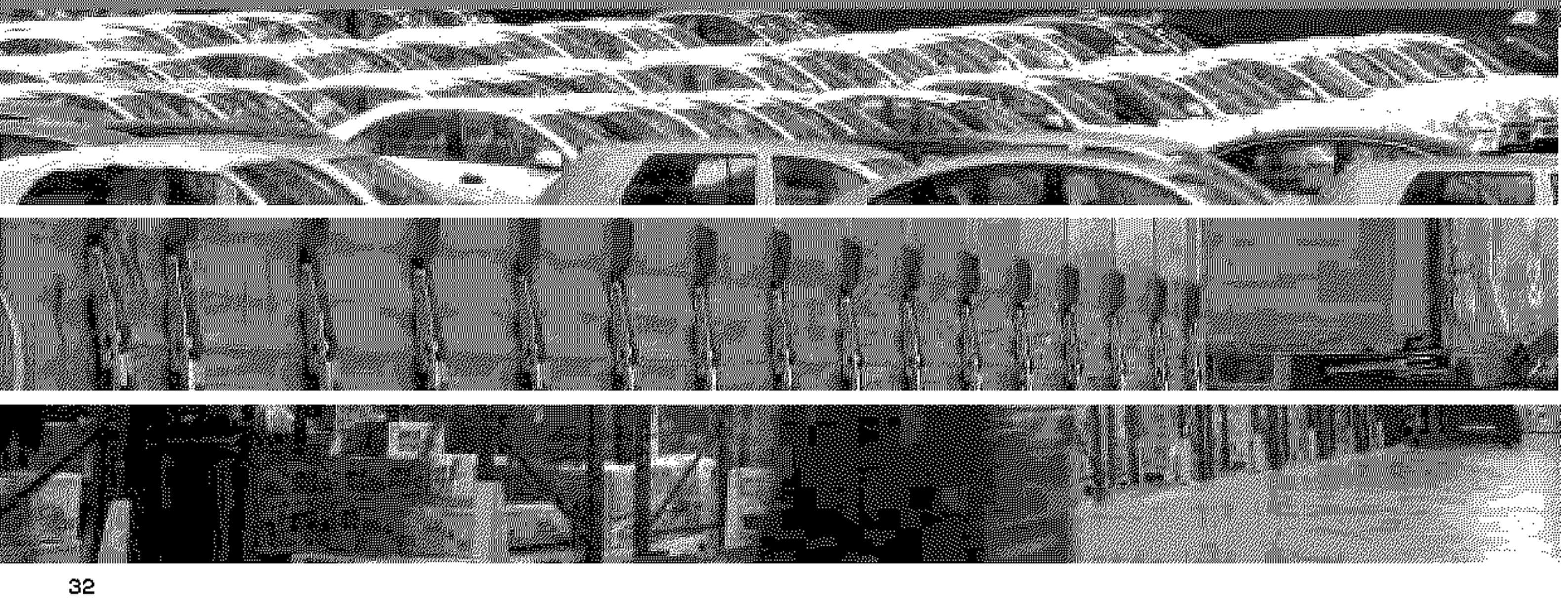
Asciano intends to pay Distributions in respect of periods ending 31 December and 30 June. A detailed distribution statement stating the breakdown of Distributions between capital, income and dividend components will be issued by Asciano at the end of each distribution period. The first Distribution from Asciano will be in respect of the period ending 31 December 2007 and is forecast to be paid in February 2008. Refer to Section 12.8.6 for information about the proposed Asciano DRP.

5.5.5 Implications if the Restructure does not proceed

Subject to further discussions with the ACCC, if the Restructure does not proceed Toll will continue to be bound by the Undertakings. Prior to the announcement of the Restructure, Toll had undertaken to sell 50% of Pacific National, make available the Starter's Kit Assets and divest the Toll Autologistics Business and its interest in PrixCar.

6

Implementation of the Restructure



6.1 Overview of the Restructure

The Restructure involves:

- The creation within the Toll Group of Asciano and the transfer of the Infrastructure Assets to Asciano;
- The separation of Asciano from the Toll Group by way of the Special Dividends, the Capital Reductions and the Schemes; and
- The entering into of certain commercial arrangements between the Toll Group and Asciano Group in relation to the period after the Restructure.

If the Restructure is implemented, on the Implementation Date, Toll Shareholders will:

- Retain their Toll Shares; and
- Receive one Stapled Security for each Toll Share held.

6.2 Creation of Asciano

Asciano Limited, the entity within Asciano that will hold the Infrastructure Assets, was incorporated as a public company on 29 January 2007.

The Asciano Finance Trust was established on 1 March 2007. The current Responsible Entity of the Asciano Finance Trust is Permanent Investment Management Limited ('PIML'). It is intended that PIML will be replaced as the Responsible Entity by Asciano Finance Limited upon Asciano Finance Limited obtaining its own AFSL from ASIC.

Trust Company Limited, a related body corporate of PIML, has been appointed as the custodian of the Trust's assets and will remain so after Asciano Finance Limited becomes the Responsible Entity.

To establish the Asciano Group as a separate group of companies within the Toll Group, a number of share and asset transfers have been or will be implemented before the Implementation Date.

In summary, these steps involve:

- An internal restructure of the Patrick Group to transfer to Toll a number of dormant companies and also companies and assets which are to remain in the Toll Group after the Restructure (including some of the logistics assets of the Patrick Group and the shareholding in Virgin Blue);
- The transfer to a Subsidiary of Asciano Limited of all of the shares in:
  - The holding company of Pacific National; and
  - The holding company for the Patrick Corporation Ports and Port Services businesses;
- The transfer to a Subsidiary of Asciano Limited of the shares in the companies carrying on, and certain assets used in, Toll's existing bulk ports and stevedoring businesses; and
- The transfer to a Subsidiary of Asciano Limited of certain real property used in conjunction with the Infrastructure Assets.

The purchase price of the Infrastructure Assets will be satisfied by the issue of Asciano Shares to Toll Shareholders and the assumption of debt relating to the Infrastructure Assets by Asciano.

The fundamental principle (the 'Restructure Principle') of the separation of the Asciano Group from the Toll Group is that, following the Restructure, the Asciano Group will have the entire economic benefit and risk of all the Infrastructure Assets as if the Asciano Group had owned and operated those businesses, companies and assets at all times. Similarly, where businesses, companies and assets are transferred to or remain with the Toll Group as part of the Restructure, the Toll Group will have the entire economic benefit and risk of those businesses, companies and assets as if the Toll Group had owned and operated those businesses, companies and assets at all times.

The Restructure Deed described in Section 11 will set out the basis for the asset and share transfers and will also provide for continuing indemnities between the Toll Group and the Asciano Group to give effect to the Restructure Principle.

Not all of the transactions underlying the Restructure have necessarily been entered into or effected on the same terms as could have been obtained from third parties. In particular, agreements for the transactions underlying the Restructure have not included terms such as warranties that might have been obtained from such third parties.

For accounting purposes, the effective date of separation of Asciano from Toll will be the Implementation Date. This will require Toll to consolidate the results of Asciano up to, and including, the Implementation Date.

6. Implementation of the Restructure

6.3 Special Dividends, Capital Reductions and Schemes

If the Restructure is approved by Toll Shareholders and the Schemes are approved by the Court, then on the Implementation Date:

- The share capital amount of Toll will be reduced by the First Capital Reduction Amount and the retained earnings account of Toll will be reduced by the First Special Dividend. The First Capital Reduction Amount and the First Special Dividend will be applied on behalf of Toll Shareholders to subscribe for one Asciano Unit for each Toll Share they hold at the Record Date;
- The share capital amount of Toll will be reduced by the Second Capital Reduction Amount for each Toll Share on issue at the Record Date and the retained earnings account of Toll will be reduced by the Second Special Dividend. Toll Shareholders will receive one Asciano Share for each Toll Share they hold at the Record Date in satisfaction of these amounts; and
- Immediately upon the issue of the Asciano Shares and the Asciano Units on the Implementation Date, the Asciano Shares and the Asciano Units will, by operation of the Constitutions of Asciano Limited and the Asciano Finance Trust, become 'stapled' (that is the holder of an Asciano Share and an Asciano Unit will not be able to deal with them separately) to form the Stapled Security.

Toll Shareholders who are entitled to receive Stapled Securities under the Schemes are not required to pay any money for these Stapled Securities because their entitlement will:

- In the case of the First Capital Reduction Amount and the First Special Dividend, be applied to satisfy the subscription price for the Asciano Unit; and
- In the case of the Second Capital Reduction Amount and the Second Special Dividend, be satisfied by the issue of the Asciano Share.

However, while Shareholders are not required to pay money for the Stapled Securities under the Schemes, the First Reduction Amount may be subject to tax (refer to Section 9).

Ineligible Overseas Shareholders will have the Stapled Securities to which they are entitled sold under the Sale Facility and the proceeds of sale remitted to them.

The Stapled Securities to which Toll Shareholders will become entitled under the Schemes (including those of Ineligible Overseas Shareholders) will represent 100% of the total number of Stapled Securities on issue (other than the Placement Securities).

6.4 Sale Facility

Toll Shareholders may elect to sell some or all of their Stapled Securities and/or Toll Shares after the Restructure, up to a limit of 100,000 Stapled Securities and/or Toll Shares per Toll Shareholder. To facilitate this process Toll is providing Toll Shareholders access to a Sale Facility, under which the Sale Agent will sell those Stapled Securities or Toll Shares on market during the fifteen Business Days following the Implementation Date (or such longer period of time which the Sale Agent determines is reasonable having regard to the demand for Stapled Securities and Toll Shares) at such price as the Sale Agent shall determine and remit the proceeds of sale to Toll or Asciano respectively. The proceeds received will then be distributed to Toll Shareholders (calculated on an averaged basis so that all Toll Shareholders receive the same price per Toll Share and all Securityholders receive the same price per Stapled Security, subject to rounding to the nearest whole cent) after deduction of any taxes or other costs of sale. Toll Shareholders or Securityholders will not be charged any brokerage costs with respect to such sales.

Ineligible Overseas Shareholders will automatically have all of their Stapled Securities sold through the facility.

Those Toll Shareholders who wish to elect to sell some or all (up to 100,000) of their Stapled Securities or Toll Shares (post Restructure) via the Sale Facility should fill out the relevant blue form accompanying the Scheme Book and send it to:

The Toll Share Registry (using the reply envelope included with this book) at:
Toll Share Registry – Computershare
Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3004

Or

Faxed to +61 3 9473 2555 or +61 3 9694 2880

Or

Sent to Toll's registered office at:
Level 8, 380 St Kilda Road
Melbourne VIC 3004

so that they are received by no later than 5pm on 5 June 2007.

If your Toll Shares are held on the CHESS sub-register, your broker will need to stamp the form for your Toll Shares where indicated and forward it to the Toll Share Registry on your behalf, by no later than 5.00pm on 5 June 2007.

6.5 Placement

Asciano will conduct a placement of new Stapled Securities to institutional investors to raise $150 million prior to the Implementation Date and which will settle on the Implementation Date. Proceeds from this Placement will be used for the general working capital needs of Asciano. The issue price of the Stapled Securities will be determined by the Board of Asciano (other than Mark Rowsthorn) after an institutional book build.

It has been assumed in the pro forma forecast income statements for Asciano (contained in section 7.12.4 of this Scheme Book) that the issue price of the Stapled Securities under the Placement will be $10.00. UBS have advised the Toll Directors that an indicative price range for the Stapled Securities is $9.00-11.00. However, as the Placement is not underwritten, it is not possible to give any assurance in relation to the actual issue price of the Stapled Securities under the Placement.

As part of the Placement, Mostia Dion Nominees Pty Ltd ACN 005 499 945, being an associate of Mark Rowsthorn, has agreed to subscribe for $50 million of the Placement Securities. As Mostia Dion Nominees Pty Ltd is a related party of Toll and ultimately Asciano, Mostia Dion Nominees Pty Ltd's participation in the placement is subject to the approval of Toll Shareholders. Mark Rowsthorn and his associates who hold Toll Shares will not be able to vote those Toll Shares in relation to the Placement Resolution. Further details of the meeting and the considerations relevant to Toll Shareholders are contained in Section 18 and the notice of general meeting.

Institutional investors in the Placement will receive new Stapled Securities on 15 June 2007 being the same day as Toll Shareholders also receive Stapled Securities under the Schemes. Stapled Securities issued under the Placement will rank equally in all respects with all other Stapled Securities.

Asciano will not be issuing Stapled Securities under the Placement with the purpose of the institutional investors to whom they are issued selling or transferring the Placement Securities or granting, issuing or transferring interests, in or options, over them. On this basis, relief granted by ASIC (see section 12.17.1(c) for further details) will enable institutional investors, should they so choose, to on-sell the Stapled Securities they acquire under the Placement without issuing a disclosure document or product disclosure statement.

6.6 Ongoing commercial arrangements

As a result of the Restructure, Asciano will become a separately listed entity and the Toll Group and the Asciano Group will operate independently of each other. Toll will not have an ownership interest in Asciano after the Implementation Date.

Toll and Asciano have entered or will enter into a number of contractual arrangements to facilitate their formal separation. Details of these arrangements are set out in Section 11 of this Scheme Book.

6.7 Meetings

6.7.1 General Meeting

The Toll Directors have convened the General Meeting to consider and, if thought fit, approve the Restructure Resolutions, the Executive Services Resolutions, the Placement Resolution and the Directors' Deeds Resolution. The terms of the Restructure Resolutions, the Executive Services Resolutions, the Placement Resolution and the Directors' Deeds Resolution are set out in the notice convening the General Meeting contained in Section 18 of this Scheme Book.

Each Toll Shareholder who is registered on the Toll Share Register at the Close of Registers is entitled, in person, by attorney, by proxy or, in the case of corporate shareholders, by corporate representative, to attend the General Meeting and vote on all resolutions.

Each registered RPS Holder at the Close of Registers is entitled, in person, by attorney, by proxy or, in the case of corporate shareholders, by corporate representative, to attend the General Meeting and vote on the Capital Reduction Resolutions only.

To pass the Capital Reduction Resolutions, a majority of votes cast by the Toll Shareholders and RPS Holders present and voting at the General Meeting, whether in person, by attorney, by proxy or, in the case of corporate shareholders, by corporate representatives, is required. The voting entitlements of RPS Holders in relation to the Capital Reduction Resolutions are set out in Section 6.7.3 below.

In relation to the Financial Assistance Resolution, the Placement Resolution, the Executive Services Resolutions and the Directors' Deeds Resolution:

- In the case of the Financial Assistance Resolution – more than 75% of the votes;
- In the case of the Placement Resolution – more than 50% of the votes;
- In the case of the Executive Services Resolutions – more than 50% of the votes; and
- In the case of the Directors' Deeds Resolution – more than 50% of the votes,

cast at the General Meeting by Toll Shareholders (whether in person, by attorney, by proxy or, in the case of corporate shareholders, by corporate representative) are required to pass the relevant resolution.

RPS Holders are not entitled to vote on the Financial Assistance Resolution, the Placement Resolution or the Executive Services Resolutions.

6.7.2 Scheme Meetings

On 20 April 2007, the Court ordered that two meetings of Toll Shareholders be convened to consider and, if thought fit, approve the Schemes, with or without amendment or modification. The notices convening the Scheme Meetings are set out in Section 18 of this Scheme Book and the terms of the Schemes are contained in Section 13 of this Scheme Book.

The order of the Court convening the Scheme Meetings is not, and should not be treated as, an expression of opinion by the Court on the Schemes or any other element of the Restructure.

The Court order provides that each Toll Shareholder who is registered on the Toll Share Register as the holder of a Toll Share at the Close of Registers is entitled to attend and vote, in person, by attorney, by proxy or, in the case of corporate shareholders, by corporate representative, at the Scheme Meetings for Toll Shareholders. RPS Holders are not entitled to attend or vote at the Scheme Meetings.

Each Scheme requires the approval of a majority in number of Toll Shareholders present and voting at the relevant Scheme Meeting, in person, by attorney, by proxy or, in the case of corporate shareholders, by corporate representative, and at least 75% of the votes cast on the resolution at the Scheme Meeting to approve the relevant Scheme.

Voting at the Scheme Meetings will be by poll.

6.7.3 Voting Entitlements of RPS Holders

Under the RPS Terms, RPS Holders will have the same right to vote on the Capital Reduction Resolutions as a holder of Toll Shares as if:

- The RPS held by each RPS Holder had converted into the number of Toll Shares provided for in clause 6.9 of the RPS Terms; and
- The 'Exchange Date' for the purposes of the RPS Terms was 26 May 2007, being the date on which instruments of proxy for the General Meeting must be received by Toll.

6.8 Operation of the Scheme

6.8.1 Toll Shareholders

Each Toll Shareholder registered on the Toll Share Register at the Record Date is entitled to participate in the Special Dividends, the Capital Reductions and the Schemes. Each Toll Shareholder (except Ineligible Overseas Shareholders) will receive one Asciano Share and one Asciano Unit (stapled together as a Stapled Security) for every one Toll Share held at the Record Date. Ineligible Overseas Shareholders will receive the proceeds from the sale of the Stapled Securities under the Sale Facility to which they are entitled.

For the purpose of establishing who are Toll Shareholders registered on the Toll Share Register at the Record Date and their respective entitlements, dealings in Toll Shares will be recognised by Toll provided that:

- In the case of dealings of a type to be effected on CHESS, the transferee is registered as the holder of the Toll Shares on or before the Record Date; or
- In all other cases, if registrable transfers or transmission applications in respect of those dealings are received at the Toll Share Registry during its business hours on or before the Record Date.

Toll will not accept for registration, or recognise for the purpose of determining an entitlement under the Special Dividends, the Capital Reductions or the Schemes, any transfer or transmission application in respect of Toll Shares if received after the Record Date.

6.8.2 Ineligible Overseas Shareholders

Ineligible Overseas Shareholders are those Toll Shareholders whose registered address on the Toll Share Register on the Record Date is in any jurisdiction other than:

- Australia and its external territories, New Zealand and Singapore; or
- A jurisdiction in which Toll reasonably believes and determines that it is not prohibited or unduly onerous or impractical to implement the Schemes and to transfer Stapled Securities to those Toll Shareholders. It is expected that Toll will only make such a determination in respect of some Toll Shareholders that are overseas institutions. Any such institutional Toll Shareholders will be notified directly if Toll determines that they are not Ineligible Overseas Shareholders.

Ineligible Overseas Shareholders will participate in the Schemes on the same basis as all other Toll Shareholders. However, Ineligible Overseas Shareholders will not receive the Stapled Securities to which they are entitled under the Schemes but will have those Stapled Securities sold under the Sale Facility and the proceeds of sale will be remitted to them. The size restriction (of 100,000 Stapled Securities) does not apply to Ineligible Overseas Shareholders.

If the Sale Facility does not proceed for any reason, or the Sale Facility does proceed but the Stapled Securities attributable to Ineligible Overseas Shareholders are not sold for any reason, the Stapled Securities attributable to Ineligible Overseas Shareholders will be issued to the Sale Agent and sold on ASX on their behalf on or after the Implementation Date and the proceeds of sale (after deduction of transaction costs) will be remitted to those Ineligible Overseas Shareholders.

The receipt by Ineligible Overseas Shareholders of the proceeds of sale by cheque will be in full satisfaction of the rights of Ineligible Overseas Shareholders under the Schemes. Cheques will be dispatched to Ineligible Overseas Shareholders at their risk. In the case of joint Ineligible Overseas Shareholders, the cheque will be dispatched to the registered address of the joint Ineligible Overseas Shareholder named first in the Toll Share Register. Cheques will be denominated in Australian currency or, if Toll so decides, in the currency of the jurisdiction in which the Ineligible Overseas Shareholder's registered address is located.

6.8.3 RPS Holders

RPS Holders are not entitled to, and will not, participate in the Special Dividends, Capital Reductions or the Schemes.

Under the RPS Terms, there is an adjustment to the conversion formula applying to the RPS in the event there is a return of capital or a Capital Distribution. In addition, the Toll Directors have a discretion to adjust the RPS Terms in the event that:

- An event occurs in relation to Toll that may have a diluting or concentrative effect on the value of the Toll Shares or otherwise affect the value of the RPS; and
- The Toll Directors determine that any such occurrence would, in the reasonable opinion of the Directors, affect the relative values of the RPS and Toll Shares.

The Toll Directors have not, as at the date of this Scheme Book, made any determination to exercise their discretion under the RPS Terms.

6.8.4 Option Holders

As at the date of this Scheme Book, Toll had 8.762 million unexercised Options on issue.

Holders of Options will not be entitled to participate in the Special Dividends, the Capital Reductions or the Schemes, nor will they receive any Stapled Securities unless the Options which they hold have been exercised, and the underlying Toll shares issued, before the Record Date. Holders of Options will not be entitled to vote on the resolutions required to implement the Restructure Proposal unless they also hold Toll Shares or RPS.

6.8.5 Creditors

In the opinion of the Toll Directors, the Restructure will not, if implemented, have a material adverse impact on the interest of Toll's creditors which are the remaining creditors of Toll after the Restructure. Apart from the Special Dividends and the Capital Reductions, there will be no other outflow of funds or property from the Toll Group under, or by reason of, the Restructure, other than the transaction costs incurred in connection with the implementation of the Restructure disclosed in this Scheme Book.

Further, as part of the Restructure, Asciano will assume (and as a consequence Toll will be relieved of) responsibility for liabilities associated with the Infrastructure Assets.

The Toll Directors are of the further opinion that the Restructure will not, if implemented, have a material adverse impact on the interest of Toll's creditors which are assumed by Asciano as part of the Restructure based on the balance sheet, revenue and cash flow projections of Asciano and the financing facilities proposed to be available to Asciano after the Restructure.

The report provided by Grant Samuel & Associates in relation to the Restructure Proposal concludes that the First Capital Reduction and the Second Capital Reduction will not materially prejudice the interests of Toll creditors. The full report is set out in Section 16 of this Scheme Book.

6.9 Effect of Restructure on Toll Group employees

6.9.1 Transfer of Employment

In relation to the senior executives of Toll:

- Paul Little, Neil Chatfield, Bernard McInerney, Stephen Stanley and John Ludeke, all of whom will remain employees of Toll after the Restructure, have entered into new Executive Service Deeds with Toll;
- Mark Rowsthorn's employment with Toll will terminate on the Implementation Date and Mark Rowsthorn and Toll will enter into a separation deed under which, among other things, Mark Rowsthorn agrees to observe the confidentiality of Toll's information. Mark Rowsthorn has entered into an Executive Services Deed with Asciano Limited which is conditional upon the Restructure being approved and implemented, and is subject to review by Mark Rowsthorn and the Asciano Directors following the Restructure; and
- Don Telford's employment with Toll will terminate on the Implementation Date, and Don Telford and Toll will enter into a separation deed under which, among other things, Don Telford agrees to observe the confidentiality of Toll's information. Don Telford has entered into an Executive Service Deed with Asciano as Chief Operating Officer of Asciano Limited, which is conditional upon the Restructure being approved and implemented.

It is also intended that Toll, Asciano Limited and current senior executives of Toll who are transferring to Asciano Limited will enter into separation deeds under which:

- The transfer of their employment to Asciano Limited is acknowledged;
- Asciano Limited will assume responsibility for the accrued entitlements of the officers (excluding Mark Rowsthorn whose entitlements will be paid out by Toll); and
- The officers agree to preserve the confidential information of Toll.

In relation to all other employees of the Toll Group:

- The majority of Toll Group employees will continue to be employed by their existing employer company (whether that company is transferred to Asciano Limited or remains with the Toll Group) and there will be no impact on their terms of employment or their accrued entitlements; and
- In relation to some current employees of the Toll Group (predominantly those employed in the logistics businesses formerly operated by Patrick Corporation and those employed by the Toll Ports and Stevedoring businesses), there will be a need to transfer their employment to the Toll Group or to Asciano Limited respectively as part of the Restructure. Apart from the change in the identity of their employer entity, there will be no impact on their terms of employment or their accrued entitlements.

6.9.2 Options and Share Plans

In 2004 Toll granted Options under the SEOP, of which 6.512 million remain unexercised. The initial vesting period of these Options was to end in September 2007 and the Options were subject to performance hurdles. On 12 December 2006, Toll Directors resolved, subject to the Schemes being approved, to exercise their discretion under the SEOP rules to bring forward the vesting date of these Options and to waive the performance hurdles on the basis that the performance hurdles had, at that time, been substantially satisfied. Holders of these Options will be able to exercise the Options at any time after the date the Schemes are approved and, if the underlying shares are issued prior to the Record Date, the holders will participate in the Schemes.

In October 2006 the Toll Directors resolved that they would, in accordance with Toll's usual practice, grant Options under the SEOP to approximately 390 senior executives of Toll. The issue of these Options, to the extent they related to Paul Little, Mark Rowsthorn and Neil Chatfield, were approved by Toll Shareholders at the Annual General Meeting in October 2006.

These Options have not yet been issued as the Toll Directors subsequently resolved that:

- If the Schemes are approved, Toll will pay to the senior executives, in lieu of the Options, a deferred compensation payment (based on an independent valuation of the Options) which will become payable if the executive remains in the employment of Toll or Asciano (as the case may be) for a period of 12 months from the Effective Date, or if the executive's employment terminates within that 12 month period other than by the executive's resignation or summary dismissal. The estimated amount of deferred compensation payments payable has been included in the estimated transaction costs identified in Section 5.3. As part of the Restructure, Asciano will assume the liability to pay the deferred compensation payments in relation to executives who transfer to Asciano; and

- If the Schemes are not approved and the Restructure Proposal does not proceed, Toll will issue the Options previously determined to be granted to Toll executives.

Toll has also made available to Toll employees limited recourse loans in accordance with the ESOP for the purpose of enabling those employees to acquire Toll Shares. In relation to those employees transferring to Asciano Limited, loans relating to those employees will also be transferred to Asciano Limited.

6.10 Implementation of the Restructure proposal

6.10.1 Conditions Precedent to the Implementation of the Restructure

The Restructure is conditional upon and subject to each of the following conditions being satisfied:

- Shareholders voting to approve the Restructure Resolutions at the General Meeting and Toll Shareholders voting to approve the Schemes at the Scheme Meetings; and
- The approval of the Court being obtained.

If any of these conditions are not satisfied, the Restructure will not be implemented.

6.10.2 Effective Date of Schemes

The Schemes become binding on all Toll Shareholders (including those who voted against the resolutions required to implement the Restructure) on the date on which an office copy of the Court order approving the Schemes is lodged with ASIC. It is currently anticipated that this will occur on 5 June 2007.

6.10.3 Notice to ASX

Upon the Schemes becoming effective, Toll will give notice of that fact to ASX.

6.10.4 Issue of Stapled Securities

On the Implementation Date, the Stapled Securities which a Toll Shareholder is entitled to receive under the Schemes will be issued by Asciano to that Toll Shareholder.

It is expected that these Toll Shareholders will have their names entered on the Asciano security register on 15 June 2007. In the case of joint holdings, the names will be entered in the same order as they stand in the Toll Share Register.

Except for a Toll Shareholder's tax file number (which will be required to be provided by each Toll Shareholder to the Toll Share Registry in its capacity as the share registry for Asciano), binding instructions or notifications between such Toll Shareholders and Toll relating to their respective Toll Shares (including, without limitation, any instructions relating to payment of dividends or communications from Toll) will, from the Record Date, be deemed to be similarly binding instructions or notifications to, and accepted by, Asciano in respect of the Asciano Shares transferred to those Toll Shareholders, until those instructions or notifications are, in each case, revoked or amended in writing addressed to Asciano at its share registry.

6.10.5 Distribution of holding statements for Asciano

Holding statements for Stapled Securities are expected to be dispatched to Toll Shareholders entitled to receive Stapled Securities under the Schemes on 19 June 2007. A holding statement will be sent by prepaid post to a Toll Shareholder's address on the Toll Share Register (unless that Toll Shareholder has directed otherwise).

Asciano will maintain an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. These two registers will together constitute Asciano's register of members.

6.10.6 Listing of Asciano and trading of Stapled Securities

Within seven days after the date of lodgement of this Scheme Book for registration by ASIC, application will be made to ASX for admission of Asciano to the ASX official list and for official quotation of all Stapled Securities on ASX.

The Stapled Securities are expected to commence trading on ASX, initially on a deferred settlement basis, on 6 June 2007. Normal trading of Stapled Securities is expected to commence on or about 20 June 2007. The Stapled Securities are expected to trade under the ASX code 'AIO.'

It is the responsibility of each Toll Shareholder to determine their entitlement to Stapled Securities before trading those Stapled Securities to avoid the risk of selling Stapled Securities they do not own. If a Toll Shareholder sells their Stapled Securities without receiving confirmation of their entitlement, they do so at their own risk.

6.10.7 Timetable

An indicative timetable appears in Section 1 under the heading 'Key Dates'. The dates and times in the indicative timetable may change depending on a number of factors, some of which are outside the control of Toll (e.g. the timing of Court approval of the Schemes). In addition, Toll has the right to vary any or all of the times and dates in the timetable without notifying Toll Shareholders.

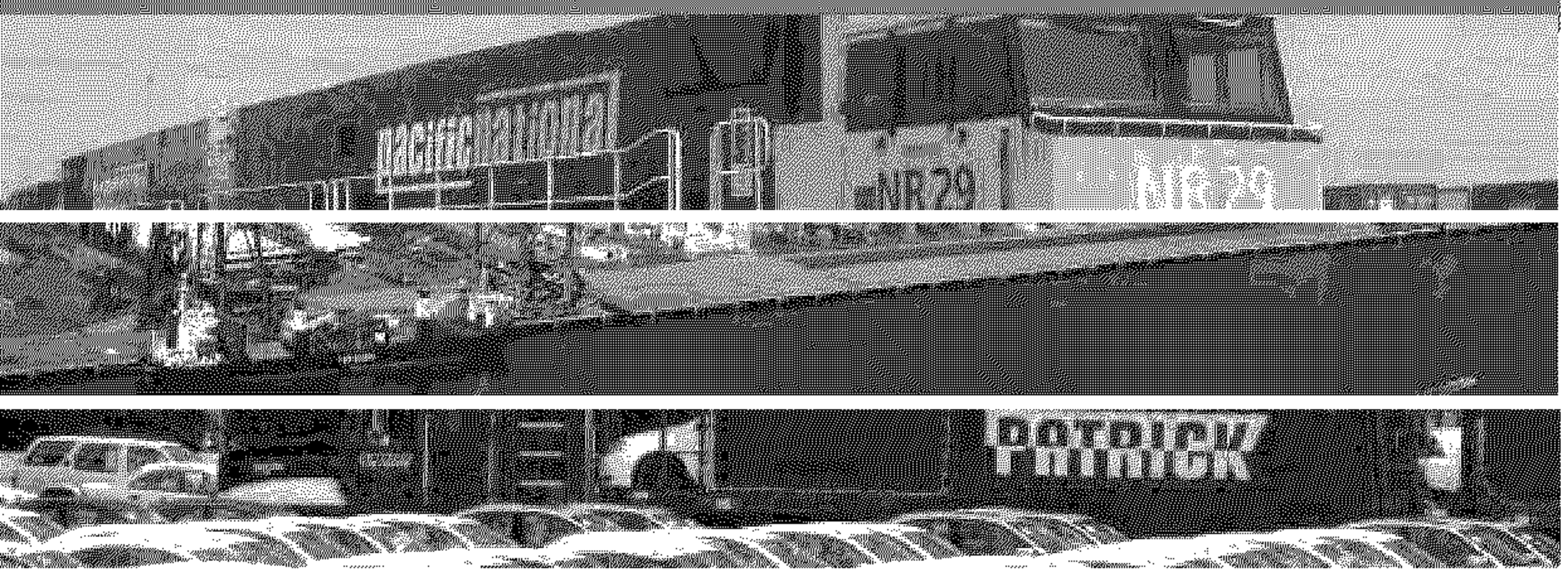
Once the Effective Date is confirmed, Toll will announce to ASX the timetable for the balance of the Restructure.

6.10.8 Expiry Date

If the Effective Date does not occur by 18 August 2007, then the Schemes will lapse and the Infrastructure Assets will continue to be owned and operated by the Toll Group.

7

Information on Asciano



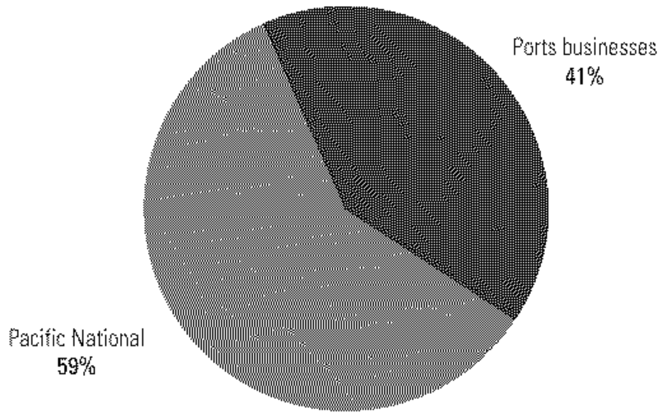
7.1 Overview of Asciano

7.1.1 Introduction

Following the Restructure, Asciano will be one of Australia's largest listed infrastructure owners, with a primary focus on transport infrastructure, including ports and rail infrastructure, and associated operations and services. Asciano is expected to generate revenues in excess of $2.5 billion for the pro forma year ending 30 June 2007, and is well positioned to benefit from expected strong growth in global trade.

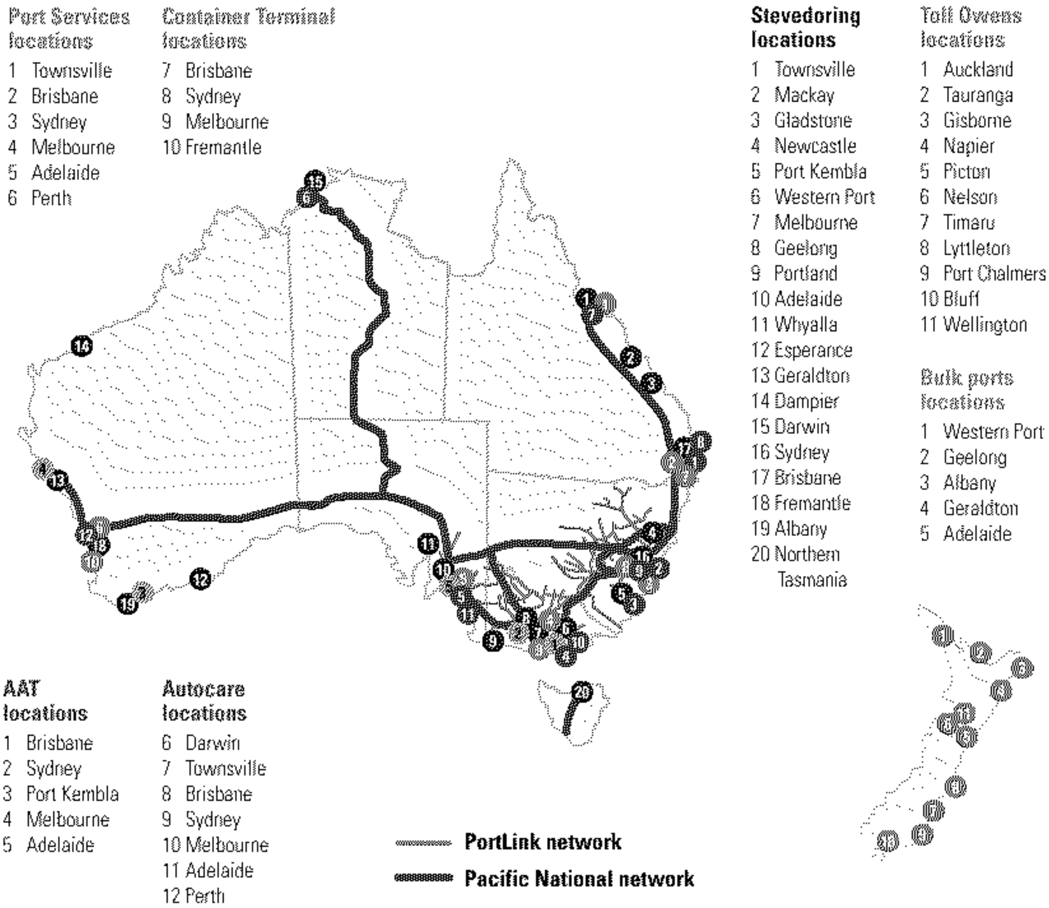
Asciano's portfolio of assets will include four leading container terminals, bulk export facilities, a range of stevedoring equipment, extensive assets and rail operations and a highly skilled workforce. It is expected that Asciano's strong presence in the port and rail sectors will ensure it forms an integral part in the supply chains of Australian and international companies.

Figure 7.1: Breakdown of Asciano revenue (2007F)



7. Information on Asciano

Figure 7.2: Asciano's location of sites across Australasia



Asciano will seek to invest in further transport infrastructure opportunities, including ports, rail, airports, toll roads and other similar transport infrastructure assets in Australia and internationally. Asciano's proposed management team (refer to Section 7.10) has experience in integrating newly acquired businesses and extracting significant synergies from acquisitions.

7.1.2 History of Asciano's businesses

Toll's presence in the ports and rail sector has developed from an initial collection of regional port facility management and stevedoring businesses into an extensive network of general port and stevedoring operations and nationwide freight rail businesses. Its first major port facility investment was the purchase of the operating rights to the Port of Geelong (together with a 30% investment in the ownership vehicle) in 1997. With the acquisition of the privately owned Strang Stevedoring business in 2001, stevedoring services were extended to include Portland, Melbourne (general and automotive import and exports) and Newcastle.

In 2002, the acquisition of BHP Stevedoring added operations in Port Kembla and Western Port in Australia and Tauranga, Napier and Lyttleton ports in New Zealand.

Further stevedoring acquisitions from 2003 to 2005 in New Zealand and Australia strengthened the stevedoring business.

Toll entered into the rail industry in 1996 with the establishment of Toll Rail and then in 2002 acquired National Rail Corporation and FreightCorp to form Pacific National as a joint venture between Toll and Patrick Corporation. Pacific National is now one of Australia's leading rail freight operators.

In 2006 Toll acquired Patrick Corporation, gaining ownership of Patrick Corporation's Container Terminal operations, PortLink and Port Services businesses, and extensive general stevedoring operations, along with the remaining 50% of Pacific National.

7.2 Overview of the Australian port industry

7.2.1 Summary

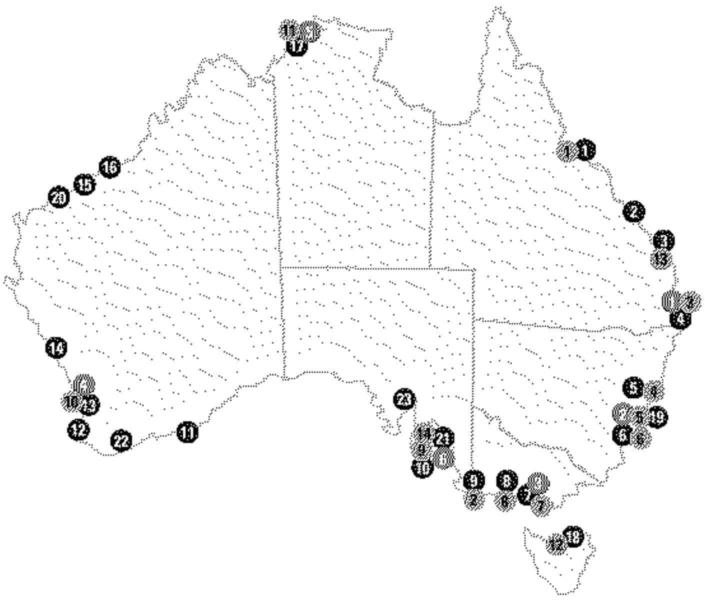
The ports industry is based around the facilitation of international and inter-coastal trade. It encompasses port operations management and bulk and general stevedoring activities. Regional ports in Australia primarily focus on the export of commodities in the form of bulk cargo, whilst metropolitan ports primarily focus on delivering consumer goods via containers.

With sea trade accounting for 99.9% of Australian total trade volume in 2003-2004, international shipping remains the main mode of facilitating exports and imports in Australia. This arises from Australia being an island nation, with exports and imports dominated by heavy and low-value bulk commodities. As a result, transport by air is generally not economical. In 2005-2006 Australia's total international goods trade was estimated at $324 billion, consisting of $154 billion in exports and $170 billion in imports.

A significant development in sea trade over the past 20-30 years has been the shift in cargo handling practice away from traditional forms of carriage and towards unitisation, as the handling of internationally standardised containers has become increasingly more efficient and cost effective.

As sea transport will remain critical for international and inter-coastal trade in the foreseeable future, ports will remain an industry with reliable growth prospects. Containerised throughput in Australian ports is projected to increase at 6.5% per annum from 2005-2006 to 2009-2010, whilst non-containerised throughput is projected to increase by 5.3% per annum over the same period. Asciano's presence in all major container terminals and key regional ports in Australia means it is well positioned to benefit from the ongoing growth in trade.

Figure 7.3: Major Ports in Australia



Bulk port locations

1 Townsville
2 Hay Point
3 Gladstone
4 Brisbane
5 Newcastle
6 Port Kembla
7 Melbourne
8 Geelong
9 Portland
10 Adelaide
11 Esperance
12 Bunbury
13 Fremantle
14 Geraldton
15 Dampier
16 Port Hedland
17 Darwin
18 Northern Tasmania
19 Sydney
20 Port Walcott
21 Westernport
22 Albany
23 Whyalla

Container port locations

1 Brisbane
2 Sydney
3 Melbourne
4 Fremantle
5 Darwin
6 Adelaide

Break bulk port locations

1 Townsville
2 Portland
3 Brisbane
4 Newcastle
5 Sydney
6 Port Kembla
7 Melbourne
8 Geelong
9 Adelaide
10 Fremantle
11 Darwin
12 Northern Tasmania
13 Gladstone
14 Westernport

Notes:
1 Top 20 ports measured by value of international cargo handled in 2003-2004

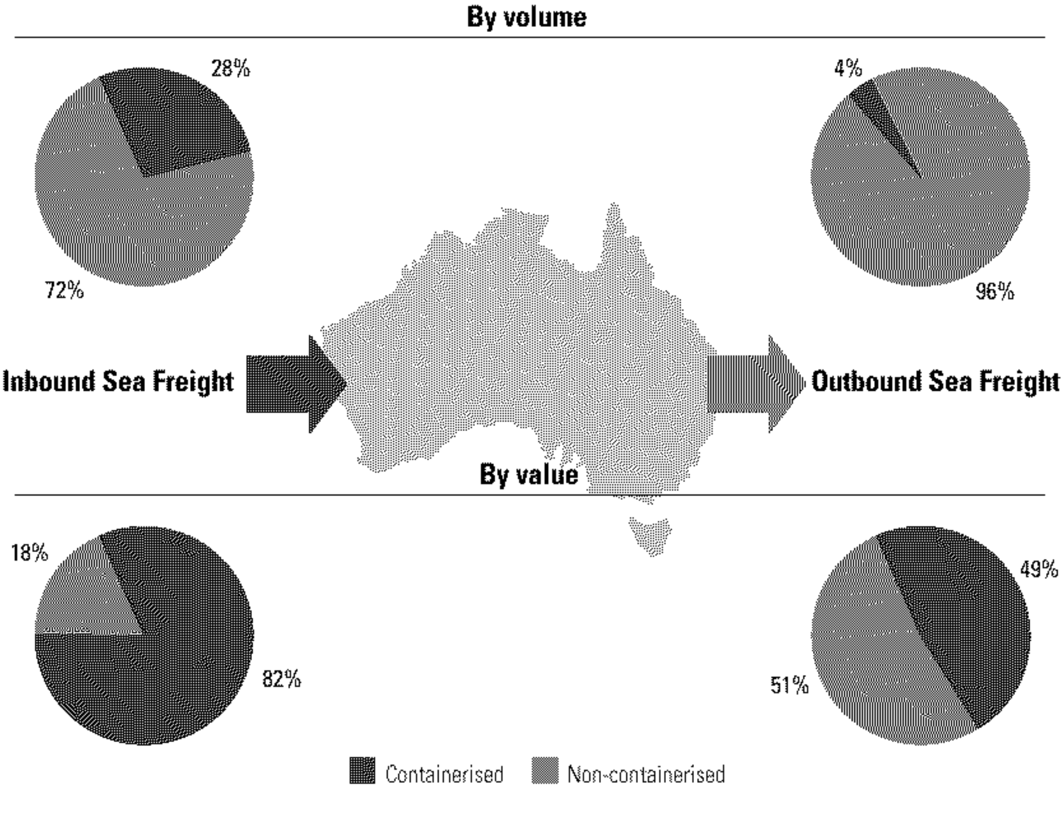
7.2.2 Types of cargo

Cargo is classified as either containerised or non-containerised, with non-containerised cargo further classified as bulk and break bulk cargo.

- Containerised cargo refers to goods, generally of high-value shipped in standard International Shipping Organisation maritime containers;
- Bulk cargo (such as coal, mineral ores, oil and wheat) is cargo that is carried loose, taking up the shape of the ship's hold; and
- Break-bulk cargo refers to non-bulk cargo that is not containerised and includes unitised cargo as well as miscellaneous goods in boxes, bales, cases or drums – for example, assembled cars, steel coil, aluminium and timber.

As detailed in Figure 7.4, non-containerised cargo forms a significant portion of Australian exports, particularly when measured by volume. Containerised cargo, however, makes up a larger portion of Australian imports, particularly when measured by value.

Figure 7.4: Distribution of Australian trade by cargo in 2003-2004



7.2.2.1 Containerised cargo

Lighter and high-value goods are generally shipped in containers, the movement of which has significantly increased in importance since the introduction of standardised container sizes in 1966. Container trade is generally measured by the number of containers handled at a port and is defined as 'throughput' which is typically quantified in TEUs. A TEU is a standard twenty-foot equivalent unit (20ft. (6.1m) long x 8ft.(2.4m) wide and high).

Within Australia, containerised cargo accounts for 49% of outbound and 82% of inbound sea freight by value.

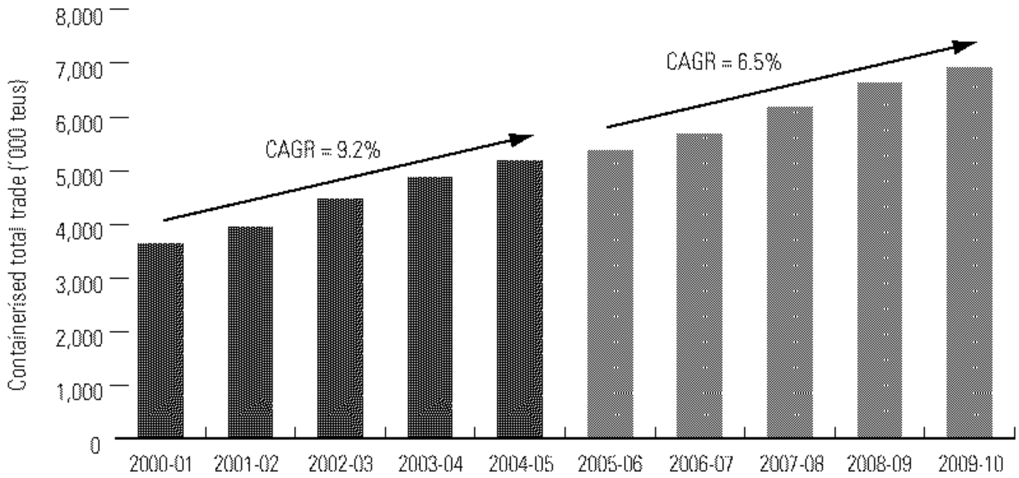
In 2005/2006 approximately 90% of Australia's containerised cargo was handled in the four major container ports of Sydney, Melbourne, Brisbane and Fremantle, with another 4% being handled at the Port of Adelaide. Some additional international container trade is handled outside of these major facilities, usually through general stevedoring operations.

The standardised nature of container units allows for a high level of mechanisation and potential for the automation of container handling equipment, particularly within storage yards on the wharf, where it can operate in a controlled access environment. Best practice productivity at ports around the world is typically supported by significant investment in mechanisation and some level of automation in order to maintain high throughput levels.

Globally and within Australia, there has been significant growth in the use of containers for the international movement of cargo. Part of the increase in container flows can be attributed to the conversion of break-bulk cargo into containerised cargo. However, containers have, to a large extent, created new demand by facilitating speedy and secure transportation of goods at low cost, making the international sourcing and trade in high value goods more attractive.

Globally, the share of the total general cargo market utilising containers has increased from 22% in 1980 to an estimated 59% by 2001. By 2010 shipping consultants expect cargo transported in containers to rise to 75% of the general cargo market. As detailed in Figure 7.5, Australia's previous strong growth in the use of containerised cargo is set to continue, with total containerised trade forecast to grow by 6.5% a year from 2005/2006 to 2009/2010.

Figure 7.5: Historical and forecast demand in containerised cargo in Australian ports



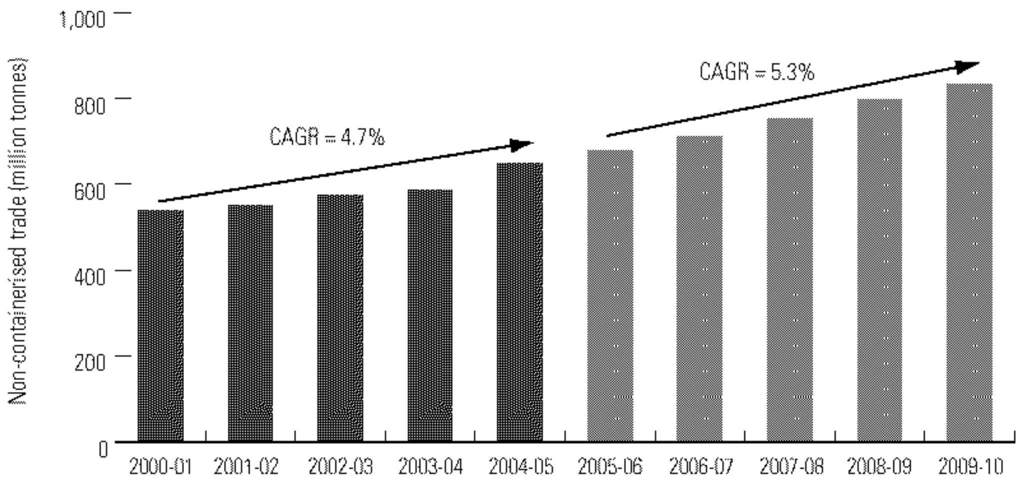
Stevedoring of Containers

- Stevedoring of containers incorporates the traditional role of container movement between ship and shore, together with container storage, container yard handling operations and the management of road and rail interfaces;
- Stevedoring of containers is generally a capital intensive process. Container terminals generally comprise purpose-built berths and large open areas for storing containers before loading or after discharge from purpose-built container ships; and
- In recent years there has been increased mechanisation and automation of the stevedoring process. This automation has resulted in significant productivity improvements as well as lower operating costs and greater protection of the transferred goods.

7.2.3 Non-containerised cargo

Non-containerised cargo at Australian ports, consisting of break-bulk (including motor vehicles) and bulk cargo, has undergone significant growth in recent years. As detailed in Figure 7.6, these volumes are expected to increase by 5.3% per annum from 2005-2006 to 2009-2010. Much of this growth is attributable to increased global demand for commodities and the increase in demand for smaller motor vehicles which are not manufactured in Australia.

Figure 7.6: Historical and forecast demand in non-containerised cargo in Australian ports



7.2.3.1 Bulk cargo

Bulk cargo consists of goods which are loaded into a ship's hold without being unitised. Within Australia, bulk exports are primarily commodities including coal, petroleum products and refinery feedstock, iron ore, alumina, wheat, sugar and fertiliser.

Bulk cargo volumes are expected to continue to be driven by high demand for commodities such as coal, iron ore and aluminium ore which comprised 43% of Australia's exports by value.

Ports specialising in bulk exports are generally located in regional areas in close proximity to the areas of production.

Terminals for most bulk commodities are closely integrated with production facilities and transport operations.

Bulk stevedoring

- Bulk stevedoring is largely automated and handled by specialised handling equipment; and
- Bulk cargo generally can be transported by road or rail directly to the ship. Alternatively it can spend time in storage.

7.2.3.2 Break-bulk cargo

Break-bulk cargo consists of general goods, commodities or wares for which container transport is uneconomical or unnecessary; for example motor vehicles, steel coil and timber. These goods are customarily shipped in boxed, bagged, crated or unitised form, shipped in the vessel's hold and handled in separate lots.

Most break-bulk traffic flows through ports located close to or in the State capital cities, where the majority of goods for export are produced and where the majority of imports for final consumption enter Australia for distribution.

Break-bulk stevedoring

- Stevedoring of break-bulk cargo is also known as 'traditional stevedoring'. Unlike container stevedoring, break bulk stevedoring is relatively labour intensive and there is limited scope to substitute labour with increased automation; and
- The method of stevedoring of break-bulk cargo depends on the nature of the cargo, ranging from using ship cranes or mechanical grabs for certain cargo, to roll on, roll off operations for motor vehicles.

7.2.4 Drivers of future growth

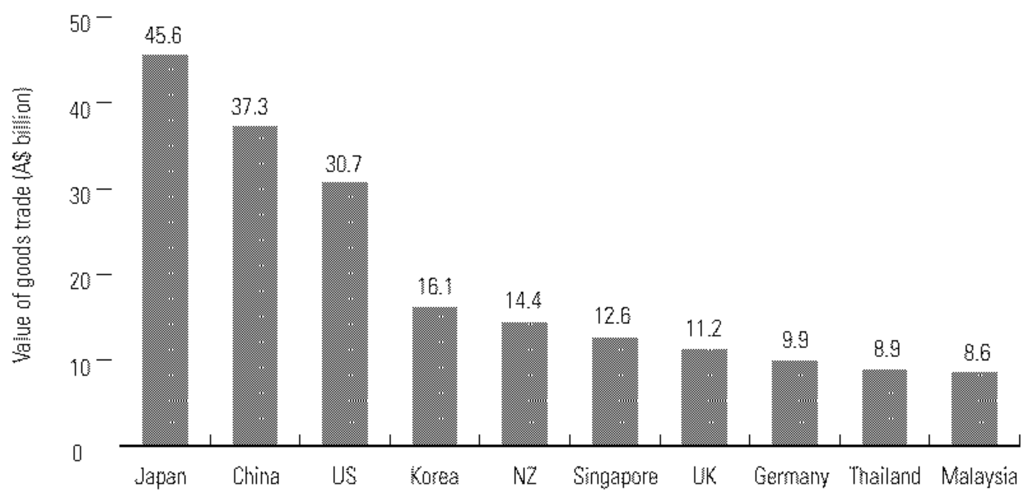
The strong growth in demand for port services, both within Australasia and globally, has been driven by numerous factors, including:

- Increased share of world production entering international trade;
- Growth in economic activity, population and affluence; and
- Growth in outsourcing and the decentralisation of production.

7.2.4.1 Trade

Demand for port services is closely tied to intercoastal and global trade, which continues to grow rapidly. Over the past 20 years international trade has expanded at 3 times the rate of the world's GDP. Recent strong growth has been driven by the robust world economy, and in particular the strong containerised export growth from China and India. The value of two way trade with Australia's major trading partners is shown in Figure 7.7.

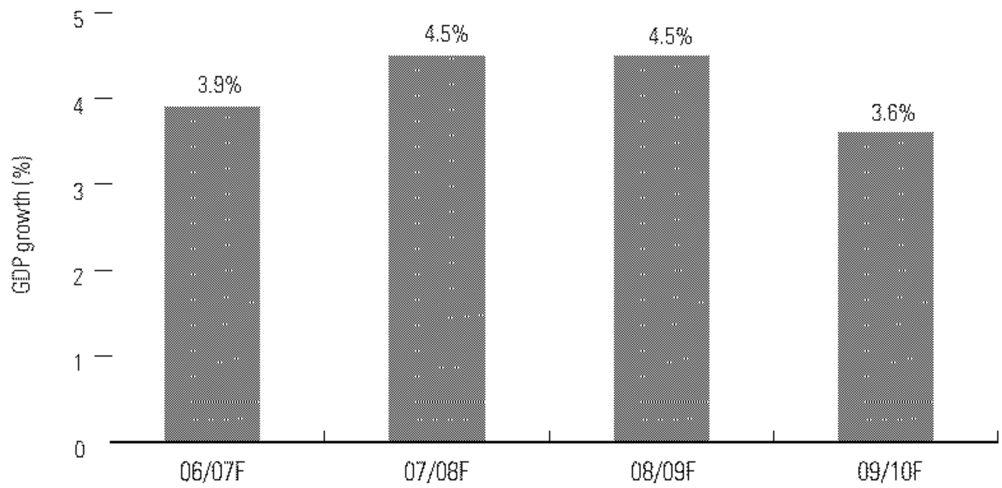
Figure 7.7: Value of two-way goods trade with Australia's major trading partners, 2005



7.2.4.2 Domestic economic growth

Strong economic growth in Australia is expected to drive greater demand for imports, particularly higher value containerised goods. Volume growth at Australian container terminals has historically been 2 to 2.5 times domestic GDP growth. As outlined in Figure 7.8, Australia is forecast to experience strong economic and trade growth over the next few years, with the resultant increase in trade flows expected to deliver strong growth for the ports industry.

Figure 7.8: Forecast GDP growth for Australia



7.2.4.3 Growth in outsourcing

A growing number of businesses in Europe, the US, Australia and other developed countries are using international outsourcing of the manufacture of goods and advances in global logistics management to meet domestic demand. As the leading ports operator in Australia, Asciano is well positioned to benefit from this trend.

7.2.5 Competitive landscape

The ports services industry is an industry which is highly consolidated, driven largely by the high capital intensity and economies of scale required to create a commercial return. In Australia there are only two major market participants servicing the majority of the international container stevedoring market.

Based on 2005-2006 data, Asciano had a 47% market share of Australian container stevedoring industry revenue, with Dubai Ports World (DPW), the second largest operator, having a 43.6% market share.

Through its Container Terminals division, Asciano will manage over 50% of the international container stevedoring related infrastructure in the four major ports of Melbourne, Sydney, Brisbane and Fremantle. DPW manages the remaining facilities in those four major ports, alongside an international container terminal at Outer Harbour, Port Adelaide.

The future competitive landscape is likely to be significantly influenced by the ability of the port industry to provide sufficient capacity to meet projected trade growth. Container Terminals management has put in place what it believes to be an appropriate program of investment to meet market demands and provide for future growth, applying a combination of incremental facility expansion, application of technology, and new handling methodologies to boost the productivity and capacity of its terminals.

The introduction of a proposed third stevedore into the industry may have an impact on the dynamics of Australian stevedoring. However, a number of factors, including the relatively limited size of the Australian stevedoring task, the economies of scale inherent in the existing operations, and the high level of investment required to meet current service expectations are potentially significant issues for a new entrant.

The competitive landscape is also likely to be affected by the ongoing evolution in the global supply chain, and, in particular, by the consolidation of the major international shipping lines. It is now estimated that the top five lines (Maersk, MSC, CMA-CGM, Evergreen and Hapag Lloyd) control over 40% of the market.

7.2.6 Productivity

Productivity in the ports industry has been increasing steadily due to the expansion of enterprise bargaining and increased levels and utilisation of technology. Significant changes to the role of waterfront labour, resulting in far fewer but more highly skilled workers, alongside an alteration of work practices have resulted in continuing increases in productivity.

The continuing movement to automation and mechanisation is expected to further improve productivity of ports in the future.

7.3 Australian rail industry

7.3.1 Summary

The Australian rail industry carries approximately 576Mt of freight per annum and generates annual revenues of approximately A$3.5 billion.

Freight transported by rail in 2003-2004 was 168 billion NTK (net tonne kilometres) which accounted for market share of 38%. Of the goods transported by rail, bulk commodities account for an estimated 68% of Australia's freight task measured in NTKs, with coal and iron ore remaining the major goods transported via rail.

Figure 7.9: Modal Share based on NTKs

(2003-2004)

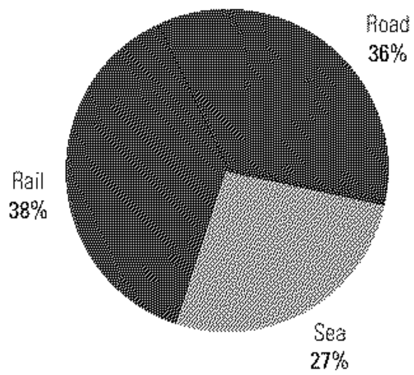
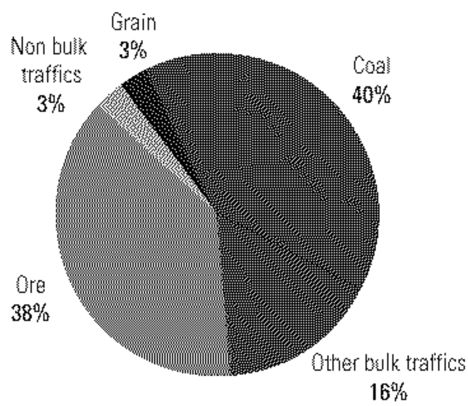


Figure 7.10: Rail Freight Tonnage

(2005)



7.3.2 Types of freight

The freight task relevant to rail haulage falls into three main categories – bulk, non-bulk and break bulk.

7.3.2.1 Bulk Freight

Bulk freight includes solid mineral commodities such as coal and iron ore, agricultural commodities such as grain, and liquid commodities such as petroleum. Efficient handling of bulk freight usually requires specialised loading, unloading and storage facilities and rolling stock that are tailored to each type of bulk freight. These features favour rail transport with its superior linehaul cost performance relative to road freight and explain rail's dominance of long-distance transport of coal, iron ore, and, to a lesser extent, grain.

7.3.2.2 Non-Bulk Freight

Non-bulk freight encompasses a wide variety of goods which must generally be consolidated into either pallets or containers to permit efficient handling on long-distance journeys. Non-bulk freight usually involves the services of a freight forwarder who arranges for the linehaul journey, pick up and delivery, and any consolidation or deconsolidation of freight that may be necessary.

While unit linehaul costs for rail freight are typically significantly lower than for road freight, the fixed cost of double-handling containers can counteract that benefit. The longer the journey, the more competitive rail linehaul becomes as these fixed terminal costs become a lower percentage of the overall transportation cost.

Express freight

Express freight is time-sensitive freight for which the cost of air transport is not justified. This segment of non-bulk freight task is exposed to the most intense competition from road. Rail is only competitive for express freight on the longest-haul corridors: Melbourne – Perth, Sydney – Perth, and Adelaide – Perth.

Freight forwarder traffic

Freight forwarders are the principal customers for the provision of domestic containerised freight linehaul services. Rail is well placed to compete on price on the long-haul corridors, East – West, Sydney – Adelaide – Fremantle and Melbourne – Brisbane, but holds a low modal share on the shorter corridors such as Sydney – Melbourne and Sydney – Brisbane.

Shipping containers

The rise in the use of containers for transporting freight has resulted in a market for the repositioning of empty containers. Rail is well suited to meet this demand because of its scale economies.

7.3.2.3 Break-Bulk Freight

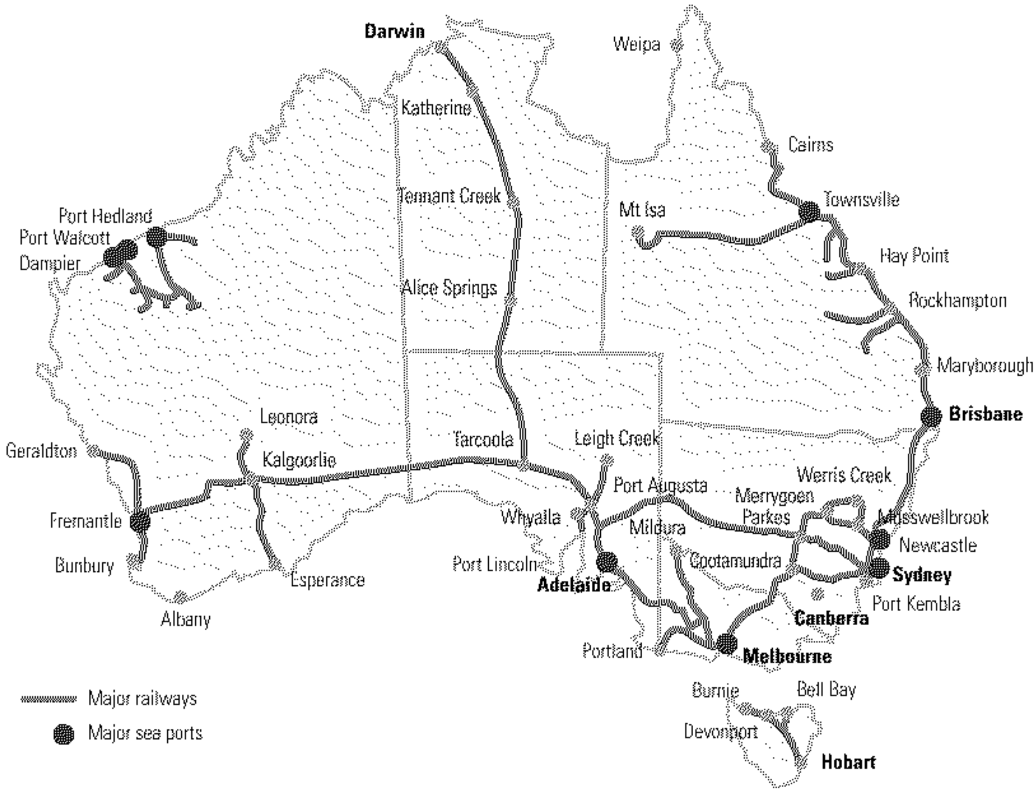
Break bulk freight consists of individual items which are particularly large, heavy, valuable, or have dimensions that are unsuited to standard shipping containers. Some examples are steel products, logs, automobiles, and industrial machinery. Rail is well positioned to service industry requirements to haul large quantities of break-bulk freight, again due to scale economies.

7.3.3 Australia's rail network and main transport corridors

7.3.3.1 Australia's rail network

Australia's rail network comprises approximately 40,000 km of both public and privately owned track. The network comprises three gauges, with over 40% made up of narrow gauge. The network spans the country, linking mainland capital cities and providing regional networks in each state.

Figure 7.11: Australia's Rail Network



7.3.3.2 Main rail transport corridors

There are two major interstate intermodal rail segments in Australia – the market that runs along the East-West Corridor and that which runs on the North-South Corridor. Each of these has quite distinct characteristics.

On the East-West Corridor, rail is advantaged by the long distances involved and the generally high standard of rail infrastructure, enabling the use of longer, faster trains. This is a mature segment where the majority of growth is in the freight task. Rail modal share on the East-West Corridor is approximately 62% of non-bulk freight.

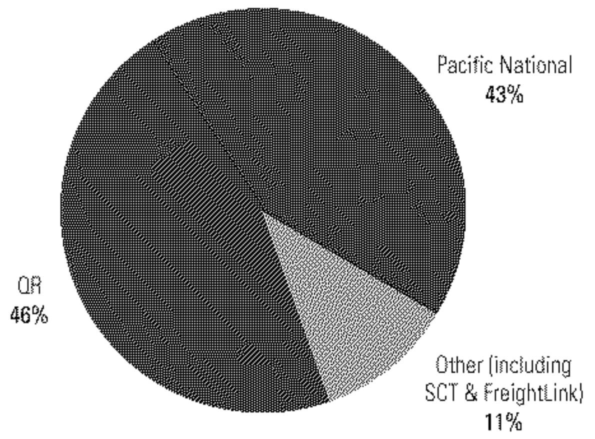
The North-South Corridor has a shorter freight distance and rail infrastructure has not been upgraded, resulting in shorter trains which move more slowly than those on the East-West Corridor. For rail, this is a segment where there is the potential for significant shifting of freight from road to rail. Rail modal share on the North-South Corridor is approximately 21% of non-bulk freight.

7.3.4 Industry structure

The current Australian rail industry has evolved from a number of individual state-based regimes of track type, operator and track management. Industry consolidation and privatisation has seen Pacific National emerge as one of Australia's leading rail freight companies.

Pacific National's key rail competitors are Queensland Rail, SCT and FreightLink. Figure 7.12 shows the respective market shares by revenue.

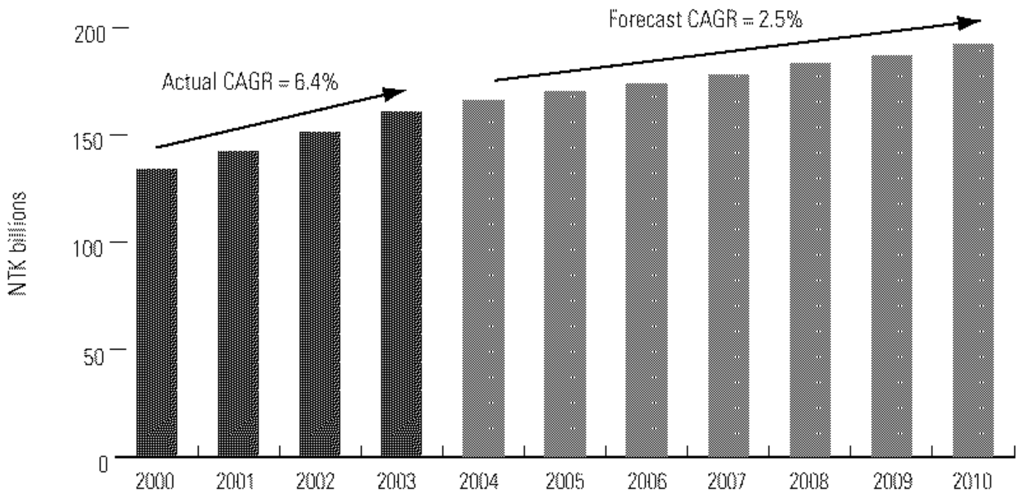
Figure 7.12: Australian Rail Freight Market Share – 2005 Revenue



7.3.5 Rail freight industry outlook

The overall outlook for the rail freight industry is positive as it is expected to benefit from strong global export demand for Australian commodities and continued strength in the Australian domestic economy. In addition, significant investment in national rail infrastructure will increase the efficiency of the rail network, improving rail modal competitiveness and overall rail freight activity. It is estimated this will translate into the total rail freight task increasing by approximately 35% from 2006 to 2020 in terms of NTKs.

Figure 7.13: Australian Rail freight task forecasts (NTK billions)



The underlying demand for rail freight activity is dependent on the outlook for its main user industries in the production of coal, mineral ores and grain, manufacturing industry and import and export activity.

7.4 Ports business overview

Asciano's ports operations will consist of a number of businesses which are concerned with the operation and provision of services to importers, exporters, shipping lines, and other parties involved in maritime trade. Asciano's port operations will have two key divisions: the Container Ports Group, which will focus on containerised trade within Australia and the Bulk and General Ports Group, which will focus on bulk and break-bulk (non-containerised) trade and port facilities management within Australia, as well as stevedoring operations throughout New Zealand.

Asciano's Port Businesses	
Container Ports Group	**Container Terminals:** Australia's leading lessee and operator of shipping container terminals, with major facilities at ports of Melbourne, Sydney, Brisbane and Fremantle. **PortLink:** Specialist rail operator in Australia, providing land-side logistics and freight forwarding for importers and exporters between the port, metropolitan container terminals, and regional centres for importers and exporters. **Port Services:** A national network of land-based, port-related transport services to shipping lines, freight forwarding agents, customs brokers, importers and exporters, including container park facilities.
Bulk and General Ports	**Bulk Ports:** Australia's leading operator of private ports and bulk cargo terminals, with facilities located in NSW, Victoria, South Australia and Western Australia. **Stevedoring:** Australia's largest bulk and general stevedore, servicing the Automotive import sector and the regional ports throughout the country. **Toll Owens:** (50% JV) New Zealand's largest on-wharf logistics company, providing stevedoring, marshalling, warehousing, transport, and ship agency services.

Asciano's Ports businesses have a forecast Revenue of $1,060 million and $300 million EBITDA for 2007.

7.5 Container Ports Group

The Container Ports Group's principal activity is the management of international shipping containers at Australia's major ports in Sydney, Melbourne, Brisbane and Fremantle, involving the movement of international shipping containers from 'ship to shore' by Container Terminals and the transfer of these international containers from 'shore to door' by Port Services and PortLink.

The importance of these service offerings, linking infrastructure management, wharf related service provision, and logistical support to importers and exporters, is increasing through strong growth in the global sourcing of goods.

7.5.1 Container Terminals

7.5.1.1 Overview

Asciano's Container Terminals business is Australia's leading operator of container terminals, with state-of-the-art facilities located at Australia's four major ports – East Swanson Dock (Melbourne), Port Botany (Sydney), Fisherman Islands (Brisbane) and Fremantle Inner Harbour (Perth).

Summary of Operations		
Holder of container terminal site leases from Port Authorities at Australia's four major ports	Owner of container terminal infrastructure at Australia's four major ports	Stevedoring of containerised cargo at Australia's four major ports

These four facilities handled a throughput of 2.17 million TEUs in 2006, representing greater than 50% of all international container trade through the four major ports. Management expect volume to grow to 2.50 million TEUs by 2008.

Container Terminals has actively pursued a policy of ensuring adequate capacity for growth in advance of current demand, to enable it to meet the needs of its customers and capture opportunities that may present themselves in the market. Capacity expansion issues have been addressed not only by capital investment, but also by the widespread implementation of technology, industrial reform, and integration of physical and commercial interfaces with other port service providers to streamline services, all of which have created significant increases in terminal and industry productivity. Despite international container trade more than doubling between 1995 and 2005, Container Terminals has been able to handle ever increasing throughput by means of pro-actively planned incremental expansion within the ports. Container Terminals management is confident that it is able to meet ongoing trade growth projections.

Section 11.2 contains a brief overview of Asciano's container terminal leases. Historically leases have been renegotiated in advance of expiry to facilitate ongoing investment and to ensure adequate capacity and appropriate service levels.

Container Terminals currently employs approximately 1,100 people in port terminal facilities, of which approximately 950 are employed in terminals operations and approximately 150 in administration and management.

7.5.1.2 Recent trading and outlook

Strong growth has been experienced in total volumes handled in Australian ports, particularly in imports, over the last 20 years. Since 2001, Container Terminals has seen an overall average growth in volume through its facilities of 7.5%, with the growth outlook for 2007 forecast to at least maintain the average growth rate.

The strong relationships that have been developed between Container Terminals and key shipping lines have meant Container Terminals has been able to maintain and improve its market position through the recent consolidation of operators in the international shipping industry. However, shipping lines have become more demanding in terms of the terminal operators' ability to provide a fully comprehensive, national stevedoring service (often with support extending 'beyond the wharf'), which provides flexibility, reliability, capacity to grow, and is reflective of world's best practice.

Container Terminals has been able to demonstrate its ability to meet these demands, with the result that they have historically maintained long-term contracts with top global shipping line operators. These arrangements have seen Container Terminals' top three customers now contribute almost 50% of the business unit's revenue. Agreements that have been put into place with these and other line operators mean that Container Terminals should maintain its market share and harness the above market growth being brought about by the aggressive market positioning of its key customers.

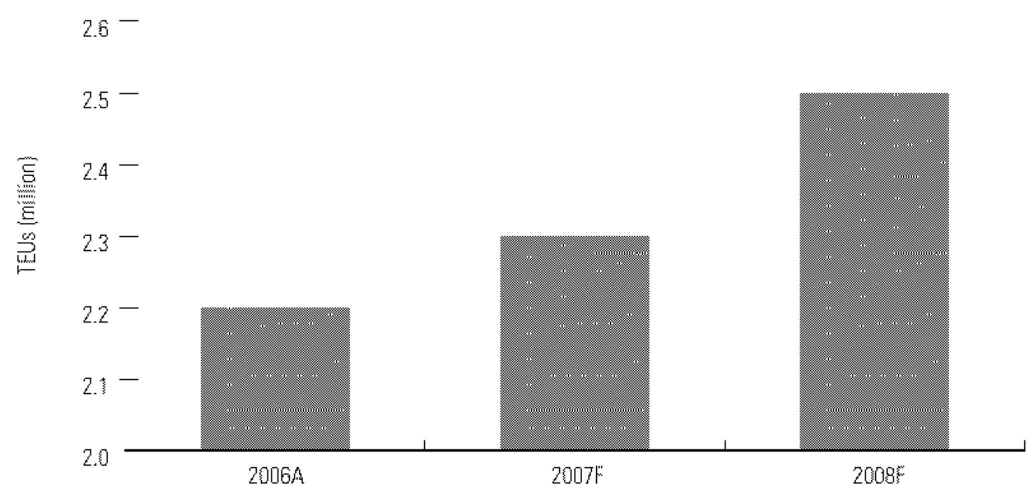
One of the key issues is to ensure available capacity remains sufficient to meet customer demand. Significant investment in infrastructure, including terminals, plant and technology, is currently being undertaken to improve productivity and service levels and to drive down costs, and keep overall terminal capacity ahead of current demand level to allow for future growth. A projected $607.5 million capital expenditure is forecast to be undertaken between 2007 and 2010 as shown in Figure 7.14.

Figure 7.14 – Forecast Capital Expenditure by Terminal – 2007-2010

A$millions	2007-2010F
East Swanson Dock (Melbourne)	207.0
Port Botany (Sydney)	160.7
Fisherman Islands (Brisbane)	149.0
Fremantle	90.8
Total Capex	**607.5**

These optimisations and the associated increased demand for container movements is forecast to result in a 7.4% increase in volume between 2006 and 2007, and a further 7.0% between 2007 and 2008 as illustrated in Figure 7.15 below.

Figure 7.15: Terminals' historical and forecast throughput



7.5.1.3 Automation of port facilities

The AutoStrad® (Automated Straddle Carrier) technology, developed by Container Terminals through it's 80% holding in Patrick Technology Systems (PTS), has been implemented at the Fisherman Islands terminal in Brisbane for the last 3 years.

The automated straddle carriers are fitted with sophisticated motion control and navigation systems which allow them to operate unmanned 24-hours a day in virtually any conditions. The AutoStrad® carriers within the Container Terminals are controlled by central operators. The technology has the capacity to optimise container movements and storage requirements to increase productive use of port infrastructure.

Plans are in place for the system to be integrated into Sydney and Melbourne port operations.

7.5.1.4 Overview of Container Terminals operations

Detailed below is a brief overview of the Container Terminals facilities.

East Swanson Dock (Melbourne)

International container throughput at the Port of Melbourne reached 1.6m TEUs in 2006, with Asciano's Container Terminals handling slightly over 50% of this volume. The Port of Melbourne Corporation (PoMC) projects that total international container trade through the port is set to grow to up to 2.1M TEUs per annum by 2010.

Container Terminals has undertaken substantial investment in its facilities at East Swanson Dock, having acquired additional straddle carriers and two new 'Post Panamax' Portainer cranes for its facility in the past 12 months, as well as completing yard expansion and redevelopment programs. Container Terminals has also initiated the next phase on capacity enhancements, which will see an estimated $207 million in capital expenditure between 2007 and 2010. This is likely to see the staged introduction of AutoStrad® technology and automated Gantry Cranes as well as further developments with road and rail interfaces at the terminal. Forward plans estimate that with appropriate investment Container Terminals can double the capacity of the existing terminal.

Port Botany (Sydney)

Port Botany is Australia's second largest international container port with throughput of almost 1.45 million TEUs in 2005/2006. Container Terminals handled more than 700,000 TEUs of this trade. The Sydney Ports Corporation (SPC) estimates that the total demand for trade through Sydney will exceed 3.0 million TEUs by 2025.

Container Terminals is working on significant investment in capacity expansion at its Port Botany facility, with projected capital expenditure of $161 million between 2007 and 2010. Capacity enhancements include the redesign of the terminal's land side links through the use of large Rail Mounted Gantries (handling containers on both the road and rail interface with the terminal), and the progressive introduction of AutoStrad® operations. These investments are expected to contribute to productivity and efficiency increases in container handling, allowing automation of yard work, improved landside exchange operations, improved cargo turnaround and the ability to operate on an uninterrupted 24/7 basis.

The eventual aim is to more than double the effective throughput capacity of the existing Port Botany Terminal.

Container Terminals has negotiated a long-term lease with SPC. Container Terminals will continue to work with the SPC and other port stakeholders to ensure a rational approach is taken to future developments at the port, and that full commercial, economic, industrial and environmental issues are taken into account in the ongoing development of plans to cope with trade growth in Sydney.

Fisherman Islands (Brisbane)

Container Terminals' Fisherman Islands facility handled an average annual throughput of almost 350,000 TEUs in 2005 and 2006, representing 46% of the total 766,000 TEUs through the port.

Container Terminals is rapidly expanding its operations in Fisherman Islands, having invested A$90 million between 2005 and 2007. Much of this investment has been involved in the establishment of the AutoStrad® terminal. The implementation of these new technologies has seen significant reduction labour and associated costs, and an ability to respond better to the variable demand for container services.

Container Terminals is planning further capacity expansion at the facility, to nearly double existing capacity by 2010, through a projected $149 million in investment, which will allow completion of the Berth 10 development.

Container Terminals has been working closely with the Port of Brisbane Corporation (PoBC) with regards to the piloting and implementation of the AutoStrad® technology in the port, as well as port expansion through the development of Berth 10, and has enjoyed a constructive relationship with regards to meeting the requirements of growing trade. Container Terminals is participating in the current tender process for determining future development and operation of the proposed Berth 11 and 12 expansion at the port.

Fremantle

Fremantle is geographically the most remote of Container Terminals' operations, but plays a vital role in supporting both local importers and exporters and 'Round the World' shipping lanes that link Australia with Europe. The Port of Fremantle achieved a throughput of nearly 460,000 container TEUs in 2005-2006, of which Asciano's Container Terminals handled approximately 218,000 TEUs.

The current terminal has sufficient capacity to handle forecast growth in the short-to-medium term, with the potential to expand into surrounding areas following the realignment of existing road and rail networks by the Fremantle Ports Corporation (FPC). Container Terminals estimate investment of around $91 million between 2007 and 2010 will be sufficient to meet existing business and current growth.

Container Terminals is in consultation with various port stakeholders including the FPC, the Western Australia Department of Infrastructure, shipping lines, and shore-based service providers, about the future direction and development of the port. Current lease arrangements and planning proposals should ensure the long-term future of Container Terminals' facility at Fremantle Inner Harbour. An increasing focus on the landside links of operations in the port is likely to create a greater role for Asciano's Port Services and PortLink businesses in considering future terminal capacity.

Figure 7.16: East Swanson Dock

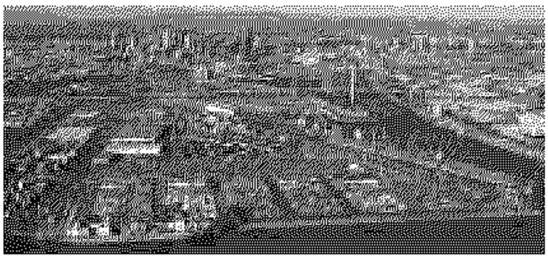


Figure 7.17: Fisherman Islands

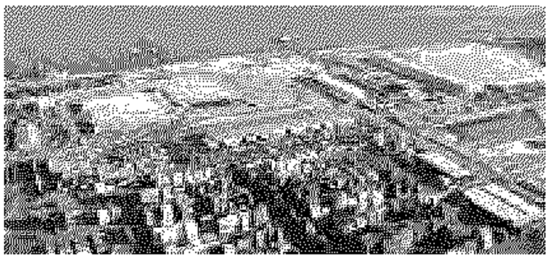
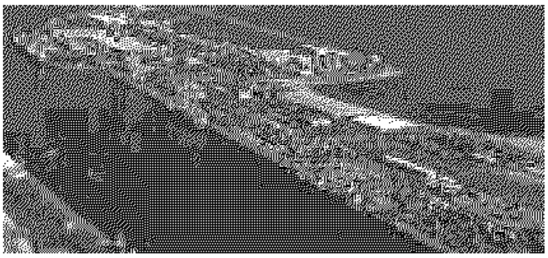


Figure 7.18: Port Botany

Figure 7.19: Fremantle



7.5.1.5 Other businesses

Container Terminals is also involved in a number of joint ventures, as detailed below.

Patrick Technology Systems (PTS)

PTS is a joint venture between Container Terminals and Kalmar Industries.

PTS focuses on developing commercial R&D technology and supporting systems for container handling operations, in particular the development of the AutoStrad® robotic container straddle carrier. All intellectual property developed by the joint venture remains the property of Container Terminals, while the background intellectual property involved in the R&D projects developed by Kalmar Industries remains the property of Kalmar Industries.

PTS is currently working on three major projects: Fisherman Islands Straddle Automation, Port Botany Rail Mounted Gantry installation and automation, and the general development and application of container handling automation technology in the ports environment.

1-Stop

The 1-Stop joint venture between Container Terminals business and DPW provides a means by which the port services industry can interact electronically with the terminals of the two major international container stevedores easily and effectively. 1-Stop provides a single point of entry for all data relating to consignments, which can then be electronically duplicated and forwarded to all the various parties who require it (e.g. Customs, stevedore, shipping line, transport company, broker etc.). 1-Stop has been adopted by Container Terminals to become the translation and integration hub for all the different message types flowing between customers and the shipping terminal operations.

7.5.2 PortLink

7.5.2.1 Overview

PortLink's core business is providing rail based land-side logistics and freight forwarding for importers and exporters between the port, metropolitan container terminals, and regional centres, primarily in competition with domestic road operators. PortLink provides interface between road, rail and stevedoring services for the management of import and export consignments between the wharf, container parks and inland terminals in south eastern Australia.

Overview of PortLink operations

Summary of Operations		
Rail 'Landbridge' services between Melbourne and Adelaide	Rural Rail services to major ports	Rural Intermodal and 'Inland Port' Terminals
Rural Import/Export packing and warehousing	Rural Distribution services, including freight forwarding to support port rail activities	Other port rail related land-side logistics services

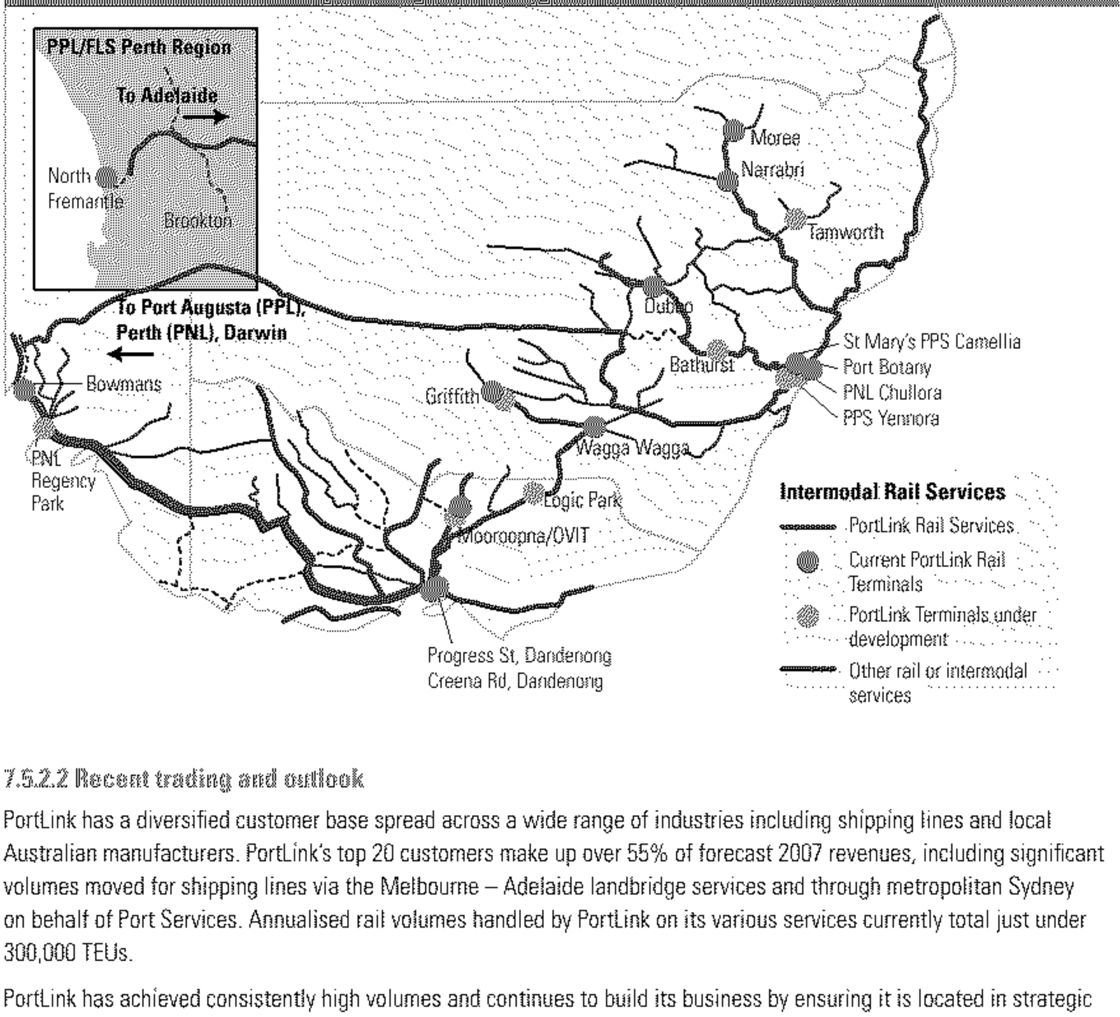
Key business attributes include operation of strategic terminals in regional areas, direct rail access available to ports, and low operational costs as a result of its green field rail business with no legacy costs.

7. Information on Asciano

PortLink operates across a network of 25 sites, located throughout south eastern Australia, with operations centred on the major international shipping terminals at Port Botany (Sydney) and East Swanson Dock (Melbourne). PortLink provides rail forwarding of import/export containers and regionally based integrated logistics solutions for importers and exporters. PortLink is a rail operator in its own right, with accreditation to operate trains in Victoria, New South Wales, South Australia and the Northern Territory. PortLink currently operates its own fleet of 30 locomotives and 500 wagons, (principally in New South Wales), and manages its access and maintenance services independent of Pacific National.

PortLink currently employs a total of approximately 380 personnel working in various roles including train operations and management, rural terminal operations, and rural warehousing and distribution operations which support PortLink rail based port services.

Figure 7.20: Site locations – PortLink Division



7.5.2.2 Recent trading and outlook

PortLink has a diversified customer base spread across a wide range of industries including shipping lines and local Australian manufacturers. PortLink's top 20 customers make up over 55% of forecast 2007 revenues, including significant volumes moved for shipping lines via the Melbourne – Adelaide landbridge services and through metropolitan Sydney on behalf of Port Services. Annualised rail volumes handled by PortLink on its various services currently total just under 300,000 TEUs.

PortLink has achieved consistently high volumes and continues to build its business by ensuring it is located in strategic regional hubs and having direct access to the ports.

It is expected that PortLink will see some expansion of its port related rail services in the near future as the focus on port activity increasingly shifts from stevedoring to the landside elements of the import and export task. Port authorities and governments around Australia are setting aggressive targets for the movement of containers by rail from the wharf, with both Perth and Melbourne seeking to move 30% of total TEUs by rail, whilst Sydney has set a target of 40%. PortLink and Port Services are working together to establish a plan for metropolitan 'inland ports' around the country to support this proposed modal shift, as well as cope with projected organic trade growth.

PortLink will also benefit from any improvement in rural conditions in the future. PortLink's flexible operating model will allow it to rapidly adapt to changing conditions and, in particular, harness the economies of scale inherent in rail operations if there is any significant uplift in rural conditions.

7.5.3 Port Services

7.5.3.1 Overview

Port Services offers a range of land based services to shipping lines, freight forwarding agents, customs brokers, importers and exporters. The primary focus is providing transport logistics (container cartage and line haul), container freight stations, warehousing and cross dock services to cargo importers, exporters and shipping lines. Other services include container park facilities, bonded storage, and Australian quarantine and customs services.

Port Services operates over a network of sites closely integrated with the Container Terminals business, and often located immediately adjacent to Container Terminals operations. Port Services locations also allow ready access to other terminal operators, meaning they can offer importers and exporters a full range of services regardless of which shipping service they choose to use.

Port Services employs approximately 680 personnel, of which approximately 570 are full time, and approximately 110 are employed on a part-time or casual basis.

Summary of Operations		
Container Parks – container storage and handling	Container packing and unpacking	Container transportation to and from Container Parks
Container repairs, refurbishment and preparation	General warehousing and bonding	Quarantine services

Port Services is a national network, providing services and facilities at all major Australian ports.

Figure 7.21: Site Locations – Port Services

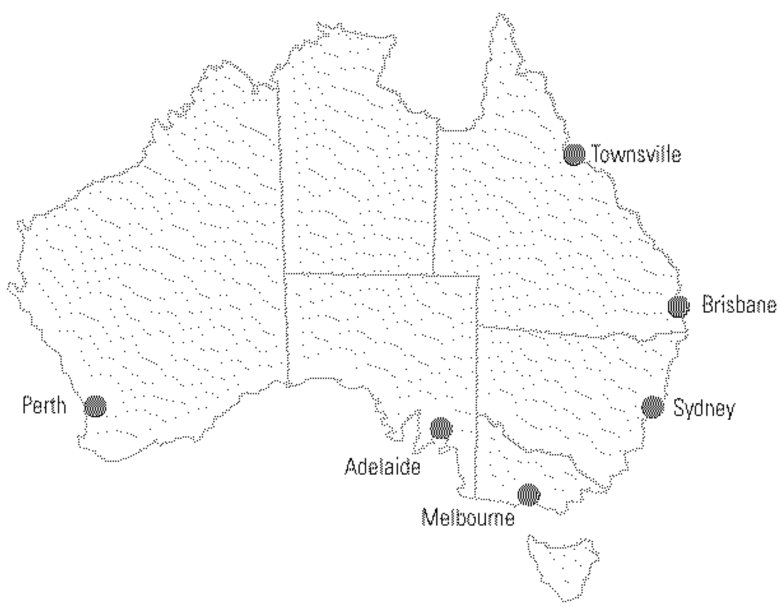


Figure 7.22: Range of Port Services facilities available at site locations

Service	Melbourne	Sydney	Brisbane	Fremantle	Adelaide	Other
Port Transport Services	✓	✓	✓	✓	✓	
Container Freight Stations	✓	✓	✓	✓	✓	
Container Parks and Services	✓	✓	✓			
Container Terminal Interchange	✓	✓	✓			
Link to Rail Terminals	✓[1]	✓[2]				
Storage – On port location	✓	✓	✓			
Bulk operations				✓		✓[3]

Notes:
1 Link to Swanson Dock, Melbourne via Appleton Rail Terminal
2 Link to Port Botany via Camellia and Yennora Metropolitan Terminals
3 Bulk operations located in Townsville

7.5.3.2 Recent trading and outlook

Port Services operates in a highly competitive market with comparatively low barriers to entry. The supplier market is characterised by a high level of fragmentation, with many small operators, including owner drivers with negligible overheads. As a result, margins in the wharf cartage sector are tight, and gross revenue is closely linked to market share.

Despite this highly competitive market Port Services remains the largest player in most of the markets it operates in with market share nationally of around 10% of wharf cartage moves. The key element in Port Services' success is its ability to differentiate itself from the many small wharf carriers through integration with its other container handling capabilities (such as empty container storage) and its 'on wharf' depot locations which allow integration with Asciano's other businesses.

Port Services supplies services to a number of significant import and export customers, as well as all major shipping lines. The ability of Port Services to offer an integrated landside solution has been a critical element in securing these large accounts as customers increasingly seek to control and consolidate their overseas supply chains. The scale and scope of Port Services operations means they are in a strong position to take advantage of both the trends in import growth and consolidation.

The outlook for Port Services is positive as it is expected to grow in line with TEU throughput at the major ports of around 7%. However, it is coming under increased pressure with regards to its key on-port leaseholds, in terms of capacity, occupancy costs, and pressure from alternative uses such as terminal expansion. Port Services sees future effort being put towards establishment of a number of rail connected metropolitan 'inland ports' to cope with the expected growth in trade, based on the success of the existing Sydney Metropolitan Port Shuttle services.

7.6 Bulk and General Ports

The Bulk and General Ports Business is focussed on providing services and infrastructure for the movement of cargo through bulk and general ports in Australia and New Zealand. The business consists primarily of the former Toll Ports and the Patrick General Stevedoring operations and employs in the vicinity of 2,100 people in Australia and 600 in New Zealand. The three related businesses within Bulk and General Ports are Bulk Ports, Stevedoring and the Toll Owen's joint venture in New Zealand.

Summary of Operations		
Specialist in Bulk Port infrastructure development and management	Stevedoring of general and bulk cargo at major and regional Australian ports	Stevedoring, marshalling, transport and storage of cargo at major and regional ports in New Zealand

Bulk Ports

Bulk Ports manages ports and port infrastructure in regional locations in Australia, providing the interface between shipping services and land distribution activities, enabling an efficient flow of imports and exports through regional ports. Main operating sites are based in Adelaide, Albany, Geelong, Geraldton and Western Port.

Stevedoring

Stevedoring provides general and bulk cargo stevedoring services at capital city and regional ports around Australia, with the customer base including the car import industry and the majority of Australia's largest primary metal manufacturers.

Toll has rapidly developed its bulk and general stevedoring business and is now the largest bulk and general stevedore in Australia, operating in 20 ports in Australia.

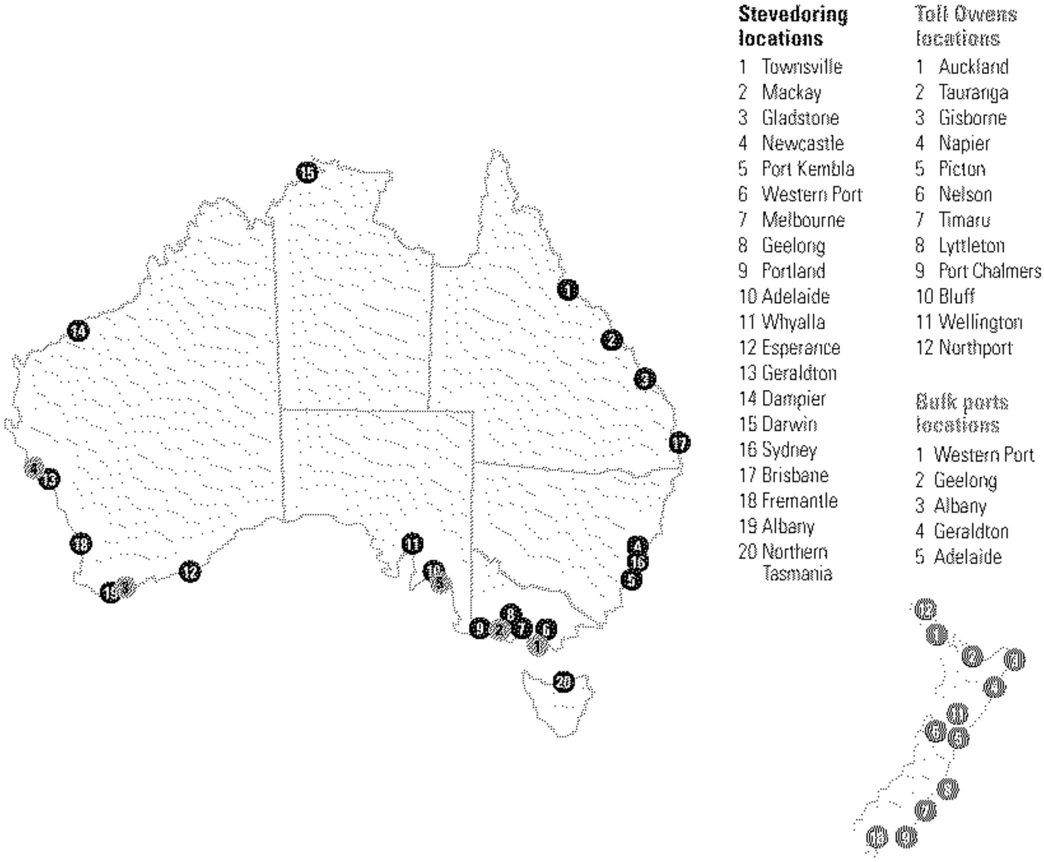
Toll Owens

Toll Owens was formed in 2004 as a 50/50 joint venture with the Port of Tauranga. Today it is New Zealand's largest on-wharf logistics company, with over 600 staff providing services at 12 ports throughout New Zealand.

Main services provided include stevedoring, marshalling, warehousing and transport of cargo, as well as distribution and logistics management. A diverse range of products are handled for customers in a variety of market segments.

Main operating sites include NorthPort, Auckland, Tauranga, Gisborne, Napier, Wellington, Nelson, Picton, Lyttelton, Port Chalmers, Timaru and Bluff.

Figure 7.23: Site locations – Ports & Stevedoring



7.6.1 Recent trading and outlook

Bulk and General Ports has been trading in line with its budget for 2007. Whilst the drought has impacted revenue from export grain volumes and import fertiliser volumes, this reduction has been offset by increases in steel and other commodities. The Toll Owens business is performing well with increasing log export volumes expected to positively impact on financial performance.

7.6.2 Customer base

The main customers of Bulk and General Ports include shipping lines, shipping agents, importers and exporters consignees, transport companies and commodity traders.

7.7 Pacific National

Pacific National is Australia's leading private freight rail operator and serves as a critical link in the national supply chain. Pacific National holds leading market positions in bulk haulage and intermodal container services and offers specialised services including express freight forwarding and the haulage of long distance prestige passenger trains.

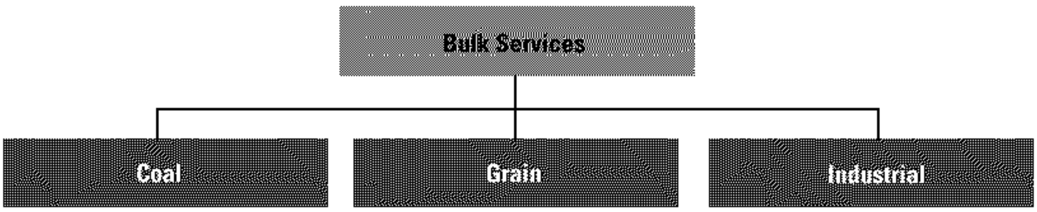
There are three principal commercial divisions within Pacific National:

- Bulk Services – providing freight services for coal, grain and bulk industrial customers;
- Intermodal – providing containerised freight services nationwide; and
- Operations Services (formerly Network and Operations) – works in partnership with Bulk Services and Intermodal to optimise the safety, capital and operational expenditure and performance of their assets.

7.7.1 Bulk Services

Bulk Services is organised into three major segments: Coal, Grain and Industrial.

Figure 7.24: Summary of Bulk Services operations



Northern
- Coal haulage for export through the Port of Newcastle and for domestic use in power stations and steel works in NSW

Southern
- Coal haulage for export through Port Kembla and for domestic use in power stations in NSW

South Australia
- Coal haulage from Leigh Creek in South Australia to the NRG Flinders power station in Port Augusta

Grain
- Provides grain services to the Australian export and domestic grain industry in NSW and VIC

Industrial
- Provides rail-based services to customers in the energy, mining and construction industries
- Haulage services for track maintenance providers
- General freight services to rural customers

7.7.1.1 Coal

Pacific National Coal is the second largest coal haulage operator in Australia, delivering approximately 92Mt of coal in 2006 by rail to both domestic and export markets. Growth in the coal haulage market is projected to continue for the next 10 years. Incumbency and installed scale are Pacific National's unique competitive advantage, and in NSW Pacific National is the market leader.

Pacific National's coal haulage contracts are characterised by medium to long-term 'take-or-pay' arrangements. These provide a guaranteed revenue floor while still capturing revenue upside from increases in volume above the floor. It is through these 'take-or-pay' volume commitments and cost pass-through mechanisms that Pacific National's strong earnings are protected. Pacific National has successfully renegotiated/re-tendered for all major contracts since 2003.

Coal is principally organised along three key geographical areas of operation: Northern, Southern and Western and South Australia.

7.7.1.2 Grain

The Grain segment provides haulage to the export and domestic grain industry, transporting the majority of grain in NSW and Victoria. The grain segment generates revenues by providing rail services to meet both domestic consumption and bulk exports. AWB is currently Grain's largest customer, with other grain customers including GrainCorp/Allied Milling/Cargill, ABB grain and Manildra Group.

The Australian grain market is characterised by volume variability, driven primarily by weather conditions impacting grain harvest volumes. The annual tonnage of grain volumes hauled varies between 3Mt to 10Mt per year depending on grain harvest volumes and the 'carryover' of grain from last season. Structural features which may have a positive influence on haulage volumes growth over the medium term include: world price for grain which has risen steadily in recent times; development of strains of grain that provide improved yield with less rainfall; and an expected increase in domestic versus export business which should reduce seasonal volatility.

7.7.1.3 Industrial

Industrial provides rail-based logistics services for bulk commodities in energy, mining, agricultural and construction industries. Hauled commodities include base metal concentrates, bulk limestone, bulk cement, stone, petroleum products and logs.

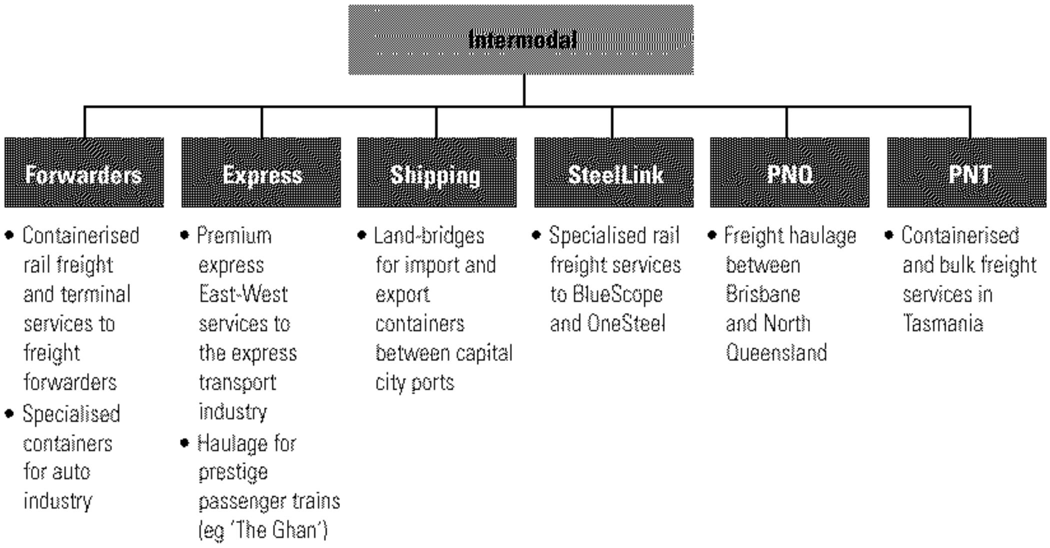
The market demonstrates growth at or above GDP. As with Coal, incumbency and installed scale are Pacific National's competitive advantage. Pacific National holds a 95% market share in South Eastern Australia and a 50% market share in South Australia. Many contracts are exclusive agreements over a 3 to 5 year term. Some include pricing agreements entailing a take-or-pay component, and most include volume-based and other periodic cost adjustment factors. Mining customers account for the largest industrial business segment on a revenue basis, followed by construction materials customers requiring the movement of base construction materials, cement and raw materials for cement production. Major industrial clients include Blue Circle Southern Cement, CBH, Perilya, Cobar, Bemax and Collex and span mining, construction, plant services and bulk liquids.

7.7.2 Intermodal

Intermodal is Australia's largest carrier of interstate rail freight and is the only operator providing daily services between all major mainland cities.

Intermodal has six divisional units: Forwarders, Express, Shipping, SteelLink, PNQ and PNT.

Figure 7.25: Summary of Intermodal operations



Intermodal provides line-haul services for Australia's largest freight forwarders, steel manufacturers, logistics providers and international shipping companies.

7.7.3 Operations Services

Operations Services is the regional passenger and freight infrastructure network (below-rail) provider in Victoria and internal rolling stock service provider to the operating divisions (above-rail) of Pacific National.

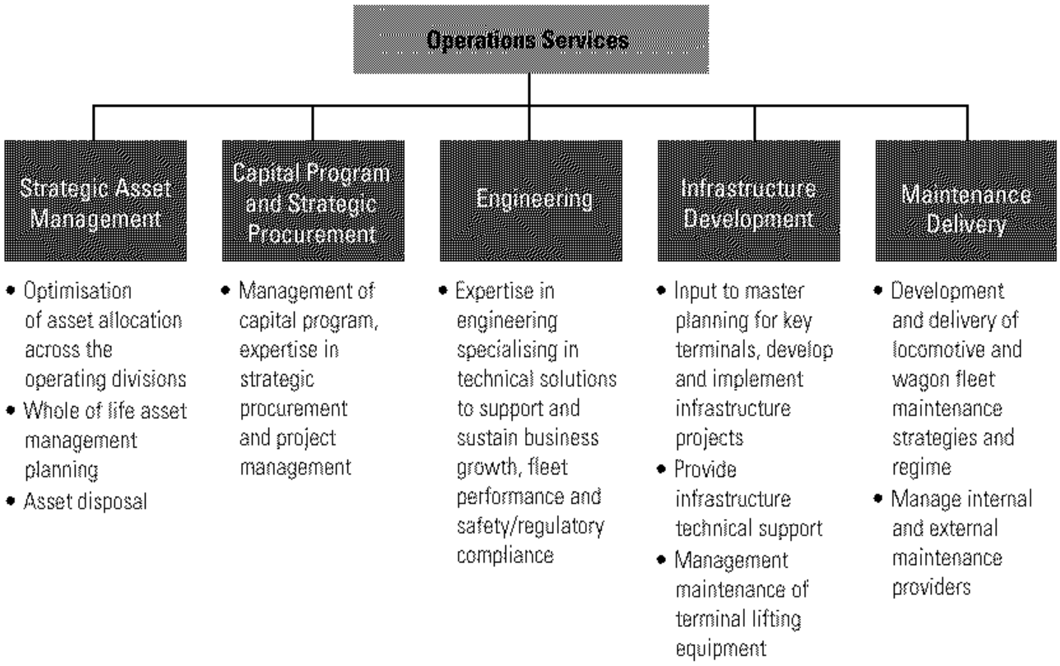
7.7.3.1 Network & Access

On 1 November 2006, the Toll Group announced it had reached an agreement to sell Network and Access, the Victorian regional rail network lease, to the Victorian Government for total consideration of A$133.8 million. Once the sale is finalised, Network & Access will no longer form part of the ongoing operations of Pacific National.

7.7.3.2 Operations Services

Operations Services works in partnership with Bulk Services and Intermodal to optimise the safety, capital and operational expenditure and performance of their assets.

Figure 7.26: Summary of Operations Services operations



Operations Services maintains a network of operational sites across Australia to deliver efficient maintenance services. Pacific National's in-house maintenance capability is complemented by a network of contracted external service providers. The two largest external service contracts are with United Group and EDI Downer. Pacific National outsources 64% of its locomotive fleet maintenance task to external maintenance providers.

7.7.4 Regulatory and Access

7.7.4.1 Overview of the Rail Access Environment in Australia

The access environment for above-rail operators in Australia is complex and there are numerous regulatory regimes and track access providers.

Under the various access regimes, a train operator may use rail infrastructure it does not own or operate for a fee. Access is offered by an infrastructure access provider either in accordance with an ACCC approved access undertaking given by the access provider under Part IIIA of the TPA or pursuant to a State access regime.

7.7.4.2 Pacific National's Access Arrangements

Pacific National pays access fees to a number of rail track operators in exchange for the right to train paths allocations and access to track.

Pacific National holds a number of access arrangements, summarised in Figure 7.27 below.

Figure 7.27: Pacific National's Access Arrangements

Track Owner	Region	Track Length (km)	Comments
ARTC	WA, SA, VIC	4,400	• Currently operating under transitional arrangements until a single ARTC access agreement under a new ACCC approved access undertaking is finalized.
ARTC/RIC/Railcorp	NSW	7,310	• Currently operating under transitional arrangements until a new ACCC approved single access undertaking covering the whole ARTC network (excluding the Hunter Valley) is entered into. • It is likely a separate undertaking will be submitted to the ACCC regarding the Hunter Valley. • Pacific National is negotiating new access agreements with RailCorp (metropolitan network) and RIC (intrastate regional network).
Pacific National	Tas	860	• Pacific National acquired ATN and the Tasmanian rail network in Feb-2004.
Pacific National/ Connex/ VicTrack	Vic	3,691	• Pacific National acquired Freight Australia and a lease of network in Sep-2004, currently under negotiation for sale to the Victorian Government. • Pacific National has access to Connex and Victrack controlled tracks.
Queensland Rail	Qld	9,499	• Access to Standard Gauge track to Brisbane. • Access to Narrow Gauge track from Brisbane to Cairns.
WestNet	WA	1,212	• Access to Standard Gauge track from Kalgoorlie to Perth and environs.

In Victoria and Tasmania, Pacific National is currently both an access seeker and network service provider. As was noted above, an in principle agreement has been reached between Pacific National and the Government of Victoria and Victrack for the surrender of the broad gauge network lease to Victrack. Once the surrender has been effected, Pacific National will no longer be an access provider in Victoria. In Tasmania, Pacific National and the Tasmanian and Commonwealth Governments have reached agreement for Pacific National to relinquish to the Tasmanian Government the track infrastructure lease but Pacific National will continue to manage the network including providing access pursuant to a State access regime.

7.8 Other businesses

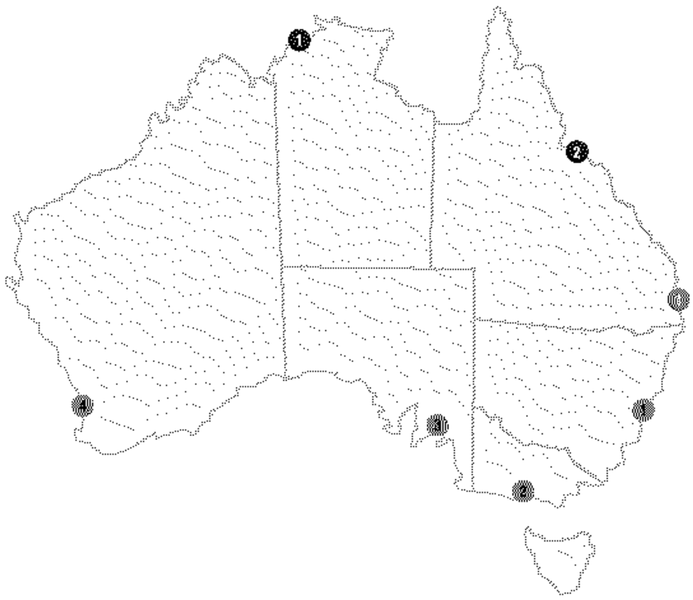
7.8.1 Patrick Autocare

Asciano will own 80% of the Patrick Autocare business with the residual 20% owned by NYK Tokyo.

Patrick Autocare offers a fully integrated supply chain service to the automotive vehicle industry through the provision of services including processing, storage and distribution of motor vehicles. To cater for its clients' requirements, many Patrick Autocare facilities are licensed bond warehouses.

On wharf processing facilities are located in Sydney, Melbourne, Fremantle, Brisbane and Adelaide.

Figure 7.28: Processing and site locations: Patrick Autocare



Inland processing facilities
1 Darwin (NT)
2 Townsville (Qld)

On-wharf processing facilities
1 Brisbane (Qld)

On wharf and inland processing facilities
1 Sydney (NSW)
2 Melbourne (Vic)
3 Adelaide (SA)
4 Fremantle (WA)

Patrick Autocare's customers include: Ford Motor Company Australia; GM Holden Limited; Kia Automotive Australia; Mazda Australia; Mitsubishi Motors Australia; Nissan Australia; Renault; Suzuki Australia; Toyota Motor Corporation Australia; Volkswagen Group Australia; and Saab Automobile Australia.

Patrick Autocare employs approximately 675 people (excluding subcontractors). Of this total, approximately 360 are employed in processing, 235 in transport, 45 in the head office and approximately 30 employees in Car Compounds of Australia (see below). Patrick Autocare currently has an approximate 48% share of the estimated $350 million vehicle storage, processing and transport market. The Patrick Autocare business provides the following services:

Vehicle Processing

Vehicle processing covers many services, from vehicle detailing to the installation of high value accessories and other fittings in accordance with its clients' requirements. Patrick Autocare has processing facilities in all the capital cities.

Vehicle Storage

Patrick Autocare has both on-wharf and inland storage facilities. Total capacity at Patrick Autocare and external facilities combined is approximately 40,000 vehicles.

Vehicle Transport

Patrick Autocare provides both interstate and intrastate vehicle transport through a variety of different modes including road (long and short haul), rail and sea.

Dealer Services and Rectification

Dealer services and rectification include pre-delivery inspection; vehicle details to showroom condition; basic vehicle registration; fuel; wheel alignment; window tinting; alarm system fitments; genuine air-conditioner fitments and major fleet servicing and fleet refurbishments. Clients include: Ford, Holden, Isuzu Trucks, Kia, Mitsubishi, Saab, Suzuki, Toyota and Volkswagen.

7.8.2 Car Compounds of Australia

Car Compounds of Australia (CCA) was formed as a 50/50 joint venture between Patrick Corporation and Mitsui O.S.K Lines. The joint venture provides storage services and processing facilities to Nissan and Renault. Patrick Autocare has exclusive management rights over the joint venture and provides the IT and other management support for CCA's operations.

7.8.3 Australian Amalgamated Terminals

Australian Amalgamated Terminals is a 50/50 joint venture with DPW. Established in 2002, the business focuses on the development and operation of multi user facilities in port areas, such as providing specialised cargo handling facilities for stevedores and other waterfront service providers. Predominantly these terminals handle motor vehicles.

AAT operates terminals in all major Australian ports except Fremantle. AAT is not a stevedore, but provides facilities and access to stevedores holding licences with AAT terminals, and offers fully approved Australian Customs systems and procedures for stevedores and their contracted shipping lines.

AAT also provides the following services to stevedores:

- Receipt and delivery of cargo;
- Manifest data entry (Unitrack);
- Yard planning;
- Security personnel;
- Customs clearance; and
- Facility security and other amenities.

Figure 7.29: AAT site locations

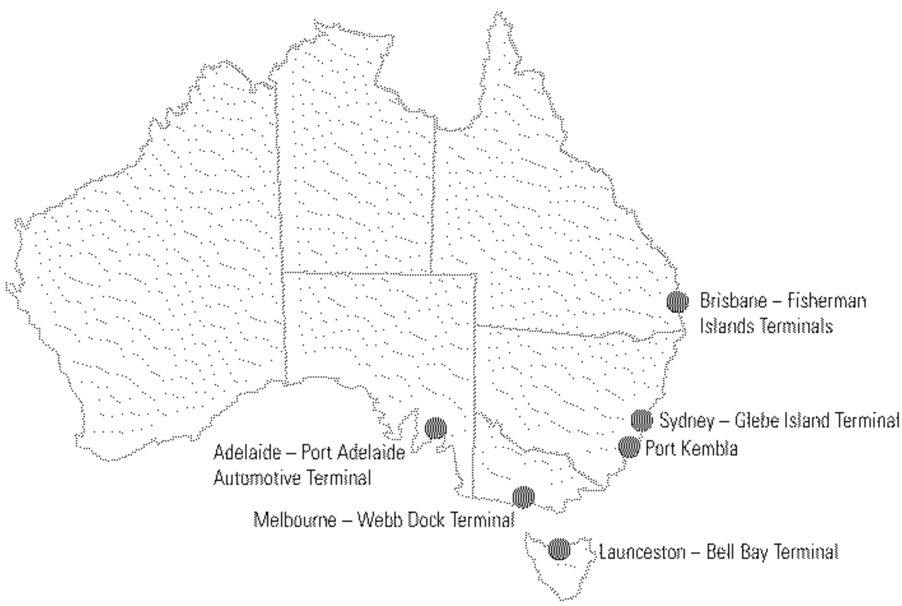


Figure 7.30: AAT site locations

Site	Description
Glebe Island Terminal – Sydney	Multi-user facility providing access to stevedoring operators and PDI operators, comprising approximately 12 hectares of paved operations and vehicle storage area, providing for a total capacity of 5,000 motor vehicle slots.
Webb Dock West Terminal – Melbourne	The terminal provides roll-on roll-off facility with space for 6000 vehicles, of which 2800 are under net. The facility can also cater for mobile machinery and break bulk cargo.
Fisherman Islands Terminals – Brisbane	Multi-purpose facility catering for motor vehicles, general cargo and containers within a total area of 26 hectares with 5,800 car slots.
Port Adelaide Automotive Terminal – Adelaide	Located at outer Harbour in Adelaide and can cater for up to 3,000 motor vehicles for export and 2,000 imported motor vehicles. The facility provides a total of 3,600 slots under net.
Bell Bay Terminal – Launceston	The terminal operates on 25,000 square meters of land and handles both container and general cargo.
Port Kembla	Under construction to replace the Darling Harbour facility and Glebe Island terminal. Business will transfer progressively from Port Jackson commencing May 2007. The $140 million expansion will be Australia's largest car import centre and enable it to process more than 240,000 motor vehicles each year. The site will be fully commissioned during the fourth quarter of 2008.

7.8.4 Queensland Bulk Handling

Queensland Bulk Handling Pty Limited (QBH) is a 50/50 joint venture with New Hope Coal. It is the only export coal terminal in Southern Queensland and is situated on Fisherman Islands at the Port of Brisbane. QBH currently exports approximately 4Mt p.a of thermal coal, predominately to the Japanese and Korean markets for electricity generation.

QBH currently has two customers – New Hope Coal and Peabody's Wilkie Creek. Both these mines are on the Darling Downs in what is known as the Surat Basin. Coal is delivered to QBH's terminal via rail in loads of approximately 1940 tonnes. Trains are unloaded and the coal is managed on stockpiles using dozers.

QBH currently employs approximately 35 people, all of which are based at the Fisherman Islands Facility in Brisbane.

New Hope Coal has sought to exercise its pre-emptive rights under the constitution of QBH as a result of the acquisition of Patrick Corporation. Discussions with New Hope Coal are continuing.

7.9 Asciano's Strategy

In relation to the existing assets, Asciano's strategy will be one of continued optimisation:

- Ongoing investment in infrastructure, including capacity enhancements (synchronised with growth in trade) and technology (with resultant productivity improvements);
- Securing market position through continued high productivity and service levels with attendant economies of scale;
- Driving further efficiencies from a 100% ownership of Pacific National through improvements in intermodal service levels and an ability to extract synergies between Patrick and PortLink operations;
- Pursuing growth opportunities in new bulk markets, in particular leveraging existing customer relationships to grow into new markets;
- Capitalise on the infrastructure improvements being undertaken on the north-south rail corridor to capture greater market share; and
- Manage relationships with relevant government authorities and other stakeholders to protect and enhance the business.

In addition to an organic growth strategy, Asciano will look to target strategic acquisitions in Australia and offshore within its mandate of transport infrastructure, including but not limited to, ports, rail, toll-roads and airports. These potential acquisitions will aim to leverage management's experience in running and optimising major transport infrastructure assets.

7.10 Asciano Board and Management

7.10.1 Asciano Board

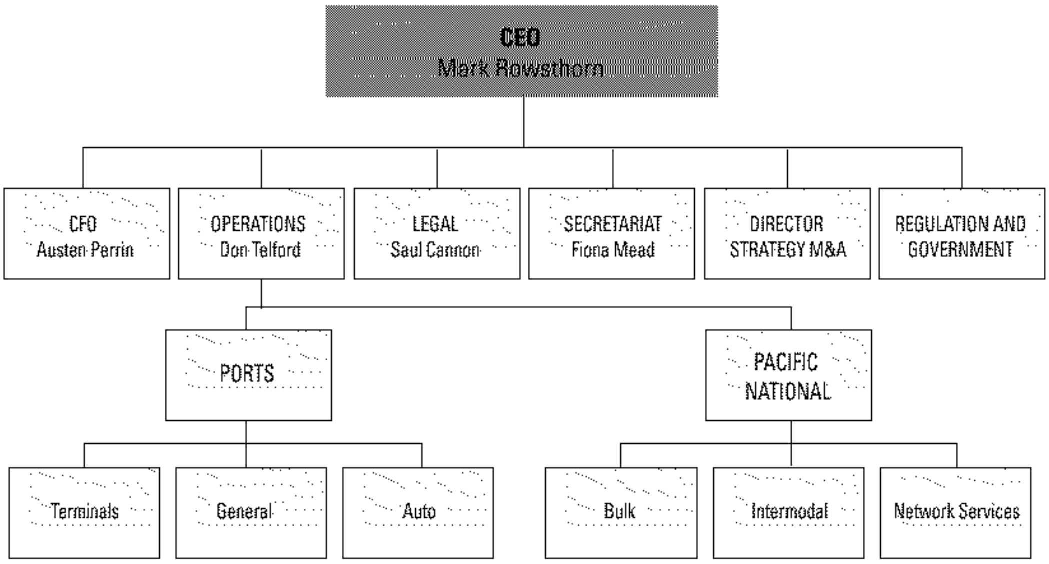
Following the Restructure, the Boards of Directors of Asciano Limited and Asciano Finance Limited will be constituted as set out below.

Name/Position	Biography
Tim Poole, Chairman	• Currently the Managing Director of Hastings Funds Management Limited (HFM). HFM is a leading investor in infrastructure, high yield debt and private equity investments in Australia and internationally. HFM has offices in Melbourne, London and New York and currently has more than $4.3 billion in funds under management. Tim has spent more than eleven years working for HFM and has extensive experience investing in transport infrastructure investments. • Prior to joining HFM, Tim gained six years experience working in the taxation services group of Price Waterhouse. • Tim is currently a Director of the ASX listed Australian Infrastructure Fund, the Epic Energy group of companies and the Victoria Racing Club. Until recently Tim was also a Director of Melbourne Airport. • Tim will be leaving HFM with effect from 15 June 2007. Tim will be appointed as a Director after this date.
Chris Barlow, non-executive director	• Currently the Managing Director and Chief Executive Officer of Australia Pacific Airports Corporation, operator of Melbourne and Launceston Airports, since July 2000. • Over 30 years experience in the aviation industry having joined BAA (formerly British Airports Authority) in 1969 as an Engineering Project Manager, and has held a number of senior management positions within BAA including: – Managing Director, Aberdeen Airport; – General Manager, Terminal 3, Heathrow Airport; and – Development Director at BAA (responsible for the A$1.5 billion business development programme of the BAA Group).
Peter George, non-executive director	• Currently Executive Chairman of Nylex Limited. • Non Executive Director of PMP Limited since 2002. • Non Executive Director of Optus Communications from 1994 to 1998. • Executive Director Strategy and Policy, Cable & Wireless Optus Limited from 1998 to 2002. • Managing Director B Digital Limited from 2002 to 2006.
Mark Rowsthorn, CEO	• Refer Section 7.10.2.

7. Information on Asciano

7.10.2 Asciano Management

Figure 7.31: Asciano Management



Name/Position	Biography
Mark Rowsthorn CEO	• Joined Toll in 1987. Currently holds the position of Executive Director Operations of Toll. • In his current role, Mark is responsible for Toll's Australian and New Zealand operations and has played a leading role in the development of those businesses. Over the years Mark has been closely involved in the evaluation and negotiation of many of the business acquisitions undertaken by Toll. • Prior to joining Toll, Mark had gained more than 10 years experience in various management positions with a multi national transport group. • Mark is Chairman of Virgin Blue Holdings Ltd and Toll NZ Limited, and is also a director of Toll subsidiaries. • Mark will be resigning from the Toll Group boards on the Effective Date.
Don Telford Head of Operations	• Currently CEO of Pacific National (appointed in May-2006). • Previously Group Director of the Toll Logistics Group (since Dec-1997), responsible for the development and implementation of Toll's Logistics strategy. • Prior to joining Toll, Don was Executive General Manager of the Logistics Group of TNT Australia, responsible for establishing and developing TNT's logistics presence and capability in the Australian market.

Name/Position	Biography
Austen Perrin Chief Financial Officer	• Currently CFO of Pacific National (appointed in Sep-2006). • Previously Director and CFO of Toll New Zealand Ltd for three years. Responsible for the integration and restructure of the NZX publicly listed TranzRail acquisitions in Oct-2003. • Spent seven years in the Toll Group previously as Group Financial Controller for the Networks and Logistics Groups, responsible for overall business unit finance and accounting. • Prior to joining Toll, Austen spent nine years with TNT in various corporate finance and line management roles including rail freight forwarding.
Fiona Mead Company Secretary	• Appointed Company Secretary of Asciano Limited on 3 April 2007. • Prior to joining Asciano Limited Fiona was Assistant Company Secretary at Telstra Corporation Limited for 5 years, a role which included being Company Secretary of 8 active subsidiaries, 3 joint ventures and over 180 subsidiaries and acting as Company Secretary of Telstra on a number of a occasions. • Prior to joining the Company Secretary's Office Fiona was Telstra's Networks Counsel, a role which required advising on all aspects of construction and management of telecommunications infrastructure. • Fiona was a senior associate at a major Melbourne law firm prior to joining Telstra.
Saul Cannon Group General Counsel	• Saul will join Asciano as Group General Counsel in early July 2007. • Currently General Counsel – Mergers & Acquisitions and Telstra Asia at Telstra Corporation Limited. Last year Saul was the lead Telstra lawyer on T3, the A$15.5 billion sale by the Commonwealth of its remaining shareholding in Telstra. • Since joining Telstra in 1998, Saul also worked in a number of different business areas, including 3 years as General Counsel and Company Secretary of TelstraClear Limited, Telstra's New Zealand business. • Prior to joining Telstra, Saul worked at leading Australian law firm Mallesons Stephen Jaques.

7.11 Corporate governance

7.11.1 Board and corporate governance

This Section of the Scheme Book sets out the approach that Asciano Limited will take following the implementation of the Restructure and that Asciano Finance Limited will take following its appointment as Responsible Entity of the Asciano Finance Trust in relation to corporate governance. The approach of Asciano to corporate governance will be broadly consistent with Toll's current approach to corporate governance.

In this Section 7.11:

- The term 'Board' is used to refer to the Asciano Board;
- The term 'Committee' is used to refer to a committee of the Asciano Board;
- The term 'Company' is used to refer to Asciano Limited and Asciano Finance Limited following its appointment as Responsible Entity of the Asciano Finance Trust;
- The term 'Director' is used to refer to an Asciano Director; and
- The term 'Shareholder' is used to refer to the holder of Stapled Securities in Asciano.

7.11.1.1 Composition of the Board

The composition of the Board will be as set out in Section 7.10.1 with effect from the Implementation Date.

Specific arrangements will be implemented to deal with any potential or actual conflict of interest issues that may arise.

7.11.1.2 Role of the Board

The Board's responsibilities following the Restructure will be encompassed in formal charters that will be published on the Company's website. The charters will be reviewed annually to determine whether any changes are necessary or desirable.

As part of the Restructure, senior managers critical to the continued success of the entity will enter into long-term employment contracts. New options and share-based payment schemes will be designed to ensure the alignment of management compensation with shareholder value whilst helping to mitigate the risk of losing key management talent.

The major roles of the Board after the Restructure will include:

- Reviewing and approving the strategic direction of the Company with management and monitoring management's implementation of that strategy;
- Monitoring financial outcomes and the integrity of reporting, and in particular approving annual budgets and longer term strategic and business plans;
- Setting specific limits of authority for management to commit to new expenditure, entering contracts or acquiring businesses;
- Monitoring the effectiveness of the Company's audit, risk management and compliance systems that are in place to protect the Company's assets and to minimise the risk of the Company operating beyond legal requirements or beyond acceptable risk parameters;
- Monitoring compliance with regulatory requirements (including continuous disclosure) and ethical standards, including reviewing and ratifying codes of conduct and compliance systems;
- Monitoring the performance of the CEO against established objectives;
- Ratifying the appointment (and, if appropriate, the removal from office) of the Chief Financial Officer and the Company Secretary;
- Approving conditions of service and performance monitoring procedures to apply to senior management;
- Regularly reviewing senior management succession planning and development; and
- Providing effective and timely reporting to Securityholders.

7.11.1.3 Board Committees

To assist in carrying out their responsibilities, the Board will establish the following standing Committees following the Restructure:

- Audit & Financial Risk Committee;
- Nomination and Corporate Governance Committee; and
- Remuneration and Succession Planning Committee.

Each Committee will develop a charter that will outline its responsibilities and will be available on the Company's website.

The intended roles and responsibilities of each of these Committees are considered below.

Audit & Financial Risk Committee

The Board will establish an Audit & Risk Management Committee, comprising non-executive Directors with at least the Chairman having appropriate financial experience. Meetings shall normally be held at least three times a year or as otherwise determined by the Board.

It is intended that the CFO and other representatives of management and the external auditor will attend Committee meetings at the discretion of the Committee.

The Committee may also meet privately with the external auditor on general matters concerning the external audit, and other related matters, including when considering the half year and full year financial reports.

The Committee may consider any appropriate matters relating to the financial affairs of the Company and its Subsidiary companies and to the Company's external audit. In addition, the Committee shall examine any other matters referred to it by the Board.

The duties of the Committee will be as follows:

- Monitor any matters outstanding with auditors, Australian Taxation Office, Australian Securities & Investments Commission, Australian Stock Exchange and financial institutions and monitor compliance with the Corporations Act 2001 and Listing Rules;
- Monitor corporate financial risk assessment and internal controls;
- Review and monitor compliance with the Company's Auditor Independence Policy;
- Liaise with external auditors;
- Review the annual audit plan with the auditors;
- Review information derived from the audit;
- Review interim financial information;
- Review accounting policies;
- Review effectiveness of internal audit and cross divisional reviews;
- Monitor risks relating to business continuity, disaster recovery, reputation, currency exposure and interest rate exposure;
- Review compliance with relevant government regulations;
- Assess the performance of financial management;
- Review adequacy of insurance coverage;
- Recommend to the Board the appointment, re-appointment or replacement of the external auditors;
- Review performance and compensation of the external auditors; and
- Supervise special investigations as directed by the Board

Nomination and Corporate Governance Committee

The Board will establish a Nomination and Corporate Governance Committee. The Committee will meet as often as necessary, but must meet at least twice a year

The purpose of the Committee is to assist the Board by:

- Monitoring the size and composition of the Board and its Committees;
- Recommending individuals for nomination as members of the Board and its Committees;
- Reviewing Board succession plans;
- Ensuring that the performance of the Board and its Committees is reviewed;
- Ensuring that the Board Chairman reviews the performance of each Board member; and
- Establishing and monitoring the procedures to protect the ethical standards of the Group.

In addition to any other matters which may be delegated to the Committee by the Board (including special investigations), the Committee will be responsible for:

- Size and Composition of the Board
  - regularly reviewing the size and composition of the Board and making recommendations to the Board with regard to any appropriate changes;
  - advising the Board regarding competencies required of Directors;
  - establishing and using a criteria for membership selection;
  - making recommendations to the Board regarding re-election of Directors retiring by rotation;
- New Directors
  - developing a policy and procedures for the selection and appointment of Directors;
  - identifying individuals potentially suited to become Directors;
  - ensuring that an effective orientation program for new Directors is in place, and reviewing as necessary its effectiveness;
- Board Committees
  - identifying Directors qualified to fill vacancies on Board Committees and making recommendations to the Board in relation thereto;
- Succession Plans
  - establishing and reviewing Board succession plans to maintain an appropriate balance of skills, experience and expertise on the Board and providing advice to the Board on those matters;

- Performance
  - developing and implementing a plan for identifying, assessing and enhancing Director competencies;
  - Establishing procedures for use by the Committee to evaluate the performance of the Board and each Director;
- Board Guidelines
  - considering and making recommendations to the Board on the Board's operating guidelines;
- Corporate Governance
  - periodically reviewing the Company's Corporate Governance Guidelines and establishing procedures to promote compliance;
  - periodically reviewing the Corporate Code of Practice, as well as procedures to promote compliance;
  - approving and reviewing policies on sensitive issues or practices such as:
    - Environmental issues;
    - Equal Opportunity Policy;
    - Drugs and Alcohol; and
    - Periodically reviewing the Company's Continuous Disclosure Policy.

Remuneration and Succession Planning Committee

The Remuneration and Succession Planning Committee shall review and make recommendations to the Board on remuneration packages and policies applicable to the CEO, Executive Directors and non executive Directors, and where considered appropriate Senior Executives. Meetings shall normally be held at least twice per year.

Remuneration levels are to be competitively set to attract and retain appropriately qualified and experienced Directors and Senior Executives.

The duties of the Remuneration and Succession Planning Committee are as follows:

- Review remuneration, allowances and incentives of the CEO;
- Review non-executive Directors fees;
- Review and make recommendations to the CEO on remuneration, allowances and incentives of other Executive Directors;
- Review and ratify senior executive remuneration, allowances and incentives;
- Oversee compliance with statutory responsibilities relating to remuneration disclosure;
- Review policies and reporting responsibilities relating to employee share and option plans;
- Review the Company's superannuation plan and compliance with relevant laws and regulations;
- Review senior executive and Director retirement and termination payments;
- Review and monitor fringe benefits;
- Review adequacy of Directors and Officers liability insurance policies; and
- Monitor executive succession planning.

7.11.1.4 Board processes

The Board processes of Asciano will be governed by the Constitution of Asciano which is summarised in Section 12.

7.11.1.5 Resources available to the Board

Directors will have unfettered access to company records and information reasonably necessary for the fulfilment of their responsibilities. Directors will also have access to the Company Secretary and other relevant senior management to seek explanations and information. They will receive regular detailed reports on financial and operational aspects of Asciano's business and may request elaboration or explanation of those reports at any time. Each Director will have the added right to seek independent professional advice at Asciano's expense. Prior approval of the Chairman will be required but this may not be unreasonably withheld.

The Chairman will be responsible to see that all Board members are well briefed and have access to information on all aspects of Asciano's operations. Directors and senior management will be encouraged to broaden their knowledge of Asciano's business and to keep abreast of developments in business more generally by attendance at relevant courses, seminars and conferences. The Company will meet the expenses involved in such activities.

7.11.2 Directors' fees

The maximum aggregate remuneration of the non-executive directors of Asciano Limited has been determined by the Board of Asciano Limited to be A$1 million a year, inclusive of superannuation but exclusive of reimbursement of expenses. That maximum cannot be varied other than as is determined by Asciano Limited in general meeting from time to time.

The maximum aggregate remuneration of the non-executive directors of Asciano Finance Limited has been determined by the Board of Asciano Finance Limited to be A$1 million a year, inclusive of superannuation but exclusive of reimbursement of expenses. This maximum aggregate amount is thought necessary in the case of Asciano Finance Limited because of the potential need to appoint additional independent directors to the board of that company.

The structure of the remuneration is a base fee plus a committee fee of $10,000 for chairing a committee. The non-executive directors (including the Chairman) receive no extra remuneration for participating in a Board committee. This structure ensures that the remuneration reflects the general responsibilities of individual Directors as well as the extra responsibilities and workload involved in chairing a committee. The Chairman of the Board receives no extra remuneration for chairing committees.

The base annual remuneration to be paid (including superannuation) to the Asciano Chairman and non-executive directors will be as follows:

- Tim Poole, Chairman – $250,000
- Peter George, non-executive director – $100,000
- Chris Barlow, non-executive director – $100,000

The Toll Board considers that these amounts are in line with market rates for a company with the characteristics of Asciano.

7.11.3 Director indemnities

Asciano Limited will enter into deeds of indemnity, insurance and access with each of their directors. Refer to Section 12.5.2(d) for a summary of the terms of the deed.

7.11.4 Employee and Executive Equity Plans

Asciano is currently finalising various equity plans. These plans are intended to effectively align the interests of employees and executives of the Asciano Group with those of Securityholders and to provide a competitive long term incentive arrangement for those employees and executives.

Asciano proposes to establish the following plans:

- options and rights plan ('Option Plan'); and
- general security ownership plan(s) ('Ownership Plan').

The Plans will contain customary and usual terms for dealing with the administration, variation, termination and suspension of the Plans. The key terms of each proposed Plan are set out below.

7.11.4.1 Option Plan

General

Under the Option Plan, the Asciano Board will have the discretion to grant options and rights to participants. An option gives a participant a right to acquire a Stapled Security upon payment of an exercise price, subject to the achievement of any vesting conditions. A right gives a participant a right to acquire a Stapled Security for no consideration, subject to the achievement of any vesting conditions.

Eligibility

The rules will allow for offers under the Option Plan to be made to any employee of the Asciano Group, including executive directors, or such other person as the Asciano Board, in its discretion determines. However, it is intended that the Option Plan will only be open to executives and senior management of the Asciano Group.

Grant of options and rights

Options or rights may be granted subject to vesting conditions, including time and performance based hurdles.

Allocation of Stapled Securities

Stapled Securities will be allocated following exercise, upon vesting of the option or right following satisfaction of any performance based vesting conditions or time based vesting conditions.

On exercise, Asciano may deliver Stapled Securities by new issue or by purchasing Stapled Securities on market for transfer to participants.

No exercise price will be payable upon the exercise of rights.

Grants of Stapled Securities under the Plan will be subject to a 5% cap, inclusive of Stapled Securities that may be granted under other equity plans of Asciano for employees and non-executive directors, but disregarding offers made outside of Australia, made under a disclosure document or which do not require a disclosure document.

Expiry of options and rights

Options and rights that have not vested before the end of the vesting period will expire on the expiry date specified at the date of grant or if the Asciano Board determines that they are to be forfeited.

Restrictions on Stapled Securities and Forfeiture Conditions

Options and rights, and Stapled Securities delivered on exercise, may be subject to forfeiture (subject to lifting at the discretion of the Asciano Board) if a participant commits any act of fraud, defalcation or gross misconduct in relation to the Asciano Group.

Stapled Securities delivered on exercise may be subject to disposal restrictions (subject to removal at the discretion of the Asciano Board).

7.11.4.2 Ownership Plan

General

Under the Ownership Plan, which will enable participation by all eligible employees, employees may be offered the opportunity to subscribe for Stapled Securities. These Stapled Securities may be offered either at their market value (in which event limited recourse loans to eligible employees may be provided) or at a discount to market value. If a discount is offered it will be up to a maximum of $1,000 for each employee, which amount will potentially be tax free to the employee.

From the date Stapled Securities are acquired under the Ownership Plan, employees will have full entitlements to all Distributions and voting rights attaching to those Stapled Securities.

Eligibility

All Asciano Group employees, other than casual employees, will, subject to minimum service periods, be eligible to participate in the Ownership Plan. The Asciano Board retains the discretion to change the requirements for eligibility.

Allocation of Stapled Securities

Asciano may deliver Stapled Securities by new issue or by purchasing Stapled Securities on market for transfer to participants. The Asciano Board has the ultimate discretion as to whether the Stapled Securities are purchased on market or provided by way of a new issue.

Grants of Stapled Securities under the Plan will be subject to a 5% cap, inclusive of Stapled Securities that may be granted under other equity plans of Asciano for employees and non-executive directors, but disregarding offers made outside of Australia, made under a disclosure document or which do not require a disclosure document.

Restrictions on Stapled Securities and Forfeiture Conditions

Stapled Securities may be offered subject to a disposal restriction (which the Asciano Board may lift in certain circumstances) such that Stapled Securities delivered under the Ownership Plan cannot be disposed of or otherwise dealt with for a certain period of time, or when the participant ceases to be employed by the Asciano Group, if earlier.

Stapled Securities delivered under the Ownership Plan may be subject to forfeiture (subject to lifting at the discretion of the Asciano Board) if a participant commits any act of fraud, defalcation or gross misconduct in relation to the Asciano Group.

Stapled Securities delivered under the Ownership Plan may be required to be held by a trustee on behalf of participants, with the Stapled Securities transferred to participants or sold when the disposal restriction or forfeiture condition ceases to apply.

7.12 Asciano Group financial information

7.12.1 Basis of preparation

This Section 7.12 contains information concerning the financial performance, cash flows and financial position of Asciano Group. Reference to financial information relating to Asciano refers to the Stapled Asciano Group on a consolidated basis. The following financial information has been prepared:

- Summary pro forma historical income statements for the year ended 30 June 2006 and half year ended 31 December 2006, and summary pro forma forecast income statements for the 2 years ending 30 June 2008;
- Summary of pro forma revenue, EBIT, EBITDA, and Capex by key operating segment for the historical year ended 30 June 2006, half year ended 31 December 2006, and forecast years ending 30 June 2007 and 2008;
- Reconciliation of pro forma forecast NPAT to expected statutory forecast NPAT for the year ending 30 June 2007;
- Summary pro forma schedule of historical cash flows for the year ended 30 June 2006, half year ended 31 December 2006, and forecast operating cashflows for the 2 years ending 30 June 2008;
- Pro forma forecast Distributions for the 2 years ending 30 June 2008; and
- Pro forma historical balance sheet as at 31 December 2006.

KPMG Transaction Services (Australia) Pty Limited ('Investigating Accountant') has prepared an Investigating Accountant's Report in respect of the financial information presented in this Section 7.12. The financial information should be read in conjunction with the Investigating Accountant's Report included in Section 15.

The financial information below has been presented in an abbreviated form. It does not include all the disclosures usually provided in an annual report prepared in accordance with the Corporations Act. Further details relating to the historical financial information and accounting policies of Toll are set out in the audited financial statements for the year ended 30 June 2006 and reviewed interim financial statements for the half year ended 31 December 2006. They can be found on Toll's website at www.tollgroup.com.

7.12.2 Pro forma historical financial information

The Directors of Toll have prepared the pro forma historical income statements and schedule of operating cash flows for Asciano for the year ended 30 June 2006 and half year ended 31 December 2006 ('the pro forma historical financial information'). The pro forma historical financial information is extracted from the Toll audited financial statements for the year ended 30 June 2006, reviewed interim financial statements for the half year ended 31 December 2006, and Toll accounting records.

The basis of preparation and pro forma assumptions applied in the compilation of the pro forma historical financial information are as follows:

- Toll's AIFRS accounting policies will be adopted and consistently applied by Asciano;
- Recognition of the 12 months trading result to 30 June 2006 for all businesses and assets to be divested by Toll to Asciano; and
- No adjustment has been made to the pro forma historical financial information in relation to restating results for synergies and reductions in costs or to reflect a full year of the additional depreciation and amortisation charges arising from the accounting for Toll's acquisition of Patrick in the year ended 30 June 2006.

Refer to Section 7.12.13 which separately sets out the basis of preparation and pro forma adjustments assumed in the preparation of the pro forma historical balance sheet.

7.12.3 Pro forma forecast financial information

(a) Unforeseen events in respect to the pro forma forecast financial information

The pro forma forecast financial information for Asciano for the years ending 30 June 2007 and 2008 represents the Toll Directors' best estimates. Toll has used due care and attention in the preparation of this pro forma forecast financial information and the Directors of Toll consider the assumptions to be reasonable when viewed as a whole. However, this information is not fact and shareholders should not place undue reliance on the pro forma forecast financial information.

The pro forma forecast financial information should not be regarded as a representation or warranty with respect to its accuracy of the best estimate assumptions or that Asciano will achieve, or is likely to achieve, any particular results.

Forecasts are, by their nature, subject to a variety of business, economic and competitive risks and uncertainties, almost all of which are outside the control of Asciano and its Directors. Events and circumstances often do not occur as anticipated and therefore actual results are likely to differ from the forecasts. These differences may be material. Accordingly, the Directors cannot, and do not, offer any assurance that the forecasts will be achieved. Events and outcomes might differ in quantum and timing from the assumption, with material consequential impact on the pro forma forecast financial information.

The pro forma forecast financial information should be considered together with the sensitivity analysis presented in Section 7.12.14 and the risk factors highlighted in Sections 5 and 7.14. It should be noted that the summary pro forma income statements and statements of cash flows of Asciano do not purport to reflect what will be the likely reported earnings or cash flows of Asciano for the year ending 30 June 2007 and 2008, or any other period.

(b) Pro forma adjustments

The Directors' pro forma forecast income statements and schedule of operating cash flows and Distributions for Asciano have been prepared for the years ending 30 June 2007 and 2008 ('the pro forma forecast financial information'), based on the following pro forma adjustments and principles:

- The Restructure date is assumed to be 1 July 2006, i.e. the pro forma forecast information reflects a full 12 months forecast for all businesses and assets that will be divested by Toll to Asciano;
- Assumes the capital structure is as indicated in the pro forma historical balance sheet set out in Section 7.12.12 throughout the years ending 30 June 2007 and 2008;
- Adjustments to recognise the forecast annualised synergy benefits and expected ongoing head office costs of Asciano; and
- Assumes no changes to the additional depreciation and amortisation charges arising from the accounting of Toll's acquisition of Patrick, from those incurred on the applicable assets under Toll ownership.

The pro forma forecast financial information has been extracted from the accounting records of Toll.

7.12.4 Summary pro forma income statements

The Asciano historical pro forma income statements have been extracted from Toll's audited financial statements for the year ended 30 June 2006, reviewed interim financial statements for the half year ended 31 December 2006 and accounting records of Toll.

The pro forma forecast income statements for the years ending 30 June 2007 and 2008 are based on a number of assumptions which represent the Toll Directors' best estimates, as set out in Sections 7.12.10 and 7.12.11.

Summary Asciano pro forma income statements ($ millions)

Year ending	30 June 2006 Pro forma historical	6 months ended 31 Dec 2006 Pro forma historical	30 June 2007 Pro forma forecast	30 June 2008 Pro forma forecast
Revenue	2,501	1,368	2,588	2,862
EBITDA	511	311	594	712
EBIT before depreciation and amortisation arising from acquisition accounting	352	222	419	509
EBIT	344	175	333	423
Share of associate's NPAT	11	5	9	9
EBIT (including share of associate's NPAT)	355	180	342	432
Net interest expense			(312)	(325)
Pro forma NPBT			**30**	**107**
Income tax expense			(9)	(32)
Pro forma NPAT before minority interests and non-recurring items			**21**	**75**
Minority interest			(4)	(4)
Pro forma NPAT attributable to shareholders before non-recurring items			**17**	**71**
Non recurring items			–	–
Pro forma NPAT attributable to shareholders after non-recurring items			**17**	**71**
Pro forma Diluted EPS before non-recurring items and depreciation and amortisation arising from acquisition accounting (cents)			*11.8*	*20.0*
Pro forma Diluted EPS before non-recurring items (cents)			*2.6*	*10.8*
Pro forma Diluted EPS after non-recurring items (cents)			*2.6*	*10.8*

Notes:
1 Non-recurring items are nil on a net basis but include offsetting costs and income of $10 million respectively

Reductions in pro forma forecast EBIT in the year ending 30 June 2007 is attributable to the fact that the year ending 30 June 2006 includes a full year operating EBIT but only 2 months of the additional depreciation and amortisation charges arising from the accounting of Toll's acquisition of Patrick, whereas the forecast for the year ending 30 June 2007 includes a full year charge of $86 million relating to these additional depreciation and amortisation costs.

EPS calculations assume there are 657 million Asciano Shares on issue following the $150 million equity capital raising (see Section 6.5 of this Scheme Book) and that there are no Asciano options in existence.

7.12.5 Summary of key financial parameters by key operating segment

The following table identifies key income statement parameters and capital expenditure by operating segment in the Asciano business, being presented as Ports (including ports related businesses) and Pacific National, for the pro forma historical year ended 30 June 2006 and half year ended 31 December 2006, and forecast years ending 30 June 2007 and 2008.

Key operating segments – Asciano ($ millions)

Year ending	30 June 2006 Pro forma historical	6 months ended 31 Dec 2006 Pro forma historical	30 June 2007 Pro forma forecast	30 June 2008 Pro forma forecast
Ports and head office				
Revenue	1,025	521	1,060	1,156
EBITDA	240	150	299	341
EBIT before depreciation and amortisation arising from acquisition accounting	190	120	228	263
EBIT	182	73	142	177
Capex	208	56	121	233
Pacific National				
Revenue	1,476	847	1,528	1,706
EBITDA	271	161	295	371
EBIT	162	102	191	246
Capex	178	41	152	177

Notes:
1 The additional depreciation and amortisation costs arising from acquisition accounting of $86 million per annum have been allocated to Ports and head office. This includes additional costs of $37 million relating to Pacific National assets. Therefore EBIT for this segment is presented before and after these costs.
2 EBIT and EBITDA is presented before accounting for the NPAT of associates.

7.12.6 Reconciliation of pro forma forecast NPAT to expected statutory forecast NPAT

The pro forma forecast income statement of Asciano for the year ending 30 June 2007 assumes a Restructure date of 1 July 2006. The following table reconciles from the pro forma forecast NPAT and EPS of Asciano for the year ended 30 June 2007 to the expected statutory forecast NPAT and EPS for the year ending 30 June 2007. In preparing the reconciliation, it has been assumed that the Restructure is effected and control of Asciano is transferred on 31 May 2007.

Reconciliation of Asciano pro forma forecast NPAT to expected statutory forecast NPAT

Year ending 30 June 2007	NPAT $m	Diluted EPS (cents)
Pro forma forecast NPAT after minority interests and non recurring items	**17**	**2.6**
Adjusted for:		
Less: Asciano trading for 11 months (NPAT impact)	(15)	
Expected statutory forecast NPAT after minority interests and non recurring items	**2**	**0.3**

The reconciliation reflects 1 month's trading as Asciano compared to a pro forma full year result.

7.12.7 Summary pro forma schedule of cash flows

The Asciano pro forma historical schedule of cash flows have been extracted from Toll's audited financial statements for the year ended 30 June 2006, reviewed interim financial statements for the half year ended 31 December 2006 and accounting records of Toll.

The pro forma forecast schedule of cash flows for the years ending 30 June 2007 and 2008 are based on a number of assumptions which represent the Toll Directors' best estimates, as set out in Sections 7.12.10 and 7.12.11.

Summary pro forma Asciano schedule of cash flows ($ millions)

Year ending	30 June 2006 Pro forma historical	6 months ended 31 Dec 2006 Pro forma historical	30 June 2007 Pro forma forecast	30 June 2008 Pro forma forecast
EBITDA	**511**	**311**	**594**	**712**
Dividends from associates	8	4	7	7
Capital expenditure	(386)	(97)	(273)	(410)
EBITDA less capex	**133**	**218**	**328**	**309**
Net interest			(312)	(325)
Tax paid			–	–
Change in working capital			(1)	(6)
Financing			78	197
Net cash flows available for distribution			**93**	**175**
Distribution payments			–	(150)
Movement in cash			**93**	**25**

The forecast Distributions assume Asciano has adequate cash resources to pay the forecast Distributions. Refer to Section 5.5.4 for further details of Asciano's intended Distribution policy.

7.12.8 Asciano forecast Distributions per Stapled Security summary

Set out below is a summary of Asciano's forecast Distributions per Stapled Security for the pro forma forecast years ending 30 June 2007 and 2008. Note that this table presents the level of Distributions which will be declared for a given period. Cash flow information presented in Section 7.12.7 is based on the amount of Distributions paid in a period rather than declared.

Forecast cash equivalent distribution per security ($)

Year ending	30 June 2007 Pro forma forecast	30 June 2008 Pro forma forecast
Taxable	–	0.10
Tax deferred	–	0.36
Total distribution per Security	**–**	**0.46**

Refer to Section 5.5.4 for information on Asciano's Distribution policy. Refer to Section 12.8.6 for information on Asciano's proposed Distribution Reinvestment Plan.

7.12.9 Management commentary on pro forma historical results

Commentary on the historical results of Asciano's business units is provided within Toll's annual accounts for the year ended 30 June 2006 and interim financial statements for the half year ended 31 December 2006. These are both available from Toll's website, www.tollgroup.com.

7.12.10 General assumptions

The following general assumptions were adopted by the Directors of Toll in preparing the pro forma forecast financial information of Asciano:

- There will be no significant change to the economic conditions in which Asciano will operate;

- There will be no significant change in the legislative regimes and regulatory environments (including taxation) in the jurisdictions in which Asciano will operate;
- There will be no material industrial or employee relations disputes, litigation, strikes or acts of terrorism or acts of God relevant to the operations of Asciano;
- No material change in the competitive activity in the markets in which Asciano will operate;
- There are no changes in AIFRS which would have a material effect on the financial results of the Asciano Group;
- The pro forma income statement includes additional depreciation and amortisation charges arising from the accounting for the acquisition of Patrick in the year ended 30 June 2006 of $86 million per annum. This only includes the allocation of these costs for the businesses that will transfer to Asciano as part of the Restructure;
- An average of 75% of the share of associates' NPAT is available in cash to Asciano from dividends paid by those associates;
- Key personnel are retained;
- No material acquisitions or disposals;
- Annual interest rate on debt is a weighted average of 7.35% and interest is paid as incurred throughout the year;
- A tax rate of 30%, which is the statutory corporate tax rate;
- Adequate cash resources are available to pay the forecast Distributions referred to in Sections 7.12.7 and 7.12.8;
- No tax is payable in FY07 or FY08; and
- There is no change to the capital structure from the pro forma historical balance sheet as detailed in Section 7.12.12.

7.12.11 Specific assumptions

The Directors' best estimate assumptions underpinning the pro forma forecast financial information for the years ending 30 June 2007 and 30 June 2008 are based on the latest available management information, which includes the year to date financial performance to 31 December 2006, together with the Directors' assessment of the outlook for the business.

The specific assumptions adopted by the Directors of Toll in preparing the pro forma forecast financial information are as follows. References to EBIT are prior to the additional depreciation and amortisation costs relating to the accounting for the acquisition of Patrick in the year ended 30 June 2006.

Ports and Head Office

The year ending 30 June 2007

- Forecast pro forma revenues of $1.1 billion in the year ending 30 June 2007 represents a 3% increase on the pro forma year ended 30 June 2006, with an underlying 8% increase in the container ports offset by reductions in revenue from the closure in 2006 of the Brisbane Maritime Wharf stevedoring operation and transfer of business to the AAT joint venture;
- Forecast EBIT of $228 million is $38 million (20%) higher than the year ended 30 June 2006;
- Forecast EBIT improvements reflect significant cost reductions achieved in the former Patrick head office functions following acquisition by Toll;
- Revenue and EBIT forecasts are consistent with current trading trends experienced in the six months to 31 December 2006;
- The pro forma income statement includes pro forma full year synergies of $20 million in addition to the savings realised to date in the ex-Patrick head office function, although these are not expected to be fully realised in the year ending 30 June 2007. There are no forecast one off costs expected to be incurred in the future in relation to realising the forecast synergy benefits;
- Labour costs are assumed to increase, on average, by circa 4%; and
- Forecast net capital expenditure for the year ending 30 June 2007 is $121 million. Capital expenditure is primarily expected to be incurred in the container ports business on the replacement of manual straddles at East Swanson Dock, continued roll out and improvement of Autostrads at Fisherman Islands and introduction of additional cranes at Port Botany and East Swanson Dock.

The year ending 30 June 2008

- Forecast revenue growth of 9% on the year ending 30 June 2007, including forecast volume growth at the container port terminals of 7% in FY08, in line with relevant Port Authority projections;
- Forecast EBIT of $263 million represents a 15% increase on the forecast for the year ending 30 June 2007, largely attributable to the forecast increase in volumes and revenue;

- Total forecast container port volumes are expected to be circa 2.5 million TEU's in the year ending 30 June 2008, compared to forecast capacity in the year of 2.8 million TEU's;
- Key customer contracts due to expire in the year are renewed on similar terms;
- Labour costs increase, on average, by circa 4%;
- Continuous improvement in the application of Autostrad technology at Fisherman Islands, increasing efficiency and margins at the port;
- Rail Mounted Gantries are implemented successfully at Port Botany, improving rail infrastructure links to the NSW state rail networks;
- Capital expenditure of $233 million is forecast to be incurred in the year ending 30 June 2008, primarily on Berth 10 expansion at Fisherman Islands, new cranes at East Swanson Dock and commencement of the roll out of the Autostrads to Port Botany and East Swanson Dock;
- No significant benefits from the roll out of Autostrad technology at Port Botany and East Swanson Dock are included in the forecast EBIT result for the year as the benefits are not expected to be realised until 2009 at the earliest; and
- No benefits from the expansion into Berth 10 at Fisherman Islands are forecast as this is not expected to come into effect until 2010.

Pacific National

The year ending 30 June 2007

- Forecast pro forma revenue growth of $52 million in the year ending 30 June 2007 represents a 4% increase on prior year;
- Forecast pro forma EBIT of $191 million in the year ending 30 June 2007 represents an 18% increase on the year ending 30 June 2006;
- With the exception of the grain business (refer below), results in the second half of the year are expected to be in line with the results achieved in the six months ended 31 December 2006;
- The results for the second half of the year will be impacted by the current drought conditions, adversely impacting grain haulage in Victoria and NSW;
- No contribution from the Network & Access division is included in the pro forma revenue and EBIT. Trading results for the period prior to the sale of the track to the Victorian Government are included as a non-recurring item; and
- Forecast capital expenditure of $152 million in the year ending 30 June 2007, mainly relating to the ongoing upgrade and expansion in capacity of the intermodal fleet.

The year ending 30 June 2008

- Forecast pro forma revenues of $1.7 billion in the year ending 30 June 2008 represents 12% increase on the forecast for the year ending 30 June 2007;
- Forecast EBIT of $246 million represents an increase of $55 million (29%) on the forecast for the year ending 30 June 2007;
- Average rainfall occurs in the 2007 calendar year, improving grain harvests for the fiscal year ending 30 June 2008. The forecast grain haul for the year ending 30 June 2008 is 4.7Mt, which compares to an average harvest of 6.9Mt for the last ten years;
- Benefits are realised from the renegotiation of various customer contracts since 30 June 2006;
- Full year benefits are realised from restructuring programs implemented during the first half of the year ending 30 June 2007;
- No significant further restructuring programs to be incurred in the year ending 30 June 2008;
- Sale of the Victorian rail track lease has occurred;
- Increased coal haulage in line with expectations of higher business with existing mines and management's understanding of the profile of new mine openings;
- No major unscheduled maintenance work is required or performed on either the Victorian or NSW track networks by the relevant track operators; and
- Forecast capital expenditure of $177 million in the year ending 30 June 2008, primarily within the coal and intermodal divisions from the continuation of programs to upgrade the locomotive and wagon fleet and increase capacity.

7.12.12 Pro forma historical balance sheet

The table below sets out the pro forma historical balance sheet as at 31 December 2006. The assumptions adopted by the Directors in the preparation of the pro forma historical balance sheet are described in Section 7.12.13.

Pro forma Asciano historical balance sheet as at 31 December 2006 ($ millions)

	Asciano Pro forma
Current assets	
Cash	263
Receivables	435
Inventories	49
Assets held for sale	–
Other	27
Total current assets	**773**
Non current assets	
Receivables	–
Investments in Associates	10
Property, plant & equipment	2,315
Goodwill	4,176
Deferred tax assets	1
Intangibles	643
Other	105
Total non current assets	**7,249**
Total assets	**8,023**
Current liabilities	
Accounts Payable	314
Interest bearing liabilities	100
Current tax liabilities	–
Provisions	115
Liabilities held for sale	–
Other	–
Total current liabilities	**529**
Non current liabilities	
Interest bearing liabilities	4,363
Reset Preference Shares	–
Deferred tax liabilities	–
Provisions	164
Other	–
Total non current liabilities	**4,527**
Total liabilities	**5,056**
Net assets	**2,967**
Net debt	*4,200*
Debt to Debt plus Equity %	*59%*

Notes:

1 Net Assets is presented on a consolidated basis and includes minority interests totaling $27 million

7.12.13 Key assumptions used to compile the pro forma historical balance sheet

For the purpose of presenting the pro forma balance sheet of Asciano as at 31 December 2006, it has been assumed that the Restructure occurred on 31 December 2006. The above balance sheet is therefore considered a proxy for the balance sheet as at the expected date of Restructure of 31 May 2007.

The pro forma historical balance sheet of Asciano has been extracted from the reviewed interim financial statements of Toll for the half year ended 31 December 2006, adjusted for the following:

- Recognition of the fair value of the assets, liabilities and goodwill of the businesses are assets to be divested by Toll to Asciano, with the exception of 50% of the goodwill in Pacific National (refer below);
- Assumed that the sale of the Victorian tracks by Pacific National to the Victorian Government for book value of $130 million has been completed prior to the Restructure;
- Transfer of net debt of $4.335 billion from Toll, which is refinanced by external debt;
- $150 million of cash is sourced from an equity capital raising; and
- Debt establishment fees of approximately $40 million are paid by Asciano, capitalised against interest bearing liabilities and amortised in line with the life of the related debt instruments.

It has been assumed that all assets and liabilities are divested from Toll to Asciano at fair value. This represents the Directors' assessment of the fair value of those assets and liabilities, with the exception that only 50% of the goodwill of Pacific National can be recognised by Asciano under the application of reverse acquisition principles, pursuant to AASB 3.

The fair value of the assets, liabilities, contingent liabilities and goodwill relating to the businesses and assets of Asciano will need to be assessed by the Directors' of Asciano for the purposes of the opening balance sheet. The fair value assessment of those assets and liabilities by the Asciano Directors could be different from that of the Toll Directors. This may give rise to changes in amortisation charges compared to the forecast amortisation charges included in the pro forma income statement.

7.12.14 Sensitivity analysis

The Director's pro forma forecast financial information set out in this Section is based on a number of key assumptions, as outlined in Sections 7.12.10 and 7.12.11. The pro forma financial information is also subject to a number of risks, as outlined in Section 7.14.

To assist Toll shareholders in assessing the impact of key assumptions and risks, the sensitivity of the pro forma forecast EBITDA, NPAT and EPS for the year ending 30 June 2008 to changes in key assumptions is set out below.

The sensitivity analysis is a guide only and variations in actual performance could exceed the ranges shown. The estimated impact of changes in each variable has been calculated in isolation from changes in other variables over the full year. Movement in other variables may offset or compound the effect of a change in any single variable beyond the extent shown, and it is possible that Asciano would respond to any adverse change in one variable by taking action to minimise the net effect on its results.

Sensitivity 1 – Grain harvest results

The forecast for the year ending 30 June 2008 assumes that there is average rainfall in the 2007 calendar year and grain haulage increases in the year ending 30 June 2008. The sensitivity in the table below, illustrates the potential impact on the results for the year ending 30 June 2008 should current drought conditions continue and the grain haul for the year ending 30 June 2007 continue to apply in the following year.

Sensitivity 2 – General trading sensitivity

Asciano will be open to risks in relation to import and export volumes through both major and regional ports in Australia and general freight task on the rail network. In turn, these key drivers of Asciano profit are primarily dependent on general economic conditions and the state of the Australian economy. This sensitivity is intended to provide an indication of the impact of a general downturn or upside change in the economy, such that EBITDA results are 5% lower or higher than expected.

Sensitivity 3 – Interest rates

Asciano currently intends to fix at least 40% of interest costs for the year ending 30 June 2008 via interest rate swaps. This significantly reduces the impact of a change of interest rates on the business. The sensitivity below provides an indication of the expected change in profit if interest rates change by 100 bps.

Forecast sensitivity

Year ending 30 June 2008	Pro forma EBITDA ($ millions)	Pro forma NPAT ($ millions)	Pro forma EPS (cents)
Pro forma base case	**712**	**71**	**10.8**
Grain Harvest sensitivity			
Continuation of drought conditions results in an equivalent grain haul to the year ending 30 June 2007	692	57	8.6
General trading sensitivity			
Increase in general trading 5%	748	96	14.6
Decrease in general trading 5%	676	46	7.0
Interest rate sensitivity			
Interest rates increase 100bps	712	52	8.0
Interest rates decrease 100bps	712	89	13.6

7.13 Forecasts/outlook statement

A description of the outlook for Asciano is set out below. This has been prepared in accordance with the 'Important Notices' in this Scheme Book (Section 2).

The ports and rail freight industry has been through a long period of strong growth.

The continued growth of the logistics and freight industry is driven by a number of factors:

- Continued growth in global trade and international shipping driven by increased global sourcing of goods and product;
- Continued international demand for mining, manufacturing and agricultural goods from Australia;
- The general easing of regulatory trade barriers globally; and
- Overall growth in global GDP. Global trade is growing at three times the rate of global GDP.

Through a successful combination of organic and acquisition growth initiatives, Asciano has developed a strong platform for future growth of its operations in Australia and expects to continue growth in revenues at least in line with current levels.

The shareholder should fully consider the material risks outlined in Sections 5 and 7.14 in interpreting this outlook and scheme proposal.

7.14 Risk factors associated with Asciano Group

7.14.1 General Risks that affect the general economy and stock market

The financial performance of Asciano will fluctuate due to various factors including movements in the Australian equity markets, recommendations by brokers and analysts, interest rates, inflation, Australian, New Zealand and international economic conditions, change in government, fiscal, monetary and regulatory policies, prices of commodities (including oil), global geo-political events and hostilities and acts of terrorism, investor perceptions and other factors that may affect Asciano's financial position and earnings. In future, these factors may cause Stapled Securities to trade below their issue price or initial listing price and may affect the income and expenses of Asciano.

7.14.2 Specific risk factors that affect Asciano

Set out below are some of the key risks attaching to an investment in Asciano which have been identified as potentially affecting the performance of Asciano, the ability of Asciano to pay and/or frank dividends or otherwise make Distributions and the value of Stapled Securities. Some of these risks can be mitigated using appropriate safeguards, controls and systems, but others are outside the control of Asciano and the Asciano Directors and may not be able to be mitigated.

7.14.2.1 Economic slowdown

Asciano will be exposed to the general risks of operating in the transport and trade sector. The performance of Asciano's ports and rail businesses is highly dependent upon the Australian, NZ and global economy. For example, throughput in Australian and NZ ports typically reflect variations in the Australian and NZ gross domestic product, as a result of variations in import and export volumes. Similarly demand for Asciano's rail business is dependent on demand for goods within and outside Australia. Therefore, an adverse change in these economies may have a material adverse effect on Asciano.

7.14.2.2 Catastrophic events

Asciano will be exposed to the risk of the impact of accidents, forces of nature and/or other catastrophic events particularly in the rail and ports businesses. Whilst these businesses employ strict risk management procedures and policies to minimise the potential impact of such events there remains the risk of significant impact on these businesses through the forces of nature, operator fault or negligence.

7.14.2.3 Industrial action

The majority of Asciano's operational employees and sub-contractors will be members of trade unions. Asciano does not foresee any material disputes with trade unions. However, if there were any material disputes, this could disrupt Asciano's operations and adversely impact its financial performance.

7.14.2.4 Commercial and operational risks

Asciano will face general commercial risks including the risks of the loss of major customers, competition and other causes of business interruption, which may have a material adverse effect on Asciano. Major contracts of Asciano are constantly expiring. Such contracts, if not renewed or not renewed on the same or more favourable terms may impact Asciano's performance. The use of or development of new technologies which by Asciano's competitors may have a material adverse effect on Asciano.

Asciano makes considerable use of information technologies or systems. Failures of such technologies and systems could also have a material adverse effect on Asciano's operations, financial performance and position.

The industries in which Asciano operates are generally capital intensive. Asciano's operating and financial performance will be partly reliant on capital equipment. Capital expenditure requirements may impact the cash flow available to service financing obligations and pay dividends or otherwise make Distributions. Incurred capital expenditure may or may not deliver the expected operational benefits and may have a material adverse effect on Asciano.

7.14.2.5 Weather specific risks

A material component of Pacific National's revenue relies on the provision of haulage services to the Australian export and domestic grain industry in New South Wales and Victoria. Unforeseen weather conditions which are detrimental to the production of grain could have a materially adverse effect on Asciano's financial performance.

7.14.2.6 Competition risks

Asciano currently has a strong competitive position in the Australian rail and port sectors and the New Zealand port sector. A decrease of this strong competitive position may have a material adverse effect on Asciano. Increased competition in Asciano's operations could result in price reductions, under-utilisation of personnel or infrastructure, reduced operating margins and/or loss of market share. Any of these occurrences may adversely affect Asciano's financial performance and position.

7.14.2.7 Litigation and documentation risk

Asciano is exposed to risks of litigation which may have a material adverse effect on Asciano.

Asciano is not aware of any actual material litigation in respect of Asciano. However, Asciano could become exposed to litigation from employees, regulators or third parties. To the extent that such risks are not covered by insurance, an adverse outcome in litigation or the cost of responding to potential or actual litigation may have a material adverse impact on the financial performance of Asciano.

7.14.2.8 Government policy and regulatory oversight

Asciano's operations depend on infrastructure including ports, rail track and associated infrastructure which is subject to regulatory oversight and in some cases is government owned. The financial performance and position of Asciano depends upon government policy and the continued maintenance and provision of this infrastructure.

Asciano will continue to operate in a regulated industry and its operations make use of regulated assets. Changes in the approach adapted to this regulation may have a material adverse effect on Asciano.

Rail infrastructure is subject to regulation which affects the investments made by the owners and operators of the infrastructure and the prices which those owners can charge to rail operators. Asciano may be adversely affected by policy and regulatory changes in relation to investments in and the pricing of such infrastructure.

Given that Asciano operates in concentrated markets and holds lease and operating rights over scarce infrastructure resources, it, like other industry participants, is subject to scrutiny by the ACCC and other state regulatory bodies. The operations and financial performance of Asciano may be adversely affected by any adverse outcomes arising from any investigations or prosecutions commenced by the ACCC or State regulatory bodies against Asciano.

Further, the ports business of Asciano is heavily impacted by government regulations, and any changes in government policy could significantly change the operating environment of this business.

7.14.2.9 Environmental risk

National and local environmental laws and regulation may affect Asciano's operations. Standards are set by these laws and regulations regarding certain aspects of health and environmental quality, and they provide for penalties and other liabilities for the violation of such standards, and establish, in certain circumstances, obligations to remediate and rehabilitate current and former facilities and locations where operations are, or were, conducted. These laws and regulations may have a detrimental impact on the financial performance of Asciano.

7.14.2.10 Key management and employees

The successful operation of Asciano will depend partly upon the performance and expertise of its management and employees. The loss of the services of Asciano'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 Asciano.

7.14.2.11 Exchange rate risk

Exchange rate movements can affect the demand for imports and exports which are handled or transported by Asciano's ports or rail assets. Asciano also acquires goods and services from companies outside Australia and NZ. Any material adverse movements in relevant exchange rates may have a material adverse impact on Asciano.

7.14.2.12 Acquisitions and integration

Asciano will regularly examine corporate opportunities (including potential acquisitions) with a view to determining whether those opportunities will enhance its business. The successful implementation of Asciano's acquisition growth 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 Asciano pursues could, for a variety of reasons, have a material adverse effect on Asciano. Asciano may not realise the anticipated value from corporate opportunities. Any failure to realise the anticipated value from investments or acquisitions could have a material adverse impact on Asciano.

7.14.2.13 Debt financing

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

Asciano's ability to service its debt will depend on its future performances and prevailing interest rates, which will be affected by many factors, some beyond Asciano's control and that of its Directors. Continued payments of Distributions from Asciano may be impacted where Asciano is not in compliance with any debt financing covenants. Any inability of Asciano to service its existing debt would have a material adverse effect on Asciano.

7.14.3 Risk factors specific to the Restructure

Refer to section 5.4 for an outline of risk factors specific to the Restructure.

7.15 Other information

7.15.1 Overview of Asciano's Constitution

See Section 12.8.

7.15.2 ASX listing of Asciano

See Sections 2.2 and 6.10.6.

7.15.3 Asciano Group Directors' interests

See Section 12.5.

7.15.4 Auditor

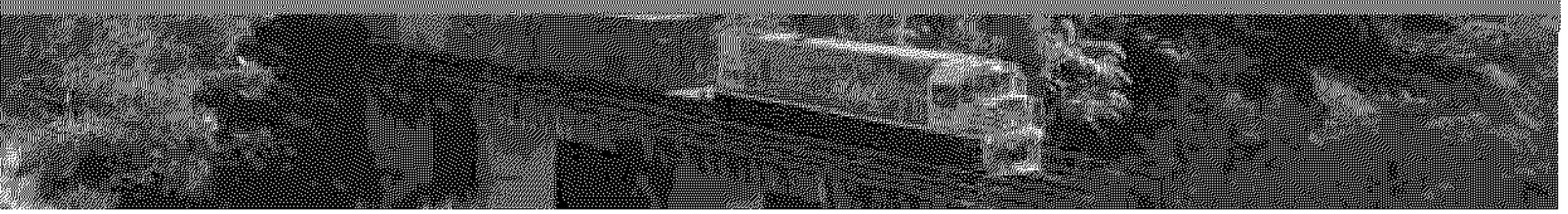
The Toll Directors, on behalf of Asciano, are currently evaluating proposals for prospective auditors for Asciano.

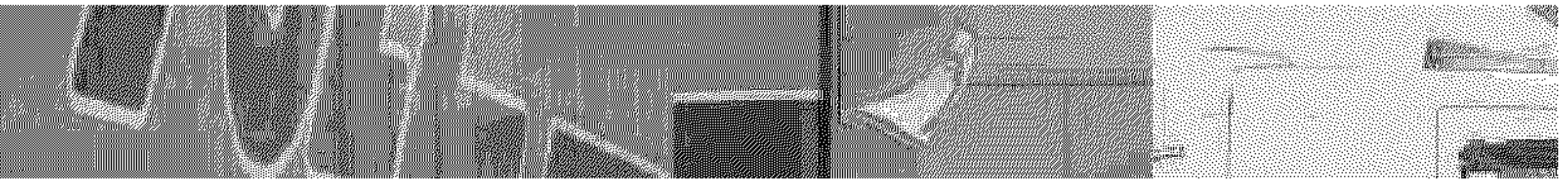
7.15.5 Decisions about investments

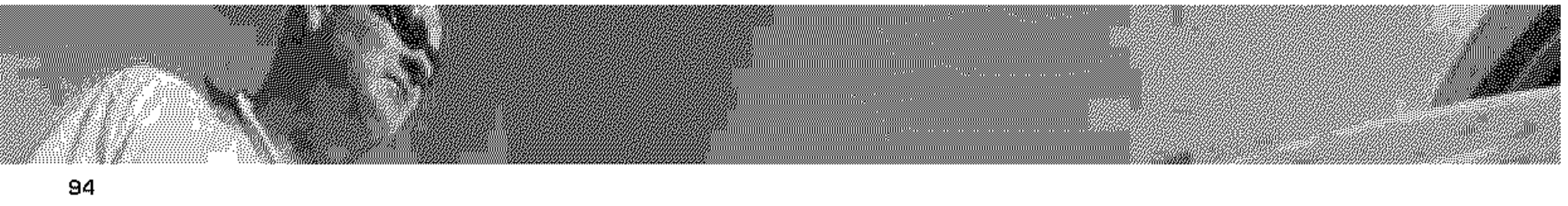
Decisions about the selection, retention or realisation of investments of Asciano will be primarily based on economic factors. Asciano does not propose to take into account labour standards, environmental, social or ethical considerations when making decisions, although sometimes these matters will indirectly affect the economic factors upon which Asciano's decisions are based. Asciano does not have a predetermined view as to whether it will take the above factors into consideration in making investment decisions affecting it in the future.

8

Toll Group after the Restructure







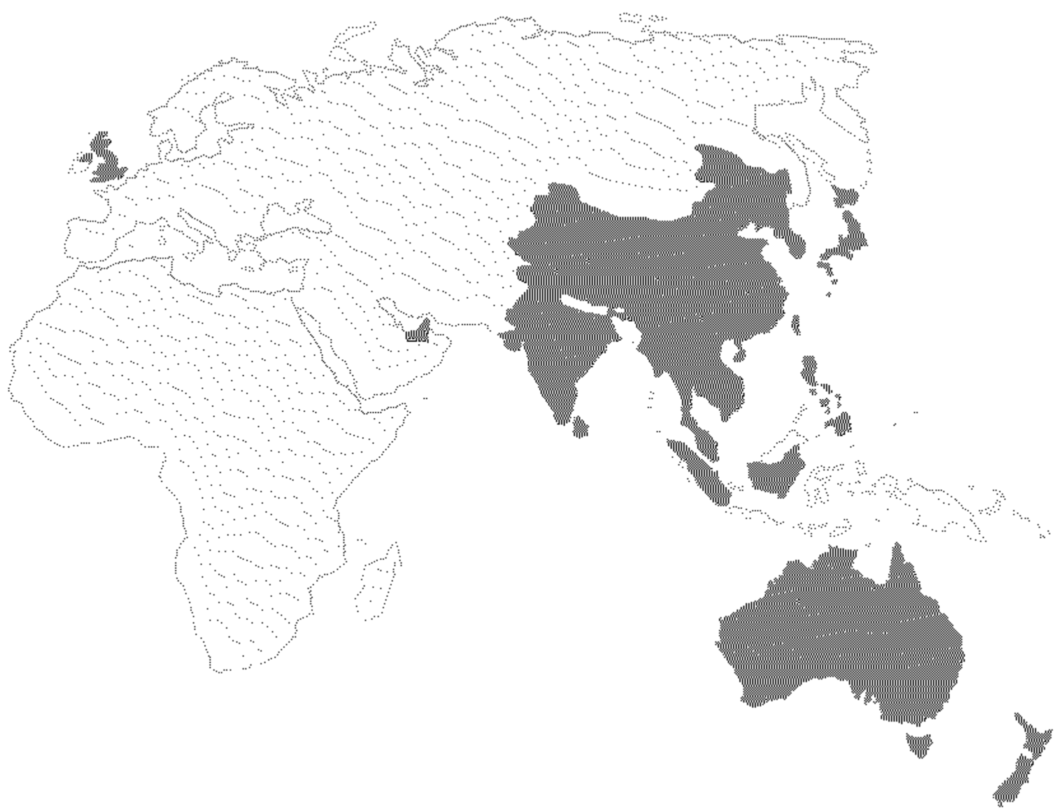
8.1. Introduction

After the Restructure, Toll will continue to be one of the Asian region's leading providers of transport and logistics services, generating annual consolidated revenue in excess of $7.5 billion and operating a network of over 600 sites throughout Australia and the Asian region. The Restructure will not impact on Toll's current customer service offerings.

Toll's transport and logistics assets include warehouses, road fleets, ships, air freight capacity and New Zealand rail assets. These assets, when combined with operational expertise and technology solutions, are aimed at driving supply chain efficiencies to deliver best practice in supply chain management for Toll's diverse customer base.

The major international operations of Toll are depicted in Figure 8.1 below.

Figure 8.1: Toll's international operating presence



8.2. History of Toll

The Toll business was founded in 1888 by Albert Toll in Newcastle hauling coal with horse and cart. It became part of the Peko Wallsend Group in the 1960s transporting goods associated with diversified mining and manufacturing activities. In 1986 Toll was sold to a management buyout team led by current CEO, Paul Little and former Chairman Peter Rowsthorn and in 1993 Toll listed on ASX.

Since listing on ASX, Toll has progressively built and grown its unique logistics model in response to increasing customer demand for a complete end-to-end logistics solution, incorporating the critical components of operational expertise, scale, diversity of services, infrastructure and technology solutions.

In 2006 Toll successfully acquired Patrick Corporation, gaining control of its ports, rail and air businesses. Toll also acquired SembCorp Logistics in 2006, providing the Toll Group with one of the most extensive supply chain and in-country physical distribution networks in Asia.

8. Toll Group after the Restructure

Figure 8.2 provides a snapshot of Toll at each of its key historical points.

Figure 8.2: Toll Group Snapshot

	LBO 1986	IPO 1993	Toll today pre-Restructure	Toll post-Restructure
Annual revenue (A$m)	16	118	10,000+	7,500+
Employees	95	350	30,000+	22,000+
Sites	4	28	670+	600+
Warehouse capacity (millions m^2)	–	–	3+	3+
Countries (physical presence)	1	1	20	20

The remainder of this Section 8 sets out a profile of the businesses that will remain within Toll after the Restructure and the industries in which they operate, their strategy going forward and the proposed financial profile of the Toll Group.

8.3 Market environment overview

8.3.1 Logistics industry overview and trends

Toll operates within the growing freight and logistics industry.

The industry provides services to customers across four major modes of transport – sea, rail, road and air.

The outsourced freight and logistics market has experienced substantial growth over the past decade both in Australia and internationally. The logistics industry is growing at a rate three times that of GDP globally, driven principally by macroeconomic factors and market or customer driven initiatives.

Key macroeconomic factors impacting the industry include:

- The general easing of regulatory trade barriers globally and resultant expansion in cross-border trade activity;
- Growth in GDP and increased need for logistics infrastructure and capabilities to support that growth;
- Mining, manufacturing, agricultural and construction demand for raw materials or semi-finished products, and the associated demand for the transportation of final products; and
- Rising fuel costs and the resultant impact on logistics cost structures.

Key market or customer initiatives driving growth include:

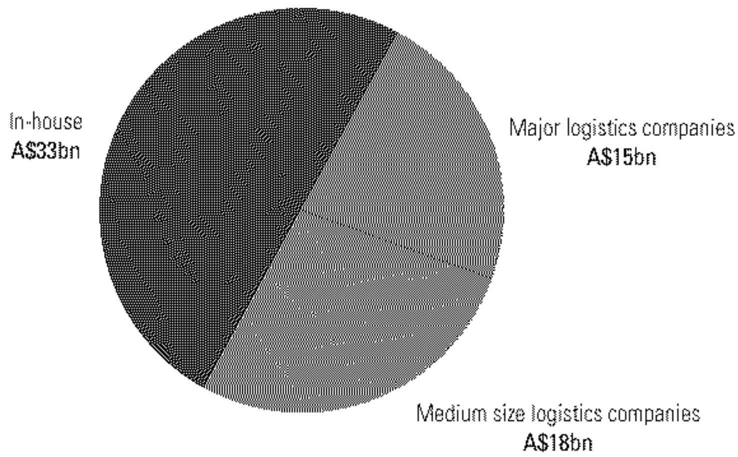
- Increased outsourcing of logistics and supply chain functions in order to reduce costs and focus on core business with the aim of improved competitive positioning;
- Increasing importance of sophisticated stock management processes and systems such as 'just in time' stock management;
- Increasing need for industry-based logistics solutions to better leverage knowledge, capability and cost structures;
- Further rationalisation of multi-national transport and logistics service providers driven by cost pressures, increasingly complex regulations and capital investment required to stay competitive;
- Growing importance of technology as a key enabler to efficiency gains. E-commerce has increasingly been accommodated in order to integrate systems and leverage assets to provide holistic solutions to customers;
- Growing importance of international sourcing initiatives requiring sophisticated cross-border logistics solutions from point of manufacture to end user; and
- Global industries and customers seeking regional logistics solutions from service providers are driving industry consolidation and increased geographic reach of the leading logistics players.

8.3.2 Intra-Australia and New Zealand trade

The Australian and New Zealand freight and logistics market was estimated at over $66 billion in 2006, of which approximately half is outsourced to a largely fragmented industry. Figure 8.3 depicts Toll's estimate of the current Australian and New Zealand market composition.

In Australia, Toll anticipates that the freight industry will double in size over the next 15 years, creating significant opportunities for organic growth.

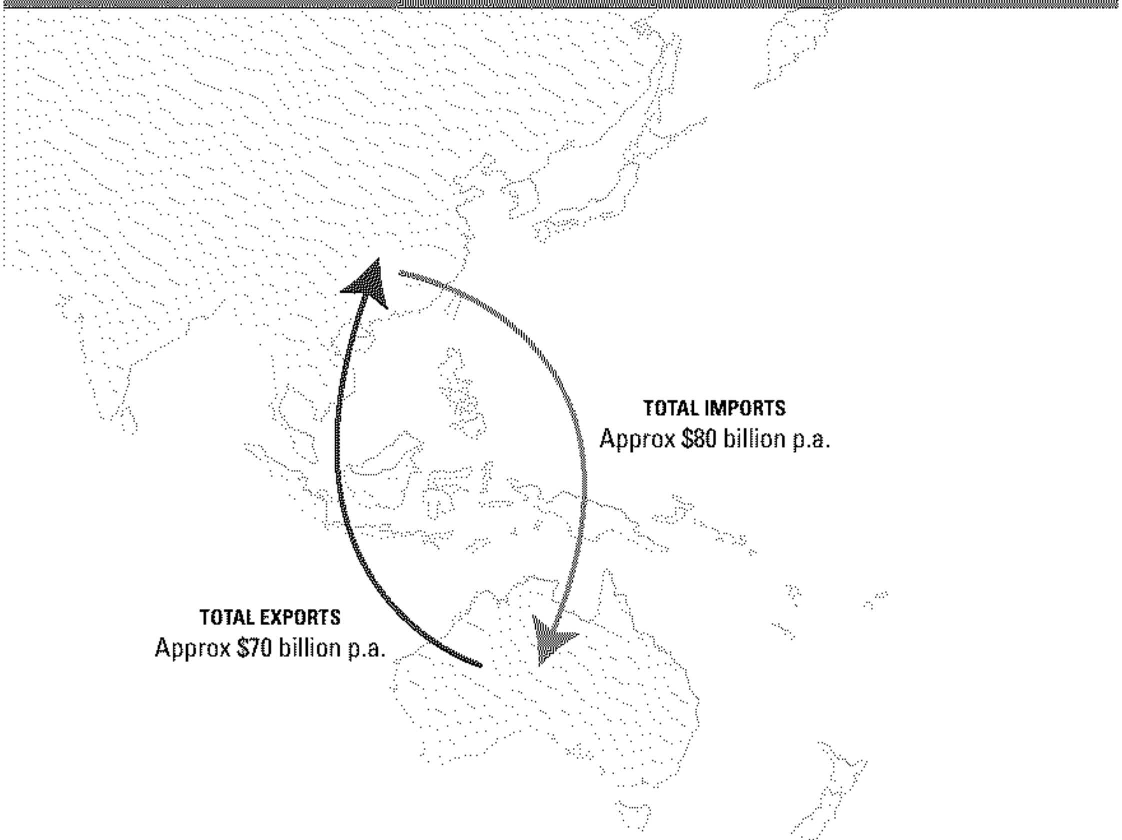
Figure 8.3: Australian and New Zealand freight and logistics market breakdown



8.3.3 Australia and New Zealand to Asia trade

Two-way trade between Asia and Australia was estimated at approximately $150 billion in 2006. Figure 8.4 illustrates the estimated export and import trade breakdown between Asia and Australia.

Figure 8.4: Two way trade between Australia and Asia



8.3.4 Intra-Asia trade

Figure 8.5 details the substantial growth avenues presented by the key Asian economies in which Toll is currently operating.

Figure 8.5: Asian logistics statistics

	Total logistics market size (US$bn)	Total 3PL market size (US$bn)	Total 3PL market growth rate (CAGR) (%)
China	400	12	20-25
India	50	5	21
Japan	400	10	6
Singapore	5	2.5	5-10
Vietnam	10	1.0	5-10
Korea	85	2.5	5
Thailand	31	1	17

8.4. Overview of Toll's operations

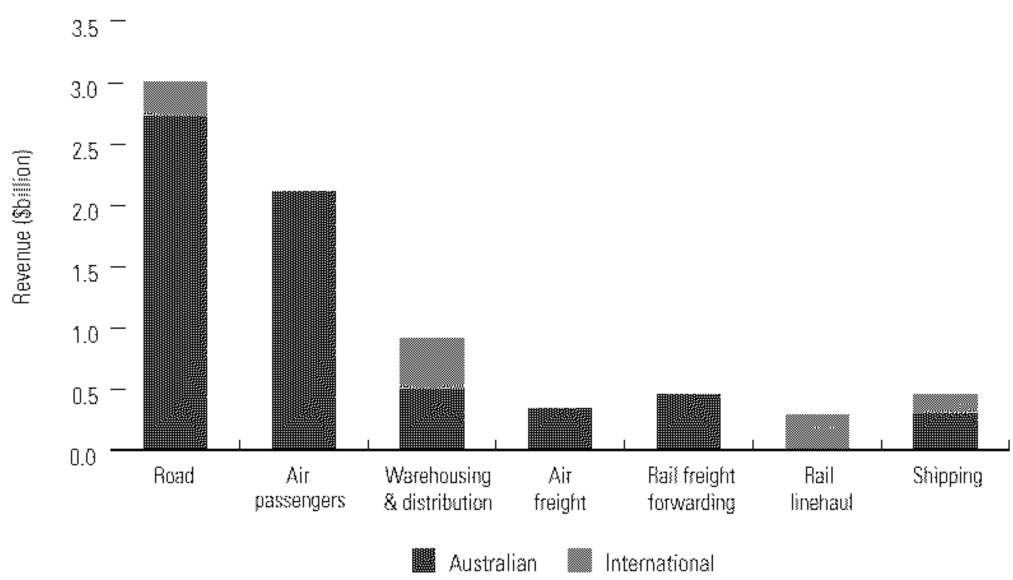
Toll will continue to be one of the Asian region's leading providers of logistics services.

The principal activities of the Toll Group after the Restructure will include:

- National road, rail and sea freight forwarding;
- Warehousing and distribution of goods;
- Time sensitive freight distribution services;
- Investment in Virgin Blue;
- Specialist oil and gas sector logistics provider;
- International air and sea freight forwarding;
- Removals and relocation brokerage services;
- Bulk transportation for the energy and resources sectors;
- Shipping services – Trans Bass Strait and New Zealand; and
- New Zealand based rail line-haul and rail passenger services.

The expected revenue breakdown of Toll's principal activities for the 2007 financial year is depicted in Figure 8.6.

Figure 8.6: FY 2007 Australian and International revenue breakdown

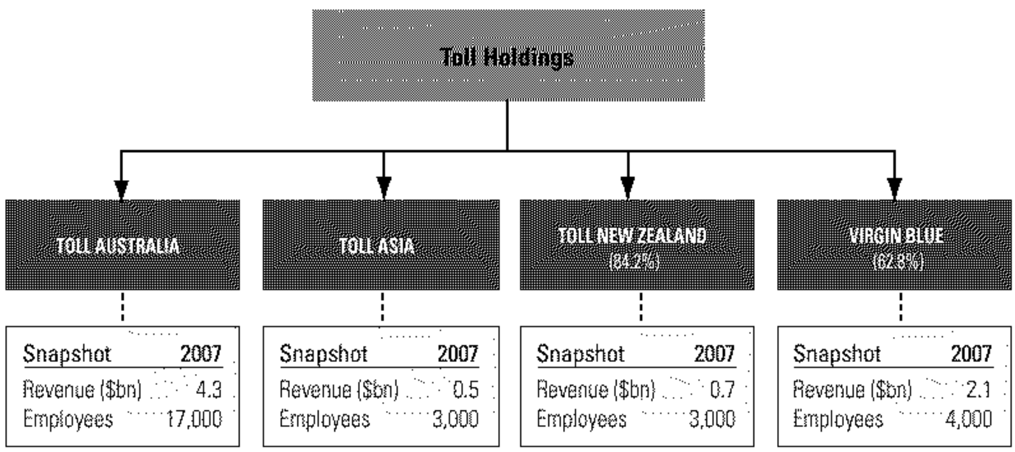


The businesses remaining within Toll after the Restructure have exhibited organic revenue growth of more than 7% p.a. over the past five years. Growth has also been achieved through a combination of strategic acquisitions, with Toll having a proven track record of successfully integrating businesses.

Toll's transport and logistics assets include warehouses, road fleets, ships, rail rolling stock and air freight capacity, all of which are aimed at achieving world's best practice in supply chain management, for Toll's diverse customer base.

Toll's operations post-Restructure will be constituted by four key divisions – Toll Australia, Toll Asia, Toll New Zealand and Virgin Blue – as summarised in Figure 8.7.

Figure 8.7: Toll structure after the Restructure



8.4.1 Toll Australia

Toll Australia provides domestic supply chain solutions to all types of businesses throughout Australia.

Toll Australia's operational scope covers:

- Domestic freight forwarding;
- Contract logistics and supply chain management;
- Shipping;
- Distribution and warehousing;
- International air and sea forwarding;
- Defence logistics;
- Express and time sensitive freight distribution; and
- Autologistics.

Details of the businesses operated by Toll Australia are set out below.

TOLL PRIORITY

Service category: Express

Toll Priority provides express satchel freight and document services domestically and internationally. Toll Priority utilises leading edge track and trace technology and has an extensive network within Australia and globally.

Toll Priority operates the following specialist business divisions: Toll Priority Nationwide, Toll Priority Global, Toll Priority DX Solutions, Toll Priority Travcour and Toll Priority TechServ.

TOLL IPEC

Service category: Express

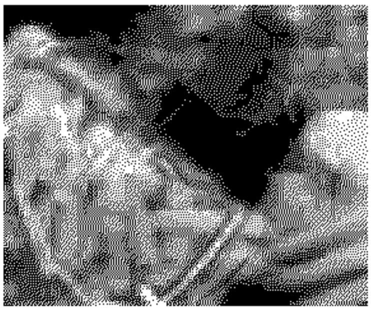
Toll IPEC provides urgent parcel freight distribution including interstate, intrastate and local services, offering road and priority transit time schedules.

TOLL EXPRESS/TOLL WEST/ TOLL LINEHAUL

Service category: Express & general

Toll Express provides time sensitive, part load, pallet movements both interstate and intrastate. In addition, Toll Express provides a full range of services throughout Western Australia, with a special focus on the mining industry.

Toll West provides ambient and temperature controlled distribution services operating within Western Australia and with links to and from the eastern seaboard.



NQX FREIGHT SYSTEM

Service category: Express & general

Provides time sensitive and time-certain multimodal services to, from and within Queensland and the Northern Territory, as well as time-certain full container load services by rail, road and sea to the Northern Territory.

QRX/TOLL REFRIGERATED

Service category: Rail freight forwarding

QRX is Queensland's leading rail freight forwarder, servicing operations from Brisbane, north to Cairns and west to Mt Isa, linked to road operations for door-to-door service.

Toll Refrigerated is a national provider of cold chain transport and logistics services to selected markets.

TOLL CONTRACT LOGISTICS

Service category: Contract distribution

Toll Contract Logistics provides contract distribution and freight management services to customers in the retail and manufacturing sectors. Toll Contract Logistics has a full track and trace freight capability and an extensive network of cross-docking and warehousing facilities.

TOLL LIQUID DISTRIBUTION

Service category: Contract distribution

Toll Liquid Distribution provides national bulk road tanker services to the dangerous goods and non-dangerous goods (including food) sectors. Services include bulk cartage as well as inventory control and a re-ordering capability.

TOLL SPD/TOLL REGIONAL

Service category: Rail-road forwarding

Toll SPD provides multimodal forwarding of full containers between all capital cities and larger regional centres.

Toll Regional provides logistics services between regional locations and capital cities for manufacturers, retail and industry.

TOLL TASMANIA/EDWARDS TRANSPORT

Service category: General forwarding

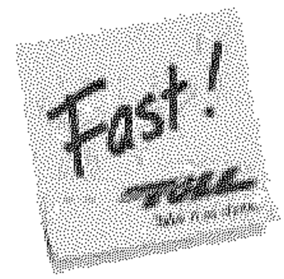
Toll Tasmania/Edwards Transport are Bass Strait freight forwarders providing distribution services between mainland Australia and Tasmania operating in both the dry and chilled/ambient freight sectors.

8. Toll Group after the Restructure

TOLL INTERNATIONAL

Service category: International air and sea forwarding

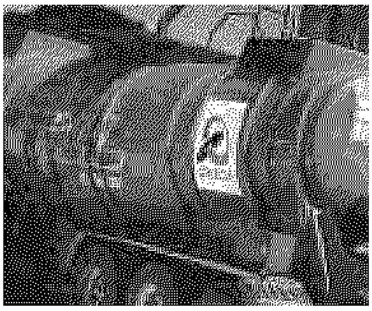
Toll International specialises in international air and sea freight forwarding, customs clearance and related import/export supply chain services to Australian and international customers.



TOLL FAST

Service category: Courier services

Toll Fast provides same day metropolitan ad hoc and scheduled courier and taxi truck services.



TOLL RESOURCES

Service category: Supply chain management

Toll Resources provides total logistics solutions to the oil and gas, mining and dangerous goods industries throughout Australia.

In addition Toll Resources provides specialist project services catering for movement of difficult oversize, overweight and dangerous freight to the resources sector.

TOLL MANAGED TRANSPORT SERVICES

Service category: Supply chain solutions

Toll Managed Transport Services provides an end-to-end supply chain execution solution using the latest web native technology.

IN2STORE

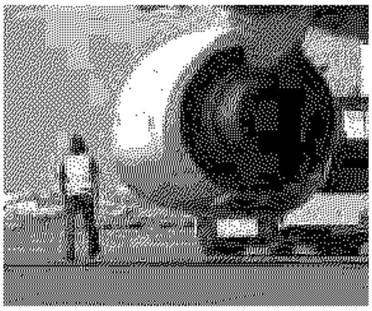
Service category: Supply chain management

In2store provides specialist logistics warehousing and distribution services to the retail and fashion industry from point of manufacture through to the retail sales floor.

TOLL SHIPPING

Service category: Shipping services

Toll Shipping offers comprehensive shipping services between Tasmania and mainland Australia.



TOLL AIR SERVICES

Service category: Air related services

Toll Air Services is Australia's only independent ground handling business offering a full range of services in all major airports with facilities in Sydney, Melbourne, Brisbane, Adelaide and Darwin.

TOLL AUTOLOGISTICS

Service category: Autologistics

Toll AutoLogistics delivers a total suite of services to the automotive industry, including design and management of supply chains, vehicle distribution, compound management, inbound component logistics, parts and accessories fulfilment services and multi-modal distribution.

TOLL TRANSITIONS

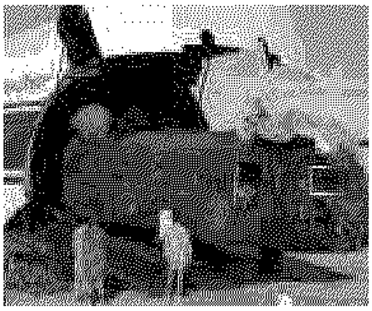
Service category: Relocation services

Toll Transitions manages household and workplace relocations both nationally and internationally for federal and state Government agencies, the Department of Defence and the corporate sector.

TENIX TOLL DEFENCE LOGISTICS

Service category: Defence logistics

TenixToll Defence Logistics (TTDL) (a joint venture between the Toll Group and Tenix Defence) provides integrated logistics support services to the Australian Defence Force. TTDL manages the integration of all services required under the Defence Industry Distribution System (DIDS).



PATRICK DEFENCE SERVICES

Service category: Defence logistics

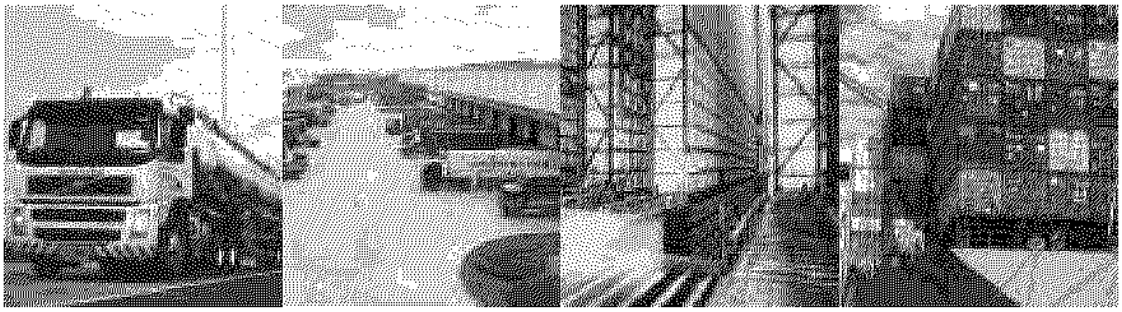
Patrick Defence Services provides logistics support services to the defence sector as well as commercial and Government organisations with specialist project management requirements.

TOLL PERSONNEL

Service category: Personnel services

Toll Personnel provides temporary and permanent personnel recruitment services for white and blue collar sectors.

8.4.2 Toll Asia



Toll Asia operates one of the most extensive supply chain and in-country physical distribution networks in Asia with operations throughout the region in key markets including China, India, Japan, Hong Kong, Malaysia, Singapore, Thailand and Vietnam.

Figure 8.8: The Toll Asia network

Toll Asia is comprised of the following key operating divisions:

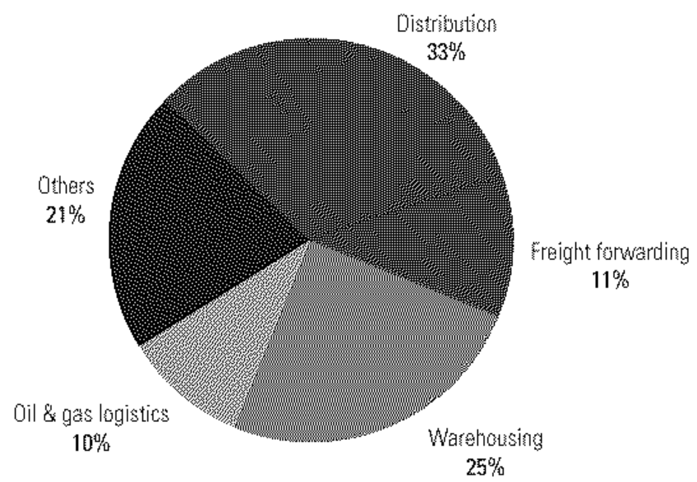
- **Supply chain management services** – contract logistics, freight management and trade logistics services. These operations are in turn divided into three geographic regions as follows:
  - South East Asia – Singapore, Thailand, Philippines, Malaysia, Indonesia and Vietnam
  - North Asia – China, Japan, Korea and Taiwan. (In Japan Toll Asia's operates through its investment in Footwork Express, one of Japan's largest national freight operations)
  - South Asia and Middle East – India, Sri Lanka and The United Arab Emirates
- **Government business** – Toll Asia's provision of end-to-end supply chain solutions for the Singapore Armed Forces (Navy, Army and Air Force), including the design and operation of logistics bases, procurement, material and inventory management. Similar services are also provided to the Singapore Government and various Government agencies including the Education and Health Ministries; and
- **Oil and gas logistics** – through its Singapore Offshore Petroleum Services (SOPS) business Toll Asia provides specialist logistics services to support companies involved in onshore and offshore oil and gas exploration. SOPS operates Asia's premier oil and gas supply base in Singapore as well as satellite bases in Thailand, Cambodia and Azerbaijan.

Toll Asia also provides a number of specialty logistics services, including:

- **Chemical logistics** – specialist warehousing, distribution and value adding services for the chemical and petrochemical customers;
- **Airport logistics** – through its Singapore Technology Airport Services (STARS) business unit Toll Asia operates seven facilities in Singapore in partnership with Air BP, providing fuel logistics and management services to military and commercial aviation customers;
- **Dangerous goods management** – full range of logistics and consultancy services to customers with dangerous and hazardous goods management requirements;
- **Collateral management** – stock management and support services for financial institutions that take collateral over valuable commodities including metals; and
- **Relief and emergency logistics** – provides emergency response services to governments and aid agencies throughout Asia utilising Toll Asia's superior logistics expertise and network.

Figure 8.9 illustrates the revenue breakdown of Toll Asia's key service offerings.

Figure 8.9: Toll Asia's key service offerings as a percentage of FY 2006 revenue



Toll Asia operates more than 12 million square feet of warehousing area and has a distribution coverage exceeding 3,000 Asian cities and towns through a comprehensive network of more than 220 distribution centres.

8.4.3 Toll New Zealand

Toll New Zealand is New Zealand's leading distribution, warehousing and logistics provider.

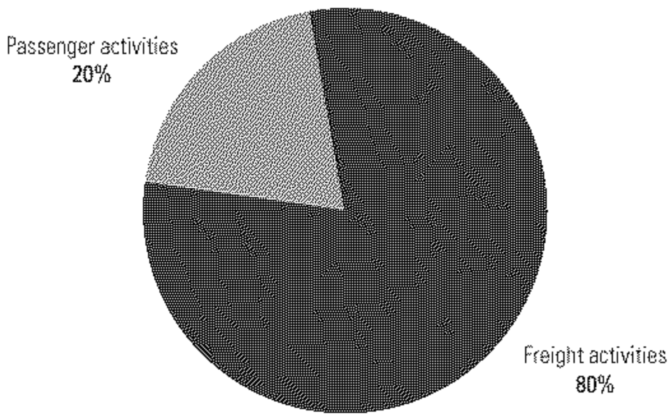
Toll New Zealand also provides sea passenger services between the north and south island of New Zealand and through its Rail Passenger division operates the Wellington metro passenger rail network and also provides long distance passenger rail services.

Toll controls 84.2% of Toll New Zealand and the company is listed on the New Zealand Stock Exchange.

The breakdown of Toll New Zealand's revenue according to the key services provided is provided in Figure 8.10.

8. Toll Group after the Restructure

Figure 8.10: Toll New Zealand's key service offerings as a percentage of FY 2006 revenue



Toll New Zealand comprises the following businesses.

Interislander

The Interislander provides a shipping link across Cook Strait. Interislander's fleet comprises two multimodal conventional vessels and one conventional freight only vessel. In the Cook Strait market, Interislander is the major operator in passenger services, the only operator for rail services and one of the two major operators in offering commercial vehicle services.

Toll Rail

Toll Rail provides rail linehaul services for the movement of bulk commodities of containerised freight as well as direct servicing domestic freight forwarders.

Toll Rail has an exclusive franchise to operate the New Zealand rail network and is committed to working with customers and the New Zealand Government to achieve superior rail based logistics solutions.

Toll Rail also operates a rail maintenance and engineering business, Hillside Engineering. This business provides fabrications and engineering services to the Toll New Zealand group as well as external customers, including construction of freight and passenger rolling stock.

Toll Tranzlink

Toll Tranzlink provides general domestic freight and refrigerated product distribution, warehousing and intermodal import/export freight movements. Toll TranzLink has responsibility for the sales and marketing functions for all freight services, apart from dedicated bulk rail customers and the other domestic freight forwarders.

Toll TranzLink is also responsible for the operation of the container transfer terminals and management of the intermodal fleet assets (principally containers).

Rail Passenger Services

Through its rail passenger services division, Toll New Zealand operates the Wellington Metro passenger rail network and provides long distance passenger rail services.

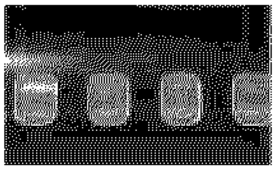
The Wellington Metro passenger service operation is conducted under an exclusive long term contract with the Wellington Regional City Council.

Tranz Scenic operates the following long distance rail services:

- The Overlander between Wellington and Auckland;
- The Tranz Coastal scenic rail journey along New Zealand's south island coast between Picton and Christchurch; and
- The world famous Tranz Alpine through the south island's alpine range between Picton and Greymouth.

8.4.4 Virgin Blue






Toll's 62.8% shareholding in Virgin Blue will remain with Toll. Toll will complete a further review of its Virgin Blue stake towards the end of the 2007 financial year. Toll's initial review concluded that the investment has further value enhancement opportunities for Toll Shareholders.

The Virgin Blue group comprises Australian domestic carrier Virgin Blue Airlines, international subsidiary Pacific Blue and Polynesian Blue (a joint venture with the Government of Samoa).

The Virgin Blue Group currently provides domestic air services to Australian cities and centres and various international destinations including New Zealand, Vanuatu, the Cook Islands, Fiji, Tonga and Samoa.

With more than 30% of the domestic market and a modern fleet of 53 Next Generation Boeing 737-700 and 800 series aircraft, Virgin Blue operates over 2,100 flights a week.

8.5 Growth strategy

Toll has exhibited organic revenue growth is excess of 7% p.a. over the past five years. Growth has also been achieved through strategic acquisitions, with Toll having a proven track record of successfully integrating businesses.

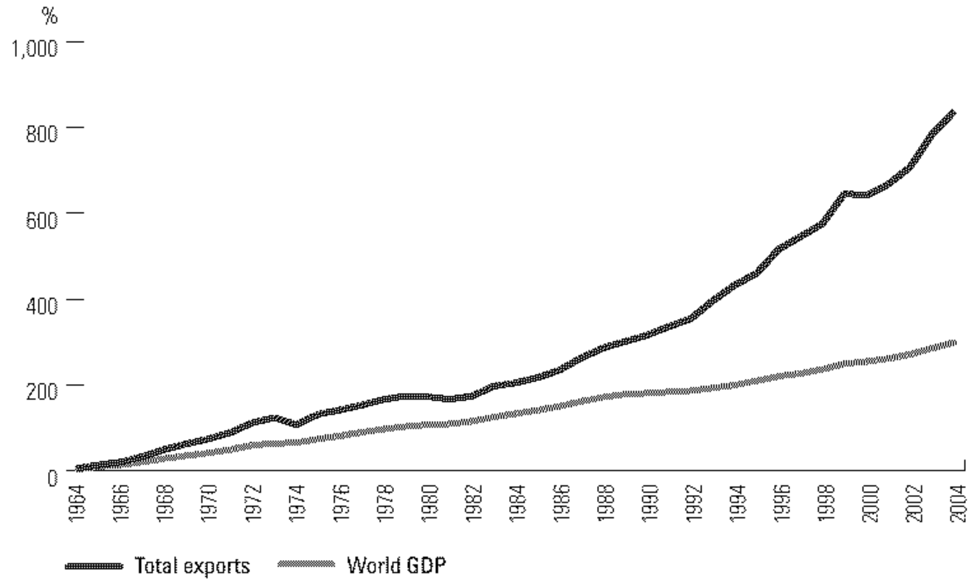
The Restructure is not expected to have an impact on Toll's current customer service offering, and therefore is not expected to influence Toll's strategy. Toll's experience and understanding of the logistics industry, combined with its scale and geographic diversity, should allow the extraction of the full benefits of accessing infrastructure assets through alliances, joint ventures and other relationships.

Toll will generally adopt an asset light strategy to deliver its unique suite of integrated logistics services. Through this approach Toll will seek to coordinate all key assets in the supply chain without necessarily owning them outright. However, in key industry sectors and where necessary to deliver the most effective logistics and transport solution Toll will continue to consider strategic asset ownership in its own right or in alliances and joint ventures, provided capital return criteria are satisfied.

A key benefit of this strategy is the achievement of superior capital returns and an under-geared balance sheet post-Restructure, providing a platform for further growth in line with the projected growth in international trade.

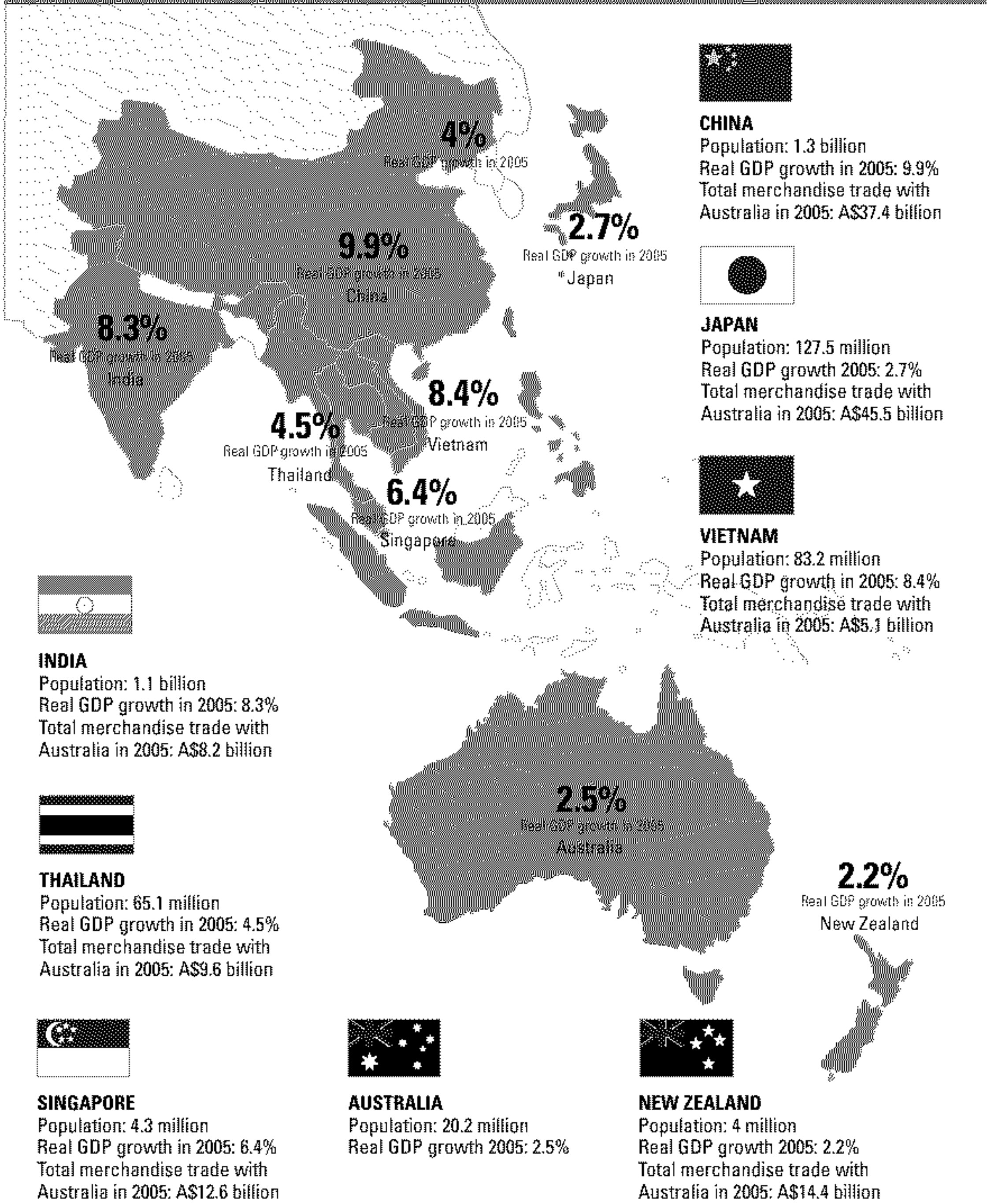
Globally world trade has expanded at more than three times the rate of global GDP growth, representing the overarching potential for freight and logistics growth internationally. From 1964-2005 total merchandise exports has grown nearly three times faster than global GDP, illustrating one of the key drivers underlying Toll's successful growth strategy. The cumulative growth in world merchandise exports and world GDP since 1964 is shown in Figure 8.11.

Figure 8.11: Cumulative growth in world merchandise exports and world gross domestic product



Toll's areas of operation include China, Japan and India, positioning the Toll Group to take advantage of organic growth and strategic acquisition opportunities within those areas, as depicted in Figure 8.12.

Figure 8.12: GDP growth rates and population statistics of countries in which Toll currently operates



8.5.1 Growth of intra-Australia and New Zealand trade

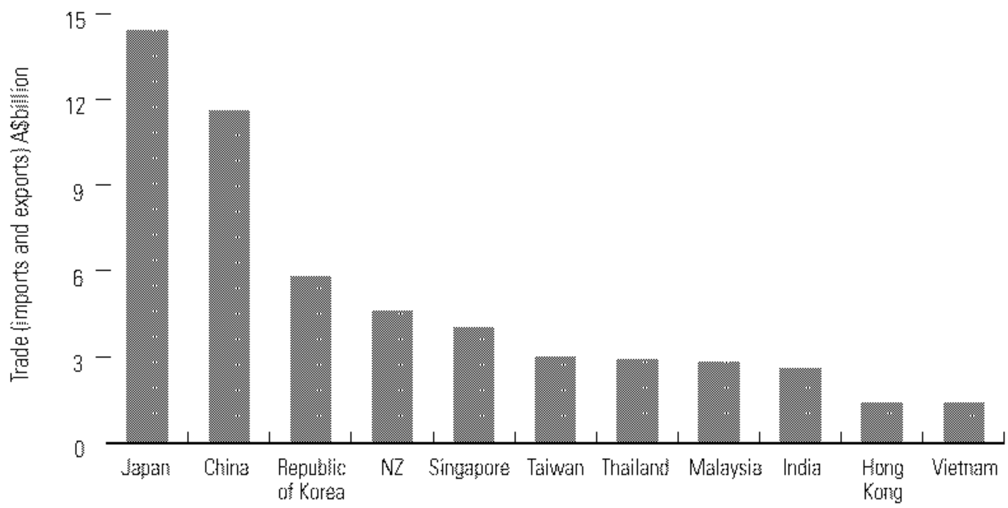
The Australian and New Zealand freight and logistics market was estimated at over $66 billion in 2006, of which approximately half is outsourced today to a largely fragmented industry. In Australia, it is anticipated that the freight task will double in size over the next 15 years.

8.5.2 Growth in ANZ to Asia trade

Freight and logistics two-way trade between Asia and Australia was approximately $150 billion in 2006.

Of Australia's top 20 trading partners, Toll has key trading operations with seven of the largest, including China, Japan, Singapore and Korea. Figure 8.13 sets out the value of Australia's trade with its largest regional trading partners.

Figure 8.13: Australia's trade with key international partners



8.5.3 Growth in intra-Asia trade

Asian markets have exhibited significant growth, with the market sizes and compounded growth rates of key Asian economies depicted in Figure 8.14 below.

	Total logistics market size (US$bn)	Total 3PL market size (US$bn)	Total 3PL market growth rate (CAGR) (%)
China	400	12	20-25
India	50	5	21
Japan	400	10	6
Singapore	5	2.5	5-10
Vietnam	10	1.0	5-10
Korea	85	2.5	5
Thailand	31	1	17

8.5.4 Growth through strategic acquisitions

Toll aims to continue growing domestically whilst adopting an expanding Asian focus, providing integrated supply chain solutions to customers and leveraging scale to access infrastructure.

With a successful history of growth through disciplined acquisition and a balance sheet with more than $1 billion of debt capacity, Toll is positioned to make strategic bolt-on acquisitions which will enable Toll to meet the growing demand for pan-Asian logistics services and to be EPS-accretive.

Toll's specific acquisition strategy has been to acquire capability and skills across the supply chain to service customers' needs and provide a platform for further growth.

The Toll Group has successfully acquired and integrated a number of businesses, the most material of which are depicted in Figure 8.15.

Figure 8.15: Important acquisitions conducted by Toll

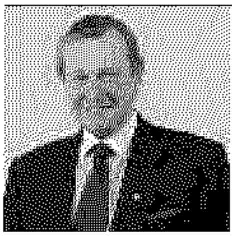
Year	Entity	Acquired Rev $Am	Business activity
2006	Patrick Corporation	3,600	Port, rail, road, air and logistics
2006	SembCorp Logistics	450	Full suite of logistics services
2003	Tranz Rail (84.2%)	532	Rail, road, inter-island ferries
2003	Mayne Express	300	Priority and courier services
2002	Brambles Shipping	130	Bass Strait shipping services
2002	Freight Corp & National Rail Corp (50%)	977	Rail linehaul
2001	Finemore	370	Logistics and car carrying services
1998	IPEC	150	Parcel express
1997	TNT Forwarding	720	Rail, road
1996	Brambles Freight Forwarding	250	Forwarding

Following the Restructure, enhanced financial flexibility will enable the Toll Group to pursue significant acquisition opportunities identified in Australia, New Zealand and Asia.

8.6 Directors and management

8.6.1 Toll Directors

The current Directors of Toll are below:



John Moule AM FCA FAICD

Chairman

Independent non executive director

Director since 1995

Appointed Chairman 2002

Age 68

Skills and Experience

Extensive experience in accounting and financial and general management. Director of MLC Limited Group. Formerly a director of Austrim Nylex Ltd from 2000 to 2002 and The Gribbles Group Ltd from 2001 to 2004. Former Managing partner of Deloitte Touche Tohmatsu.

Special Responsibilities

Chairman of Board of Directors

Chairman of Nomination and Corporate Governance Committee

Member of the Remuneration and Succession Planning Committee

Member of the Audit and Financial Risk Committee

8. Toll Group after the Restructure

Paul Little FAICD FCIT
Managing Director
Executive Director
Director since 1986
Age 59

Skills and Experience

Extensive experience and management in the Logistics Industry. Managing Director since 1986.

Special Responsibilities

Directorships include Chairman of Pacific National Limited and Director of Virgin Blue Holdings Limited

Member of the Nomination and Corporate Governance Committee

Mark Rowsthorn BEc Grad Dip Bus
Executive Director Operations
Executive Director
Director since 1988
Age 51

Skills and Experience

Extensive experience and management in the Logistics Industry.

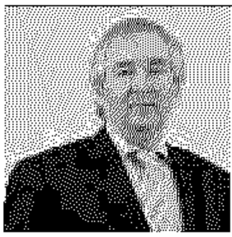
Director of Cytopia Ltd.

Special Responsibilities

Chairman of Toll NZ Limited

Chairman of Virgin Blue Holdings Limited

Chairman of the Risk Management Committee



Neil Chatfield FCPA AICD
Chief Financial Officer
Executive Director
Director since 1998
Age 52

Skills and Experience

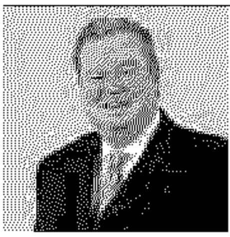
Extensive experience in financial management, capital markets, mergers and acquisitions and risk management.

Directorships include Independent Non-Executive Director of Seek Ltd since 2005.

Special Responsibilities

Member of the Risk Management Committee

Director of Virgin Blue Holdings Limited



Ray Horsburgh AM FAICD; B Chem Eng

Independent non executive director

Director since 2004

Age 63

Skills and Experience

Extensive management experience in the glass and steel industries, in mergers and acquisitions, managing businesses overseas especially in the SE Asian countries and building businesses in mainland China.

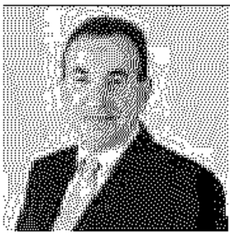
Directorships include Smorgon Steel Group Ltd since 1998, CSR Limited since November 2006, Traffic Technologies Limited since November 2006 and The Epworth Hospital.

Special Responsibilities

Chairman of the Audit and Financial Risk Committee

Member of the Nomination and Corporate Governance Committee

Member of the Remuneration and Succession Planning Committee



Harry Boon B Laws (Hons); BCom

Independent non executive director

Director since 2006

Age 59

Skills and Experience

Extensive experience in global marketing and sales, large scale manufacturing operations and product development in various roles at Ansell from 1976 to 2004 and as CEO of the listed Ansell Limited from 2001 to 2004.

Directorships include Tattersall's (Chairman), Gale Pacific (Chairman) and Hastie Group.

Special Responsibilities

Member of the Nomination and Corporate Governance Committee

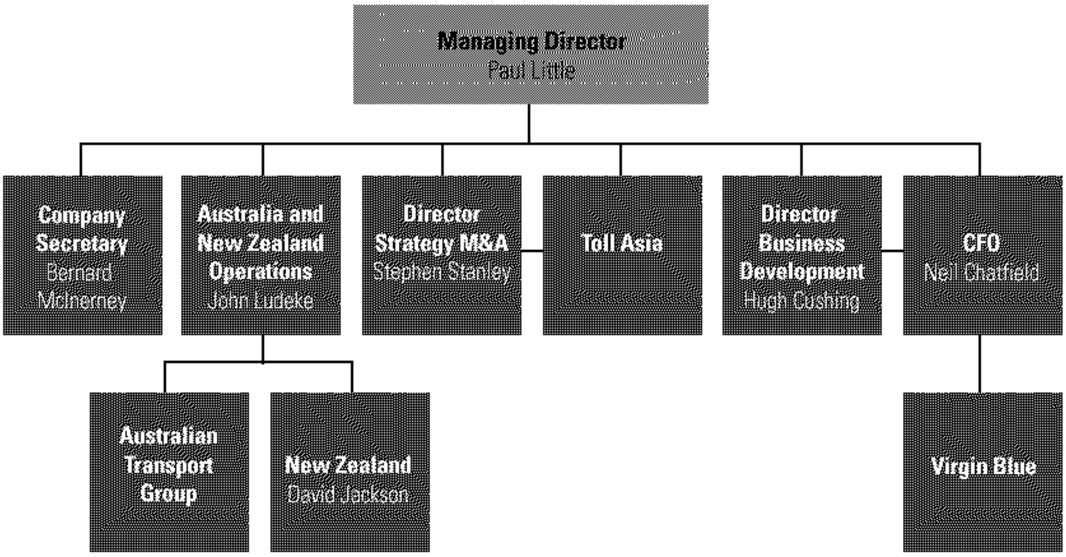
Member of the Remuneration and Succession Planning Committee

Member of the Audit and Financial Risk committee

8.6.2 Toll management

The management structure of Toll post-Restructure is shown in Figure 8.16.

Figure 8.16: Toll management after the Restructure



As part of the Restructure, senior executives critical to the continued success of Toll have entered into long-term employment contracts.

8.7 Toll Group financial information

8.7.1 Basis of preparation

This Section 8.7 contains information concerning the financial performance, cash flows and financial position of Toll. Reference to financial information relating to Toll refers to the Toll Group post Restructure. The following financial information has been prepared:

- Reconciliation of the Toll Group statutory reported Revenue, EBITDA, and EBIT to the pro forma historical financials of Toll for the year ended 30 June 2006 and half year ended 31 December 2006;
- Summary pro forma historical income statements for the year ended 30 June 2006 and half year ended 31 December 2006, and summary pro forma forecast income statement of Toll for the year ending 30 June 2007;
- Summary of pro forma revenue, EBIT, EBITDA, and Capex by key operating segment for the historical year ended 30 June 2006, half year ended 31 December 2006, and forecast year ending 30 June 2007;
- Reconciliation of pro forma forecast NPAT to expected statutory forecast NPAT for the year ending 30 June 2007;
- Summary pro forma schedule of historical operating cash flows for the year ended 30 June 2006, half year ended 31 December 2006, and forecast operating cash flows for the year ending 30 June 2007; and
- Pro forma historical balance sheet as at 31 December 2006.

KPMG Transaction Services (Australia) Pty Limited ('Investigating Accountant') has prepared an Investigating Accountant's Report in respect of the financial information presented in this Section 8. The financial information should be read in conjunction with the Investigating Accountant's Report included in Section 15.

The financial information below has been presented in an abbreviated form. It does not include all the disclosures usually provided in an annual report prepared in accordance with the Corporations Act. Further details relating to the historical financial information and accounting policies of Toll are set out in the audited financial statements for the year ended 30 June 2006 and reviewed interim financial statements for the half year ended 31 December 2006. They can be found on Toll's website at www.tollgroup.com.

8.7.2 Pro forma historical financial information

The Toll Directors have prepared the pro forma historical income statements and schedule of operating cash flows for Toll for the year ended 30 June 2006 and half year ended 31 December 2006 ('the pro forma historical financial information'). The pro forma historical financial information is extracted from the Toll audited financial statements for the year ended 30 June 2006, reviewed interim financial statements for the half year ended 31 December 2006, and Toll accounting records.

The basis of preparation and pro forma assumptions applied in the compilation of the pro forma historical financial information are as follows:

- Recognition of a full 12 months trading result to 30 June 2006 for the businesses and assets that will remain with Toll post Restructure, including a full 12 months result for SembCorp Logistics and ex-Patrick Group businesses;
- Elimination of the reported results relating to Pacific National and certain ex-Patrick Group businesses and assets to be divested to Asciano from the reported results of the Toll Group;
- Elimination of the results of Patrick Corporation's Bass Strait Shipping and Tasmanian Freight Forwarding businesses that have been sold in accordance with the ACCC undertakings. For the purpose of the preparation of the pro forma financial information, it has been assumed that Patrick Corporation's Bass Straight Shipping and Freight Forwarding businesses were sold as at 30 June 2006; and
- Pro forma adjustments have not been made to restate historical results for the synergies, reduction in operating expenditure or to reflect a full year of additional depreciation and amortisation charges arising as a result of Toll's acquisitions of Patrick Corporation and SembCorp Logistics in the year ended 30 June 2006.

Refer to Section 8.7.13 which set out the basis of preparation and pro forma adjustments assumed in relation to the pro forma historical balance sheet.

8.7.3 Pro forma forecast financial information

(a) Unforeseen events in respect to the pro forma forecast financial information

The pro forma forecast financial information for Toll for the year ending 30 June 2007 represents the Toll Directors' best estimate. Toll has used due care and attention in the preparation of this pro forma forecast financial information and the Toll Directors consider the assumptions to be reasonable when viewed as a whole. However, this information is not fact and shareholders should not place undue reliance on the pro forma forecast financial information. The pro forma forecast financial information should not be regarded as a representation or warranty with respect to its accuracy of the best estimate assumptions or that Toll will achieve, or is likely to achieve, any particular results.

Forecasts are, by their nature, subject to a variety of business, economic and competitive risks and uncertainties, almost all of which are outside the control of Toll and its Directors. Events and circumstances often do not occur as anticipated and therefore actual results are likely to differ from the forecasts. These differences may be material. Accordingly, the Toll Directors cannot, and do not, offer any assurance that the forecasts will be achieved. Events and outcomes might differ in quantum and timing from the assumption, with material consequential impact on the pro forma forecast financial information.

The pro forma forecast financial information should be considered together with the risk factors highlighted in Sections 5.4 and 8.9. It should be noted that the summary pro forma income statement and statement of cash flows of Toll do not purport to reflect what will be the likely reported earnings or cash flows of Toll for the year ending 30 June 2007, or any other period.

(b) Pro forma adjustments

The Toll Directors' pro forma forecast income statement and schedule of operating cash flows for Toll have been prepared for the year ending 30 June 2007 ('the pro forma forecast financial information'), based on the following pro forma adjustments and principles:

- The Restructure date is assumed to be 1 July 2006, i.e. the pro forma forecast information reflects a full 12 months forecast for all businesses and assets that will remain with Toll post Restructure;
- Assumes capital structure is as indicated in the pro forma historical balance sheet set out in Section 8.7.12 for the full 12 months ended 30 June 2007;
- No adjustment has been made for any incremental synergy benefits, other than those forecast to be achieved within the year ending 30 June 2007; and
- Adjustments to eliminate the corporate costs relating to executives transferring to Asciano from Toll.

The pro forma forecast financial information has been extracted from the accounting records of Toll.

8.7.4 Reconciliation of Toll Group statutory reported Revenue, EBITDA, and EBIT to the pro forma historical results of Toll

Set out below is a summary reconciliation of Toll Group statutory reported revenue, EBITDA, and EBIT to the pro forma historical results of Toll for the year ended 30 June 2006 and half year ended 31 December 2006.

Reconciliation of Toll Group statutory reported financials to pro forma Toll historical financials ($ millions)

Year ended	30 June 2006 Reported	6 months ended 31 Dec 2006 Reported
Revenue		
Toll Group revenue reported	**4,926**	**5,044**
Pro forma adjustments		
Internal revenue between Pacific National and Toll	–	145
Full year ownership Patrick & SembCorp Logistics	4,522	n/a
	9,448	5,189
Less businesses to be divested to Asciano	(2,501)	(1,368)
Less businesses to be sold	(108)	–
Toll pro forma revenue	**6,839**	**3,821**
EBITDA		
Toll Group EBITDA reported (including share of associate's NPAT)	**579**	**823**
Pro forma adjustments		
Add back non recurring items[1]	–	18
Full year ownership Patrick & SembCorp Logistics	737	n/a
	1,316	**841**
Less businesses to be divested to Asciano	(522)	(316)
Less businesses to be sold	(12)	–
Toll pro forma EBITDA	**782**	**525**
EBIT		
Toll Group EBIT before depreciation and amortisation arising from acquisition accounting (including share of associate's NPAT)	**405**	**611**
Add back non recurring items[1]	–	18
Depreciation and amortisation arising from acquisition accounting	(16)	(70)
Toll Group EBIT reported (including share of associate's NPAT)	**389**	**559**
Pro forma adjustments		
Full year ownership Patrick & SemCorp Logistics	516	n/a
	905	**559**
Less businesses to be divested to Asciano	(355)	(180)
Less businesses to be sold	(6)	–
Toll pro forma EBIT	**544**	**379**

Notes:

1 Non-recurring items and transaction costs of $18 million have been added back to reported EBIT and EBITDA in the analysis of pro forma EBIT or EBITDA of Toll and Asciano for the six months ended 31 December 2006. These items are included within non-recurring items of Toll or Asciano, as appropriate, in the pro forma income statements for the year ending 30 June 2007.

8.7.5 Summary pro forma income statements

The Toll historical pro forma income statements have been extracted from Toll's audited financial statements for the year ended 30 June 2006, reviewed financial statements for the half year ended 31 December 2006 and accounting records of Toll.

The pro forma forecast income statement for the year ending 30 June 2007 is prepared on the basis of a number of assumptions which represent the Toll Directors' best estimates, as set out in Sections 8.7.10 and 8.7.11.

Summary Toll pro forma income statements ($ millions)

Year ending	30 June 2006 Pro forma historical	6 months ended 31 Dec 2006 Pro forma historical	30 June 2007 Pro forma forecast
Revenue	6,839	3,821	7,556
EBITDA	766	516	991
EBIT before depreciation and amortisation arising from acquisition accounting	537	391	709
EBIT	529	370	666
Share of associate's NPAT	15	9	19
EBIT (including share of associates NPAT)	544	379	685
Net interest expense			(33)
Pro forma NPBT			**652**
Income tax expense			(189)
Pro forma NPAT before minority interests and non-recurring items			**463**
Minority interest			(85)
Pro forma NPAT attributable to shareholders before non-recurring items			**378**
Non-recurring items			
Profit on restructure			1,010
Other non-recurring items			(6)
Pro forma NPAT attributable to shareholders after non-recurring items			**1,382**
Pro forma Diluted EPS before non-recurring items and depreciation and amortisation arising from acquisition accounting (cents)			*63.9*
Pro forma Diluted EPS before non-recurring items (cents)			*59.3*
Pro forma Diluted EPS after non-recurring items (cents)			*210.7*

Non-recurring items include the forecast profit on divestment of Asciano of $1,010 million (refer to Section 8.7.13), together with transaction costs incurred in the six months ended 31 December 2006.

The pro forma income statement of Toll is prepared on a consolidated basis and therefore includes 100% of the results of Virgin Blue, Toll NZ and other businesses in which Toll does not own 100% of the equity. The minority interests in the NPAT of Toll are set out separately in the table above.

EPS is calculated on a diluted basis and assuming all the existing Toll Share options are exercised for Toll Shares.

8.7.6 Summary of key financial parameters by key operating segment

The following table identifies the key income statement parameters and capital expenditure by key operating segment in the Toll business, being presented as Toll Australia (including Toll head office), Toll New Zealand and Toll Asia and Virgin Blue, for the pro forma historical year ended 30 June 2006 and half year ended 31 December 2006, and forecast year ending 30 June 2007.

Key operating segments – Toll ($ millions)

Year ending	30 June 2006 Pro forma historical	6 months ended 31 Dec 2006 Pro forma historical	30 June 2007 Pro forma forecast
Toll Australia and head office			
Revenue	3,875	2,150	4,283
EBITDA	342	202	422
EBIT before depreciation and amortisation arising from acquisition accounting	257	155	303
EBIT	249	134	260
Capex	145	74	115
Toll New Zealand			
Revenue	625	323	658
EBITDA	107	45	99
EBIT	61	21	53
Capex	82	21	41
Toll Asia			
Revenue	470	232	465
EBITDA	57	34	62
EBIT	44	29	51
Capex	14	4	6
Virgin Blue			
Revenue	1,869	1,116	2,150
EBITDA	260	235	408
EBIT	175	186	302
Capex	232	183	267

Notes:

1 Operating segment results are presented on a consolidated basis and include minority interests

2 The additional depreciation and amortisation costs of $43 million arising from the accounting for the Patrick Group and SembCorp Logistics acquisitions have been allocated to Toll Australia. This includes additional costs of $19 million relating to Toll Asia assets and $9 million relating to Virgin Blue assets. Therefore EBIT for Toll Australia is presented before and after these additional depreciation and amortisation costs. The year ended 30 June 2006 only includes two months of the additional depreciation and amortisation costs, compared to a full twelve months charge in the pro forma forecast for the year ending 30 June 2007

3 EBIT and EBITDA is presented before accounting for the NPAT of associates

8.7.7 Reconciliation of pro forma forecast NPAT to expected statutory forecast NPAT

The pro forma forecast income statement of Toll for the year ending 30 June 2007 assumes a Restructure date of 1 July 2006 to provide an indicative full year results profile of Toll following the Restructure. The following table provides a reconciliation from the pro forma forecast NPAT and EPS of Toll for the year ended 30 June 2007 to the expected statutory forecast NPAT and EPS for the year ending 30 June 2007. In preparing the reconciliation, it has been assumed that the Restructure is effected and control of Asciano is transferred on 31 May 2007.

Reconciliation of Toll pro forma forecast NPAT to expected statutory forecast NPAT

Year ending 30 June 2007	NPAT before non recurring items $m	NPAT after non recurring items $m	Diluted EPS (cents) before non recurring items	Diluted EPS (cents) after non recurring items
Pro forma forecast NPAT after minority interests	**378**	**1,382**	**59.3**	**210.7**
Adjusted for:				
Inclusion of Asciano for 11 months	226	226		
Add profit relating to businesses and assets assumed as sold	1	1		
Change in interest costs (post tax)	(200)	(200)		
Increase in minority interests	(4)	(4)		
Expected statutory forecast NPAT after minority interests and non recurring item	**401**	**1,404**	**62.8**	**214.1**

Key reconciling items relate to:

- The inclusion of the results of the business and assets that will be divested to Asciano for 11 months of the year ending 30 June 2007;
- Inclusion of the results of the Patrick Corporation Bass Strait Shipping and Tasmanian Freight Forwarding businesses up to the date of sale, assumed to be 30 June 2006; and
- Differences in interest charges as a result of the application of the pre-Restructure Toll Group capital structure for 11 months of the year ending 30 June 2007.

8.7.8 Summary pro forma schedule of cash flows

The Toll pro forma historical schedule of cash flows have been extracted from Toll's audited financial statements for the year ended 30 June 2006 and reviewed interim financial statements for the half year ended 31 December 2006.

The pro forma forecast schedule of operating cashflows for the year ending 30 June 2007 are based on a number of assumptions which represent the Toll Directors' best estimates, as set out in Sections 8.7.10 and 8.7.11.

Summary pro forma Toll schedule of cash flows ($ millions)

Year ending	30 June 2006 Pro forma historical	6 months ended 31 Dec 2006 Pro forma historical	30 June 2007 Pro forma forecast
EBITDA	**766**	**516**	**991**
Dividends from associates	11	7	14
Capital expenditure	(473)	(282)	(429)
EBITDA less capex	**304**	**241**	**576**
Net interest			(33)
Tax paid			(189)
Change in working capital			(20)
Transaction costs			(31)
Dividends			(106)
Movement in cash			**197**

8.7.9 Management commentary on pro forma historical results

Commentary on the historical results of Toll's business units is provided within Toll's annual accounts for the year ended 30 June 2006 and interim financial statements for the half year ended 31 December 2006. These are both available from Toll's website, www.tollgroup.com.

8.7.10 General assumptions

The following general assumptions were adopted by the Toll Directors in preparing the pro forma forecast financial information:

- There will be no significant change to the economic conditions in which Toll operates;
- There will be no significant change in the legislative regimes and regulatory environments (including taxation) in the jurisdictions which Toll operates;
- There will be no material industrial or employee relations disputes, litigation, strikes, acts of terrorism or acts of God relevant to the operations of Toll;
- No material change in the competitive activity in the markets in which Toll operates;
- There are no changes in AIFRS which would have a material effect on the financial results of the Toll Group;
- No net synergy benefits have been assumed in the pro formal year ended 30 June 2007 beyond those expected to be realised in this period;
- Key personnel are retained;
- Toll's strategy is to make strategic acquisitions to enhance its ability to offer solutions across the supply chain. However, the standalone forecast is prepared on the assumption that Toll does not acquire or divest any material businesses, with the exception of the Bass Strait Shipping and Tasmanian Freight Forwarding businesses;
- The pro forma income statement includes additional depreciation and amortisation charges arising from the accounting for the acquisition of Patrick and SembCorp Logistics in the year ended 30 June 2006 of $43 million per annum. This only includes the allocation of these costs for the businesses that will remain with Toll post-Restructure;
- An average of 75% of the share of associates' NPAT is available in cash to Toll from dividends paid by those associates;
- An incremental effective tax rate of 29% for the year ending 30 June 2007;
- Annual weighted average interest rate on net debt is 5.0%;
- Tax and interest are paid as incurred within the year;

- 40% of Toll NPAT (after minority interests and before non-recurring items) is distributed in dividends to Toll shareholders, with a 30% re-investment in Toll shares via the Toll Dividend Reinvestment Plan;
- No material dividends are distributed by Toll NZ or Virgin Blue; and
- There is no change to the capital structure from that set out in the pro forma historical balance sheet as detailed in Section 8.7.12.

8.7.11 Specific assumptions

The Toll Director's best estimate assumptions underpinning the pro forma forecast financial information for the year ending 30 June 2007 are based on the latest available management information, which includes the year to date financial performance to 31 December 2006, together with the Toll Directors' assessment of the short-term outlook for Toll.

The specific assumptions adopted by the Toll Directors in preparing the pro forma forecast financial information for each business unit are as follows. References to EBIT are prior to the additional depreciation and amortisation costs relating to the accounting for the acquisitions of Patrick Corporation and SembCorp Logistics in the year ended 30 June 2006.

Toll Australia (including certain former Patrick Group businesses to remain with Toll and Toll head office)

- Revenue and EBIT are forecast to increase by circa 11% and 18% on prior year to $4.3 billion and $303 million respectively;
- The Toll Australia business unit represent a diversified combination of individual businesses which, when viewed as a whole, do not have particular sector risk. Consequently, the key risks to the forecasts and growth rates achieved by Toll Australia are considered to be macro-economic and reference should be made to general assumptions referred to in Section 8.7.10;
- Continuation of year on year growth rates and strong brand reputations in key markets;
- Toll Autologistics is retained by Toll as this is no longer a divestiture required by the ACCC;
- Retention of key customer contracts and the commencement of new business in the second half of the year;
- Trading and transitional arrangements with Asciano are established on an arms length basis;
- No material impact from further increases in oil and fuel prices, as key businesses apply customer fuel surcharges; and
- Successful integration of the former Patrick Group logistics businesses into current Toll operations.

Toll New Zealand

- Forecast revenue growth of circa 5% on prior year, primarily within the freight sector. EBIT results are forecast to be slightly lower than prior year;
- Toll New Zealand forecast revenue and earnings reflect the results achieved in the six months ended 31 December 2006, but with the normal profile of stronger earnings in the second half of the year;
- No changes to current track access fee arrangements during the year;
- Increased competition within the Interislander freight and passenger market;
- Average exchange rate of NZ$1.15:A$1 for the year; and
- Deferral of any significant capital expenditure projects until final decisions are available on National Rail Access Agreement ('NRAA') in the year ending 30 June 2008.

Toll Asia

- Revenue is flat with prior year at A$465 million, with the Toll Asia business focussing on higher margin new business and exiting unprofitable arrangements. EBIT before NPAT of associates is forecast to increase to A$51 million;
- Strong growth in the oil and gas exploration sector;
- Continuation of all existing Singapore Government defence ('MINDEF') contracts for the remainder of the year, with no significant changes in earnings profiles under those contracts;
- Continued review of operating costs and reduction in divisional head office costs as a result of de-listing from the Singapore stock exchange;
- Continued high local and regional competition in supply chain management ('SCM') business;
- Average exchange rate of S$1.2:A$1 for the year; and
- No major new capital expenditure projects during the year.

Virgin Blue

- Revenue and EBIT are forecast to increase by 15% and 73% respectively on prior year, which is in line with trading performance for the first 6 months of the year and underpinned by forecast increases in capacity, passengers and average fares;
- Passenger load factors increase from 78.7% in FY06 to 79.7% in FY07, which management attribute to the success of the Velocity frequent flyer program and increased capacity;
- Average fares increase in FY07, driven by a higher proportion of corporate and government market passengers;
- No significant changes to sectors flown or routes in the second half of the year;
- Fuel costs average to US$80/bbl for the second half of the year, compared to an average cost of US$83/bbl in the first half of the year. The forecast assumes that 95% of anticipated fuel requirements are hedged at worst case rate of US$85/bbl, thereby significantly reducing the downside risk to the earnings forecasts;
- Forecast capital expenditure of $267 million includes the purchase of two new owned aircraft for $116 million and pre delivery payments for new aircraft of $43 million; and
- It has been assumed that circa $110 million of pre-delivery payments in relation to seven new aircraft to be delivered in the year ending 30 June 2009 are not paid until the year ending 30 June 2008. The timing of pre-delivery payments is still under negotiation with the aircraft manufacturer and may result in additional capital expenditure in the year ending 30 June 2007, depending on the outcome of that negotiation.

8.7.12 Pro forma historical balance sheet

The table below sets out the pro forma historical balance sheet as at 31 December 2006. The assumptions adopted by the Directors in the preparation of the pro forma historical balance sheet are described in Section 8.7.13.

8. Toll Group after the Restructure

Pro forma historical balance sheet as at 31 December 2006 ($ millions)

	Toll Group Reported	Asciano Pro forma	Toll Pro forma
Current assets			
Cash	1,122	263	1,447
Receivables	1,169	435	734
Inventories	93	49	44
Assets held for sale	70	–	15
Other	117	27	90
Total current assets	**2,571**	**773**	**2,330**
Non current assets			
Receivables	76	–	76
Investments in Associates	288	10	278
Property, plant & equipment	5,039	2,315	2,594
Goodwill	5,686	4,176	1,751
Deferred tax assets	3	1	3
Intangibles	867	643	224
Other	118	105	13
Total non current assets	**12,077**	**7,249**	**4,939**
Total assets	**14,647**	**8,023**	**7,269**
Current liabilities			
Accounts Payable	1,235	314	920
Interest bearing liabilities	3,623	100	86
Current tax liabilities	40	–	40
Provisions	321	115	206
Liabilities held for sale	10	–	–
Other	53	–	53
Total current liabilities	**5,282**	**529**	**1,306**
Non current liabilities			
Interest bearing liabilities	2,438	4,363	1,775
Reset Preference Shares	249	–	249
Deferred tax liabilities	90	–	90
Provisions	281	164	133
Other	20	–	20
Total non current liabilities	**3,078**	**4,527**	**2,267**
Total liabilities	**8,360**	**5,056**	**3,573**
Net assets	**6,287**	**2,967**	**3,695**
Net debt	*5,188*	*4,200*	*664*
Debt to Debt plus Equity %	*45%*	*59%*	*15%*

Notes:

1 Net Assets are presented on a consolidated basis and include minority interests of $378 million in the Toll Group reported balance sheet at 31 December 2006. Proforma balance sheets of Asciano and Toll include minority interests of $27 million and $351 million respectively

8.7.13 Key assumptions used to compile the pro forma historical balance sheet

For the purpose of presenting the pro forma balance sheet of Toll as at 31 December 2006, it has been assumed that the Restructure occurred on 31 December 2006. The above balance sheet is therefore considered a proxy for the balance sheet as at the expected date of Restructure of 31 May 2007.

The pro forma historical balance sheet of Toll has been extracted from the reviewed interim financial statements for the half year ended 31 December 2006, adjusted for the following:

- Elimination of the assets, liabilities and goodwill of Pacific National and other businesses and assets to be divested to Asciano;
- Assumed that the sale of Patrick Group's Bass Strait Shipping and Tasmanian Freight Forwarding businesses has been completed and cash received;
- Assumed that the sale of the Victorian track by Pacific National to the Victorian Government for book value of $130 million has been completed and cash received; and
- Transfer of net debt of $4.335 billion from Toll to Asciano prior to the Restructure.

At the election of the Toll Directors', the assets, liabilities and goodwill of the relevant businesses will be transferred from Toll to Asciano at fair value. For the purpose of compiling the pro forma balance sheet, the fair value of the assets and liabilities to be transferred is based on the Toll Director's assessment of their fair value and represents the carrying value of those assets and liabilities on the Toll Group balance sheet at 31 December 2006 with the following exceptions:

- Toll Ports and Toll Owens JV are recorded on the Toll Group balance sheet at 31 December 2006 at book value; and
- Only 50% of the total goodwill of Pacific National is currently recognised on the Toll Group balance sheet, as this relates to the proportion of Pacific National that was already owned by Toll.

The transfer of assets and liabilities to Asciano at fair value rather than book value will result in a profit on divestment within Toll. Based on the Toll Director's assessment of fair value, the profit on divestment is expected to be $1,010 million after accounting for transaction costs. No tax will be charged on the profit on divestment. Tax deductions should be available for transactions costs over time.

8.8 Forecasts/outlook statement

A description of the outlook for Toll is set out below. This has been prepared in accordance with the 'Important notices' sections of this document.

The logistics and freight industry has been through a long period of strong growth.

The continued growth of the logistics and freight industry is driven by a number of factors, details of which are set out in Section 8.3.

Through a successful combination of organic and acquisition growth initiatives, Toll has developed a strong platform for future growth of its operations in Australia and throughout the Asian region. In particular, Toll's growth strategy has and will continue to revolve around leveraging key logistics assets within the Asia-Pacific region through a combination of acquisitions, strategic alliances and other joint ventures. This strategy has and will continue to enable Toll to coordinate logistics solutions to its Australian and international customers.

Toll will generally adopt an asset light strategy to deliver its unique suite of integrated logistics services. Through this approach Toll will seek to coordinate all key assets in the supply chain without necessarily owning them outright. However, in key industry sectors and where necessary to deliver the most effective logistics and transport solution Toll will continue to consider strategic asset ownership provided capital return and risk criteria will be satisfied.

Toll has established logistics and freight operations within Australia, New Zealand and throughout the broader Asian region to capitalise on organic growth opportunities presented by:

- Increased intra-Australia and New Zealand trade;
- Increased intra-Asia trade;
- Increased trade between Australia, New Zealand and Asia; and
- Increased global trade between Australia, New Zealand, Asia and the rest of the world.

8. Toll Group after the Restructure

Toll intends to capitalise on the overall organic growth opportunities by:

- Further developing its presence in the high volume, high growth markets of the Asian region and servicing the growing cross-border supply chain requirements;
- Further developing a full service capability covering the international supply chain service offering;
- Continuing to strive for operating excellence and superior service delivery;
- Carrying out disciplined capital investment initiatives;
- Fostering long term relationships and alliances with customers; and
- Enhancing existing and developing new alliances and service partner relationships.

Toll's logistics and freight businesses have exhibited organic revenue growth of over 7% for the past 5 years.

Toll will continue to pursue strategic acquisitions throughout Australia, New Zealand and Asia in order to secure strategic infrastructure, capabilities and skills across the supply chain to service customers' needs and provide a platform for further growth.

Toll has a successful history of integrating logistics and freight businesses acquired to extract operational efficiencies and synergies and realise cross selling opportunities that generate further organic growth for the group. Such success has been demonstrated by the acquisitions of TNT Forwarding, Brambles Transport, Finemores, SembCorp Logistics and Patrick Corporation.

The logistics and freight industry is one that benefits from scale, and acquisition and collaboration activities are currently occurring within the sea, rail, road and air segments. The Toll Directors expect Toll to continue to engage in acquisition and collaboration activities post-Restructure that are expected to improve its competitive positioning and create additional value for Shareholders.

To optimise operational efficiency and deliver increased returns on invested capital, Toll continues to conduct process reviews and invest heavily in technology. Toll has a dedicated team of technology personnel and logistics professionals who plan, develop and run end-to-end supply chain management IT solutions that go beyond warehousing and distribution. Investment in web-based technologies that link databases across supply chain partners provides enhanced visibility of inventory, capacity, status of equipment and orders across the extended supply chain, further realising operational efficiencies in a competitive industry.

Toll's expected growth, increasing operational efficiencies and reduced capital intensity will allow the proposed group to boost return on invested capital to pre-Patrick Corporation acquisition levels. The Toll Directors expect that going forward Toll will realise improvements in returns on invested capital. Again, this long term guidance recognises that volatility is inherent in the logistics and freight industry and as a result individual years may be lower than the stated range. At the date of the Restructure Toll will retain its 62.8% interest in Virgin Blue and will monitor its ongoing investment level. A further review of this investment it expect by the end of the 2007 financial year. In the meantime Toll will remain focussed on supporting Virgin Blue management in executing the business strategies to enhance Virgin Blue's competitive position and investment value.

The Shareholder should fully consider the material risks outlined in Section 8.9 in interpreting this outlook and scheme proposal.

8.9 Risk factors for Toll Group post-Restructure

The past performance of Toll and the entities constituting the 'proposed Group' is not a guarantee of the future performance of the 'proposed Group'. Dividends are not guaranteed. There are a number of factors that may have an impact on the future performance of the 'proposed Group'. The future dividends, value of the 'proposed Group's' assets and the market value of the ASX-quoted shares may be influenced by these risk factors.

The key risks that may have an adverse impact upon the financial performance of Toll are set out in this Section 8.9. Note that this Section 8.9 does not take into account the investment objectives, financial situation or particular needs of Toll Shareholders and is not exhaustive. It is important that Toll Shareholders carefully read this Scheme Book in its entirety, consider their personal circumstances (including financial and taxation issues) and, if required, seek independent professional advice before voting on the proposed Restructure.

8.9.1 Risk factors that affect the general economy and stock market

The financial performance of Toll and the value of the associated shares will fluctuate due to various factors including movements in the Australian and international equity markets, recommendations by brokers and analysts, interest rates, inflation, Australian and international economic conditions, change in government, fiscal, monetary and regulatory policies, prices of commodities (including oil), global geo-political events and hostilities and acts of terrorism, investor perceptions and other factors that may affect the group's financial position and earnings. In future, these factors may cause the proposed group's shares to trade below current prices and may affect the income and expenses of Toll.

8.9.2 Specific risk factors that may affect the proposed group

Set out below are some of the key risks attaching to an investment in Toll which have been identified as potentially affecting the performance of Toll, the ability of Toll to pay and/or frank dividends and the value of Toll Shares. Some of these risks can be mitigated using appropriate safeguards, controls and systems, but others are outside the control of Toll and the Toll Directors and cannot be mitigated.

8.9.2.1 Economic growth

Toll will be exposed to the general risks of operating in the transport and logistics sector. The performance of the transport and logistics sector is highly dependent upon the Australian and global economy. For example, Toll's logistics volumes typically reflect variations in Australian gross domestic product as a result of variations in import and export volumes. Therefore, an adverse change in the Australian or the global economy may have a material adverse effect on the proposed group.

8.9.2.2 Transport and logistics sector

Growth in the Australian transport and logistics sector may not meet Toll's expectations. This may arise because current in-house providers are 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 the group.

Toll's operations are significantly influenced by the performance of the Australian resources and agricultural sectors. These sectors are heavily impacted by factors outside of the control of the proposed group, such as the levels of international demand for Australian products in these sectors and the forces of nature e.g. drought.

8.9.2.3 Catastrophic events

Toll will be exposed to the risk of the impact of accidents, forces of nature and/or other catastrophic events. Whilst the group's businesses employ strict risk management procedures and policies to minimise the potential impact of such events there remains the risk of significant impact on these businesses through the forces of nature, operator fault or negligence.

8.9.2.4 Oil price volatility

Fuel is an important input in the majority of Toll's businesses. As a result, fuel price volatility can have a significant impact on the proposed group's cost structure. Whilst efforts are made to pass fuel price increases on to customers in the form of fuel surcharges built into contracts, competition may restrict Toll's ability to fully recover the full impact of fuel price volatility.

Fuel is also an important input in Virgin Blue's business and volatility can have a significant impact on Virgin Blue's cost structure which may adversely affect the proposed group, due to the proposed group's investment in Virgin Blue.

To the extent the proposed group or Virgin Blue hedge fuel prices in the future, this may provide benefits and/or risks. To the extent the group and/or Virgin Blue have hedged fuel at higher prices than competitors, it may adversely impact their future competitiveness and financial position.

If oil and fuel prices continue to increase, the potential impact on consumer spending and any consequent slowdown in the Australian and global economy could impact customer activity and ultimately Toll's performance levels.

8.9.2.5 Industrial action

The majority of Toll's operational employees and sub-contractors will be members of trade unions. Toll does not foresee any material disputes with trade unions. However, if there were any material disputes, this could disrupt the group's operations and adversely impact its financial performance.

8.9.2.6 Commercial and operational risks

Toll will face general commercial risks including the risks of the loss of major customers, competition and other causes of business interruption, which may have a material adverse effect on the group. The development of new products or technologies which compete with Toll may have a material adverse effect on Toll.

Toll will make considerable use of information technologies or systems. Failures of such technologies and systems could also have a material adverse effect on the group's operations, financial performance and position.

The industries in which the group operates are capital intensive. The group's operating and financial performance will be 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 and may have a material adverse effect on the group.

8.9.2.7 Competition

Increased competition in the Australian and New Zealand transport and logistics sector may have a material adverse effect on the proposed group. For example, increased competition in the group's operations could result in price reductions, under-utilisation of personnel or infrastructure, reduced operating margins and/or loss of market share. Any of these occurrences may adversely affect the group's financial performance and position.

Specifically, the Australian domestic airline industry is particularly competitive and there is the prospect of one or more new entrants. This may directly impact Virgin Blue's financial performance, which is already subject to vigorous competition from Qantas and Jetstar. This may have a material adverse effect on the group's financial performance and position.

8.9.2.8 Litigation

Toll is exposed to risks of litigation which may have a material adverse effect on the group.

As at the date of this Scheme Book, Toll is not aware of any actual material litigation in respect of the proposed group or in respect of Toll or any matters which could give rise to material litigation. However, the group could become exposed to litigation from employees, regulators or third parties. To the extent that such risks are not covered by insurance, an adverse outcome in litigation or the cost of responding to potential or actual litigation may have a material adverse impact on the financial performance of the proposed group.

8.9.2.9 Government policy and regulatory oversight

Toll's operations depend on access to infrastructure including roads, rail track and associated infrastructure which is subject to regulatory oversight and in some cases is publicly owned. The financial performance and position of Toll depends upon government policy and the continued maintenance and provision of this infrastructure.

Toll will continue to operate in a regulated industry and its operations make use of regulated assets. Changes in the approach adopted by this regulation may have a material adverse effect on Toll.

Rail infrastructure is subject to regulation which affects the investments made by the owners and operators of the infrastructure and the prices which those owners can charge to rail operators. The group may be adversely affected by policy and regulatory changes in relation to investments in and the pricing of such infrastructure.

8.9.2.10 Exchange rate risk

The proposed group will hold investments overseas and may make further such investments or acquisitions consistent with its strategies. Toll also acquires goods and services from companies outside Australia. Any material adverse movements in relevant exchange rates may have a material adverse impact on the group.

8.9.2.11 Key management and employees

The successful operation of the proposed group will depend partly upon the performance and expertise of its management and employees. The loss of the services of key managers or employees, or a loss of the ability to continue to attract and retain qualified employees may have a material adverse effect on the proposed group.

Continuity of staff is important for customer retention and ongoing customer negotiations. A change of staff could affect ongoing relationships with various parties connected to the proposed group. However, the Toll Directors believe that the proposed group personnel are sufficiently experienced to manage any such risk following the Restructure.

Certain executive directors of Toll are also substantial Toll Shareholders, and based on their current shareholding, would own approximately 5-10% of the proposed group. Any decision by these or other substantial shareholders to materially reduce their stake in Toll may have an impact on the price of Toll Shares.

8.9.2.12 Acquisitions and integration

The proposed group will regularly examine corporate opportunities (including potential acquisitions) with a view to determining whether those opportunities will enhance its business in the pursuit of the group's growth strategy. The successful implementation of the group'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 the group pursues could, for a variety of reasons, have a material adverse effect on the proposed group. The group will in such circumstances be exposed to due diligence risks or business integration risks and, in those circumstances, may not realise the anticipated value from corporate opportunities. Any failure to realise the anticipated value from investments or acquisitions could have a material adverse impact on the group.

8.9.2.13 Proposed debt structure

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

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

The proposed group may use derivative instruments in order to hedge against movements in interest rates. Too much exposure in the derivative markets relative to the proposed group's exposure in the spot market may have a material adverse effect on the proposed group.

8.9.2.14 Further funding

In order to provide for future growth, the proposed group will rely on both equity and debt funding. The Toll Directors are not currently aware of any reason why this funding should not continue to be made available to the business at acceptable costs. However, an inability to obtain the necessary funding for the business or a material increase in the cost of the funding through an increase in interest rates may have a material adverse impact on the proposed group.

8.9.2.15 Airline industry

Through its investment in Virgin Blue, the proposed group is exposed to the risks of owning and operating an airline. The following risks pertain to Virgin Blue:

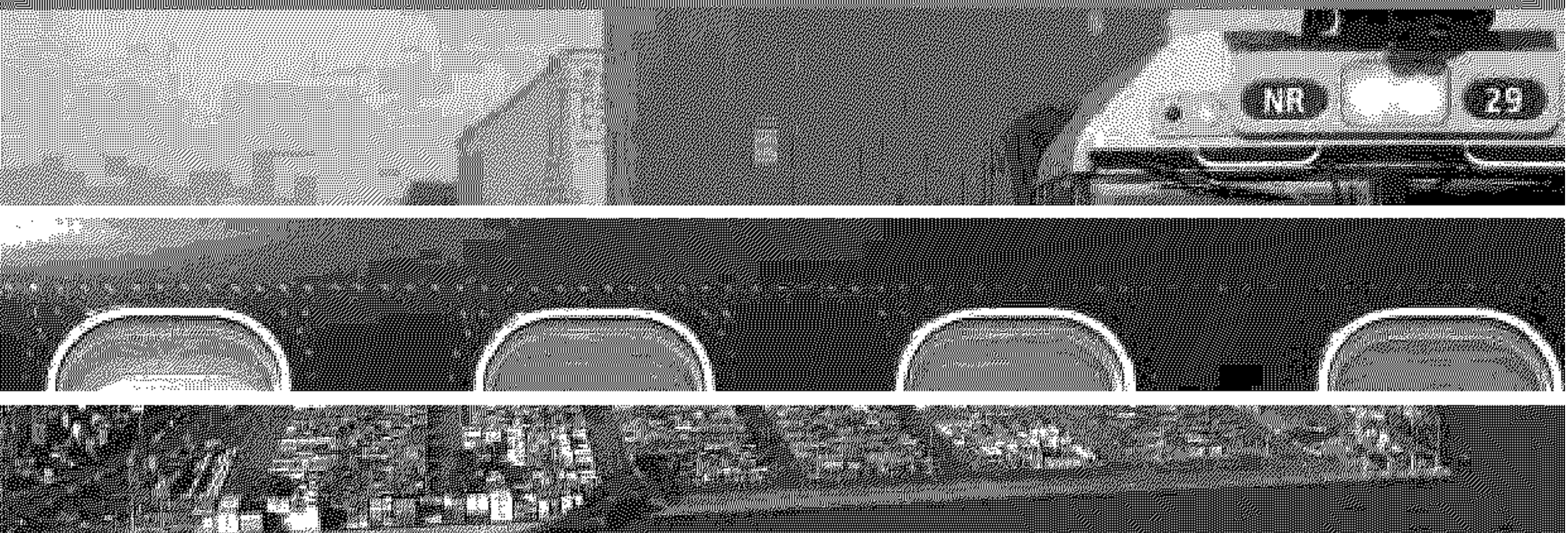
- The airline industry is generally characterised by high fixed costs, such as aircraft operating lease rentals and financing commitments, and low profit margins. Accordingly, a minor shortfall in Virgin Blue's expected revenue levels could have a material adverse effect on its financial performance;
- Hostilities, terrorism, aircraft accidents, changes in the availability or cost of airport facilities, the availability and cost of fuel (see Section 8.9.2.4), economic conditions and other external events could have an impact on Virgin Blue's financial performance;
- Virgin Blue is also exposed to currency fluctuations, labour relations, delays in aircraft turnaround time, the ability to access new routes and capacity allocations and the performance of the Boeing aircraft used by Virgin Blue; and
- Virgin Blue is subject to extensive regulation, including by the Civil Aviation Safety Authority (CASA) and is required to hold air operator certificates under the Civil Aviation Act 1988 (Cth). A decision by CASA to ground any or all of Virgin Blue's fleet, revoke any of its air operator certificates or take any other regulatory action concerning Virgin Blue could have a material adverse effect on Virgin Blue.

8.9.3 Risk factors specific to the Restructure

Refer to Section 5.4 for an outline of risk factors specific to the Restructure.

9

Taxation Implications



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Toll (Corporate Services) Pty Limited
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10 April 2007

Dear Sirs

Restructure - Independent income tax opinion

1 Introduction

This section provides a guide to the general taxation implications that will arise for Toll Shareholders as a result of the Restructure. This section is not a complete analysis nor does it identify all potential tax consequences arising from the Restructure for Toll Shareholders.

Toll has received a favourable Private Binding Ruling with respect to the taxation implications for Toll arising from the Restructure.

Toll has prepared a Class Ruling on behalf of Toll Shareholders to confirm the tax consequences of the Restructure.

Toll recommends that all Toll Shareholders obtain their own specialist tax advice as to the taxation consequences of the Restructure.

1.1 Scope

This letter summarises the Australian tax consequences of the Restructure, based on the Tax Law as at 10 April 2007, and also the implications of the distributions that may be made to investors after the Restructure.

The section does not apply to all Toll Shareholders and, in particular, does not apply to:

- Toll Shareholders who do not hold their Toll Shares on capital account (for example, Toll Shareholders who hold their Toll Shares as trading stock or revenue assets for the purpose of resale at a profit);
- Toll employees whose Shares are subject to the employee share acquisition scheme tax rules. Toll employees will be separately advised of the tax implications for them under the Restructure;

- Toll Shareholders who are non-residents; or
- Toll Shareholders who are trusts.

1.2 Overview of the Restructure

The Restructure will include the following steps:

- The creation, within the Toll Group, of Asciano (consisting of Asciano Limited and Asciano Finance Trust);
- The transfer of Infrastructure Assets to Asciano; and
- A separation of Asciano from the Toll Group, with the transport and logistics business and services to remain together as Toll.

The Restructure will be undertaken by way of two Schemes of Arrangement ("Schemes") involving two separate and distinct Capital Reductions and the payment of Special Dividends. The first Scheme will include the payment of a fully franked dividend ("First Special Dividend") and a return of capital ("First Capital Reduction Amount"), together referred to as the First Reduction Amount. The second Scheme will include the payment of a dividend ("Second Special Dividend") and a return of capital ("Second Capital Reduction Amount"), together referred to as the Second Reduction Amount. The Schemes will have separate and different taxation outcomes for Toll Shareholders. The implications of each of the Schemes are discussed below.

2 Australian income tax implications of the First Reduction Amount

2.1 Treatment of the First Capital Reduction Amount

As part of the Restructure, Toll Shareholders will receive a capital return equal to the First Capital Reduction Amount. This will not be paid to Toll Shareholders in cash, but will be compulsorily applied to subscribe for Asciano Units.

No part of the First Capital Reduction Amount will constitute a dividend, and should not be included as such in the assessable income of Toll Shareholders as a dividend.

The capital return is a CGT event under the Tax Law. The capital return will reduce the CGT cost base of each Toll Share by the amount of the capital return. A Toll Shareholder will realise a capital gain in respect of the capital return on each Toll Share to the extent to which the capital return on each Toll Share is greater than the cost base of that Toll Share. In these circumstances, the CGT cost base of each Toll Share will be reduced to nil and the balance of the capital return will be a capital gain for Toll Shareholders. This capital gain may by eligible for discount CGT treatment. Otherwise, the cost base of each Toll Share will be reduced by the First Capital Reduction Amount.

Toll Shareholders cannot realise a capital loss as a result of the First Capital Reduction Amount.

2.2 *Treatment of the First Special Dividend*

Under the Restructure, Toll Shareholders will receive a fully franked dividend equal to the First Special Dividend. This will not be paid to the Toll Shareholders in cash, but will be compulsorily applied to subscribe for Asciano Units.

The amount of the franked dividend received plus the attached franking credits will be included in the assessable income of Toll Shareholders and will be subject to tax at their marginal tax rate. Broadly, the franking credits represent the company tax attributable to the franked dividend.

Subject to the 45 day rule (described further below), Toll Shareholders will then be entitled to a tax offset equal to the franking credits received.

Toll Shareholders who are individuals or complying superannuation entities, should be entitled to a refund of tax where the franking credits exceed the amount of the income tax otherwise payable by Toll Shareholders.

Toll Shareholders who are companies will not be entitled to a refund of excess franking credits. However, Toll Shareholders will be entitled to credit their franking account for the amount equal to the franking credits attaching to the franked dividend.

2.3 *CGT cost base – Asciano Units*

The unit in Asciano Finance Trust, acquired from the compulsory application of the First Reduction Amount is a new and distinct asset for CGT purposes.

The first element of the CGT cost base of the Asciano Unit will be equal to the First Reduction Amount, together with any incidental costs.

3 Australian income tax implications of the Second Reduction Amount

3.1 *Application of Australian demerger legislation*

Toll Shareholders who are residents of Australia for income tax purposes and hold their Toll Shares on capital account will be eligible for roll-over relief under the demerger rules in the Tax Law ("demerger roll-over relief").

Broadly, demerger roll-over relief will allow Toll Shareholders to elect to defer the CGT consequences of the CGT event arising on the separation of Asciano. Importantly, demerger roll-over relief is not available in respect of the First Reduction Amount.

Set out below at Part 4 are the taxation implications applicable to Australian resident Toll Shareholders who elect demerger roll-over relief for all of their Toll Shares.

Also set out below at Part 5 are the taxation implications for Australia resident Toll Shareholders who do not elect demerger roll-over relief.

4 Australian income tax implications where demerger roll-over relief is elected by a Toll Shareholder

4.1 Treatment of the Second Capital Reduction Amount

Under the Restructure, Toll Shareholders will be entitled to receive a capital return equal to the Second Capital Reduction Amount. This will not be paid to Toll Shareholders in cash, rather Asciano Limited will issue Asciano Shares to Toll Shareholders.

No part of the Second Capital Reduction Amount will constitute a taxable dividend, and should not be included in the taxable income of Toll Shareholders.

Where Toll Shareholders elect demerger roll-over relief, no capital gain or loss will arise for Toll Shareholders.

4.2 Treatment of the Second Special Dividend

Under the Restructure, Toll Shareholders will be entitled to receive a dividend equal to the Second Special Dividend. This will be not be paid to Toll Shareholders in cash, rather Asciano Limited will issue Asciano Shares to Toll Shareholders.

The Second Special Dividend will not be assessable income, and should not be included in the taxable income of Toll Shareholders. No franking credits are attached to the Second Special Dividend.

4.3 CGT cost base – allocation between Toll Shares and Asciano Shares

In general terms, demerger roll-over relief will require Toll Shareholders to apportion the existing cost base of their Toll Shares over both their Asciano Shares and their Toll Shares. Hence, the demerger roll-over relief rules will set the new cost base of Toll Shares and Asciano Shares held after the Restructure.

The apportionment of the cost base of Toll Shares between Toll Shares and Asciano Shares will require that the Toll Shareholder consider the anticipated or actual market values of Toll Shares and Asciano Shares immediately after the Restructure. One such method is the VWAP of Toll compared with the VWAP of Asciano, adjusted for the net asset value of Asciano Finance Trust.

The Class Ruling from the ATO will confirm the allocation methodology for Toll Shareholders to apportion the CGT cost base of the Toll Share.

Toll Shareholders must reduce the cost base of their Toll Shares to reflect the First Capital Reduction Amount before allocating the remaining cost base to their Asciano Shares and their Toll Shares.

Example of how to apportion cost base

The example below is for illustrative purposes only, and the market values stated should not be taken as an indication of the likely market values for Asciano Shares and Toll Shares from the first day on which they both trade on the ASX. No assurance can be, or is, given as to the prices at which Asciano Shares and Toll Shares will trade after the Restructure, either in stand-alone or relative terms.

A Toll Shareholder owns 2,000 Toll Shares. The Toll Shareholder's cost base per Toll Share is \$10.45, meaning that their cost base for all of their shares is \$20,900.

In line with Part 4.1 above, the First Capital Return Amount (assumed to be \$0.45 per Toll Share) reduces the cost base of each Toll Share. The Toll Shareholder's cost base is now \$10.00 per share, meaning the total cost base for all Toll Shares is \$20,000.

Under the Restructure, each Toll Shareholder will receive one Asciano Share for every Toll Share held at the Record Date.

The Toll Shareholder chooses demerger roll-over relief in relation to all of their Toll Shares in respect of the Restructure. As a result, the Toll Shareholder will be required to apportion the cost base of their Toll Shares between their 2,000 Toll Shares and their 2,000 Asciano Shares on the basis of the respective anticipated or actual market values of the shares just after the Restructure.

- The cost base of Toll Shares after the Restructure will be calculated as:

$$\frac{\text{Total cost base of Toll Shares}}{\text{Number of Toll Shares}} \quad \text{X} \quad \frac{\text{Market Value ("MV") of Toll Shares}}{\text{MV of Toll Shares + MV of Asciano Shares}}$$

- The cost base of Asciano Shares after the Restructure will be calculated as:

$$\frac{\text{Total cost base of Toll Shares}}{\text{Number of Asciano Shares}} \quad \text{X} \quad \frac{\text{MV of Asciano Shares}}{\text{MV of Toll Shares + MV of Asciano Shares}}$$

If the Toll Shareholder decides to use the VWAP method referred to in Part 4.3 above to calculate its cost bases after the Restructure, and the VWAP of Toll Shares is between \$9.00 and

$12.00, and the VWAP of Asciano Shares (after reducing the VWAP of Asciano for the net asset value of Asciano Finance Trust) is also between $9.00 and $12.00, the cost base of their Toll Shares and the Asciano Shares after the Restructure will be as described in the table below.

Apportionment of cost base based on original Toll Share cost base of $10.00 after adjusting for the First Capital Return Amount

	Market value of Toll shares													
Market value of Asciano Shares*	$9.00		$9.50		$10.00		$10.50		$11.00		$11.50		$12.00	
	Toll	Asciano	Toll	Asciano	Toll	Asciano	Toll	Asciano	Toll	Asciano	Toll	Asciano	Toll	Asciano
$9.00	$ 5.00	$ 5.00	$ 5.14	$ 4.86	$ 5.26	$ 4.74	$ 5.38	$ 4.62	$ 5.50	$ 4.50	$ 5.61	$ 4.39	$ 5.71	$ 4.29
$9.50	$ 4.86	$ 5.14	$ 5.00	$ 5.00	$ 5.13	$ 4.87	$ 5.25	$ 4.75	$ 5.37	$ 4.63	$ 5.48	$ 4.52	$ 5.58	$ 4.42
$10.00	$ 4.74	$ 5.26	$ 4.87	$ 5.13	$ 5.00	$ 5.00	$ 5.12	$ 4.88	$ 5.24	$ 4.76	$ 5.35	$ 4.65	$ 5.45	$ 4.55
$10.50	$ 4.62	$ 5.38	$ 4.75	$ 5.25	$ 4.88	$ 5.12	$ 5.00	$ 5.00	$ 5.12	$ 4.88	$ 5.23	$ 4.77	$ 5.33	$ 4.67
$11.00	$ 4.50	$ 5.50	$ 4.63	$ 5.37	$ 4.76	$ 5.24	$ 4.88	$ 5.12	$ 5.00	$ 5.00	$ 5.11	$ 4.89	$ 5.22	$ 4.78
$11.50	$ 4.39	$ 5.61	$ 4.52	$ 5.48	$ 4.65	$ 5.35	$ 4.77	$ 5.23	$ 4.89	$ 5.11	$ 5.00	$ 5.00	$ 5.11	$ 4.89
$12.00	$ 4.29	$ 5.71	$ 4.42	$ 5.58	$ 4.55	$ 5.45	$ 4.67	$ 5.33	$ 4.78	$ 5.22	$ 4.89	$ 5.11	$ 5.00	$ 5.00

* Market value of Asciano Shares (excluding Asciano Units)

The sum of the total cost bases of the shareholder's Toll Shares and Asciano Shares (being the cost base per Toll Share multiplied by the number of Toll Shares held and the cost base per Asciano Share multiplied by the number of Asciano Shares held) will be equal to the cost base of the Toll Shareholder's Toll Shares pre-Restructure.

4.4 Disposal of Toll Shares after the Restructure

The Restructure does not result in a disposal of the Toll Shares by the Toll Shareholders.

Upon subsequent disposal of Toll Shares, certain Toll Shareholders may be entitled to the CGT discount concession. Individuals and complying superannuation funds who have held their Toll Shares for more than 12 months may be entitled to a CGT discount of 50% and 33 ⅓ % respectively. Alternatively, Toll Shareholders who acquired their Toll Shares before 22 September 1999 may instead be able to claim cost base indexation until the September 1999 quarter. The Restructure will not change the acquisition date of each Toll Share for a Toll Shareholder.

4.5 CGT implications for Securityholders

Each Stapled Security consists of one Asciano Share and one Asciano Unit. The Asciano Share and the Asciano Unit will be "stapled" together and listed together on the ASX as Asciano.

Each share in Asciano Limited and each unit in Asciano Finance Trust should be considered separately for income tax purposes.

Disposal of Asciano Shares

Where a Toll Shareholder elects demerger relief, each new Asciano Share will be deemed to have been acquired on the same date that the original Toll Share was acquired. These dates will be relevant for indexation or the CGT discount concession. Accordingly, upon disposal of Asciano Shares, certain Toll Shareholders may be entitled to the CGT discount concession. Individuals and complying superannuation funds who have held their original Toll Shares for more than 12 months, may be entitled to a CGT discount of 50% and 33 ⅓ % respectively. Alternatively, Toll Shareholders who acquired their Toll Shares before 22 September 1999 may instead be able to claim cost base indexation until the September 1999 quarter.

Disposal of Asciano Units

Each new Asciano Unit is acquired on the date that it is issued under the first Scheme. Upon disposal of Asciano Units, certain Toll Shareholders may be entitled to the CGT discount concession. Individuals and complying superannuation funds who have held their Asciano Units for more than 12 months may be entitled to a CGT discount of 50% and 33 ⅓ % respectively.

CGT implications on receipt of tax deferred distributions from Asciano Finance Trust

Where tax deferred amounts are received by a Securityholder that holds their investment on capital account, the Securityholder's cost base in Asciano Units should be reduced by the amount of the tax deferred component. The reduction in cost base occurs at the end of the income year in which the tax deferred distribution is received, or where another CGT event happens to the Securityholder's units before the end of the income year, at the time of that CGT event. Where the sum of the tax deferred distributions exceeds the Securityholder's cost base calculated just before the cost base reduction, a capital gain equal to the excess tax deferred amount received will arise

5 CGT consequences of the Restructure if a Toll Shareholder does not elect demerger relief

The second Capital Reduction is a CGT event under the Tax Law. The second Capital Reduction will reduce the CGT cost base of each Toll Share by the Second Capital Reduction Amount. Toll Shareholders will realise a capital gain in respect of the Second Capital Reduction Amount on each of their Toll Shares to the extent to which the Second Capital Reduction Amount on each Toll Share is greater than the cost base of that Toll Share (cost base is determined after reducing the cost base by the First Capital Reduction Amount). In these circumstances, the CGT cost base of each Toll Share will be reduced to nil and the balance of the Second Capital Reduction Amount will be a capital gain for Toll Shareholders. This capital gain may by eligible for discount CGT treatment. Otherwise, the cost base of each Toll Share will be reduced to the cost base immediately after the First Capital Reduction Amount less the

Second Capital Reduction Amount. Toll Shareholders cannot realise a capital loss as a result of the second Capital Reduction.

The cost base of the Toll Shares held by Toll Shareholders and the Asciano Shares issued to the Toll Shareholders under the Restructure will be determined in accordance with the same principles described above at Part 4.3.

For CGT discount and indexation purposes, Asciano Shares issued under the Restructure will be acquired at the date the Asciano Shares are issued under the second Scheme. The Asciano Unit is acquired at the date the Asciano Unit is issued under the first Scheme.

6 Share Sale Facility

As part of the Restructure, Toll Shareholders can elect to sell their Stapled Securities. The sale of Stapled Securities will be subject to tax and Toll Shareholders should seek independent advice to confirm their individual tax consequences.

7 Stamp duty and brokerage costs

Toll Shareholders will pay no Australian stamp duty or brokerage on the issue of Stapled Securities under the Restructure.

8 Goods and Services Tax ("GST")

Toll Shareholders will not be liable for (or be required to pay) GST on the receipt of Stapled Securities or any other distribution received in connection with the Restructure.

9 Australian income tax implications of the Restructure for non-residents

Ineligible Overseas Shareholders will participate in the Schemes on the same basis as all other Toll Shareholders. Ineligible Overseas Shareholders will not receive Stapled Securities to which they are entitled to under the scheme, but will have those Stapled Securities sold under the Schemes and the proceeds of sale will be remitted to them.

Toll recommends that non-resident Toll Shareholders seek their own tax advice to assess the tax costs arising in their jurisdiction from the Restructure.

10 Australian income tax implications for Toll Shareholders following the Restructure

After taking into account the taxation adjustments for the Schemes, the Australian income tax implications for Toll Shareholders in respect of their Toll Shares will remain unchanged.

11 Australian income tax implications for Securityholders following the Restructure

11.1 Dividend distributions to Securityholders

Asciano Limited may pay dividends to Securityholders. Dividends received from Asciano Limited will be either franked (fully or in part) or unfranked.

Asciano Limited will notify Securityholders of the franked and unfranked components of any dividends paid.

Australian tax resident individuals

Asciano Limited dividends received by Securityholders who are Australian tax resident individuals should be included in their assessable income, including the amount of any franking credits attached to the dividend. Franking credits should only be included to the extent that the dividend received is franked. Broadly, franking credits may be offset against the tax payable by the Securityholder. In certain circumstances, this offset may result in a tax refund being payable to the Securityholder.

Australian tax resident companies

Securityholders who are companies will not be entitled to a refund of excess franking credits. However, Securityholders will be entitled to credit their franking account for the amount equal to the franking credits attaching to the franked dividend.

Australian tax resident complying superannuation funds

Complying superannuation funds receive full tax offsets (which can be offset against the fund's tax liability) for the franking credits. Any excess franking offsets should be refundable.

45-day holding rule

A Securityholder's entitlement to the imputation credit tax offset may be denied in certain circumstances where 'holding period' rules with respect to the underlying investment in Asciano Shares is not satisfied. Broadly, the holding period rules require that the Securityholder holds at risk the Asciano Shares in respect of which a dividend has been paid, for a minimum period of 45 days during the relevant period (excluding days of purchase and sale). The extent to which these rules are applicable will depend on the specific Securityholder's circumstances and we recommend that Securityholders seek specific tax advice in relation to this. In the present case however, these rules should not be applicable to long term investments.

11.2 Trust distributions made to Securityholders

Securityholders should include in their assessable income their proportionate share in the net income of Asciano Finance Trust. Net income received by a presently entitled beneficiary or trustee, retains the same character as when the income was derived by the Asciano Finance Trust. Accordingly, where Asciano Finance Trust's net income includes dividend income and capital gains, this income along with any franking credits, flows through to Securityholders. Asciano Finance Trust will advise Securityholders as to the character of the net income in a distribution statement.

Where the cash amounts received from the Asciano Finance Trust exceed its net income, the excess amount is referred to as a 'tax deferred amount'. Tax deferred amounts received by Securityholders should not be included in their assessable income. However, CGT implications may arise upon receipt of tax deferred amounts.

Where tax deferred amounts are received by a Securityholder that holds their investment on capital account, the Securityholder's cost base in Asciano Units should be reduced by the amount of the tax deferred component. The reduction in cost base occurs at the end of the income year in which the tax deferred distribution is received, or where another CGT event happens to the Securityholder's units before the end of the income year, at the time of that CGT event. Where the sum of the tax deferred distributions exceeds the Securityholder's cost base calculated just before the cost base reduction, a capital gain equal to the excess tax deferred amount received will arise.

Asciano Finance Trust will advise Securityholders of the nature of the net income and tax deferred components of the distributions in accordance with industry practice.

11.3 Withholding tax

Although there is no requirement for Securityholders to quote their tax file number (TFN) or Australian Business Number (ABN) to Asciano Finance Limited or the trustee of Asciano Finance Trust, where a Securityholder does not quote their ABN, TFN or claim an exemption, Asciano Limited and the trustee of Asciano Finance Trust will be required to withhold tax for any amount of net income at the highest individual marginal rate (currently 45%) plus the Medicare levy.

12 General tax reform

Our income tax advice is based on current taxation law as at the date our advice is provided. You will appreciate that the Tax Law is frequently being changed, both prospectively and retrospectively. A number of key tax reform measures have been implemented, a number of other key reforms have been deferred and the status of some key reforms remains unclear at this stage.

Unless special arrangements are made, this advice will not be updated to take account of subsequent changes to the tax legislation, case law, rulings and determinations issued by the Australian Commissioner of Taxation or other practices of taxation authorities. It is your responsibility to take further advice, if you are to rely on our advice at a later date.

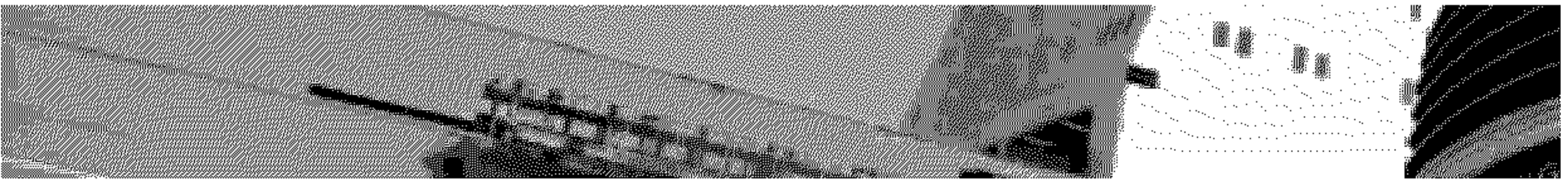
We are, of course, unable to give any guarantee that our interpretation will ultimately be sustained in the event of challenge by the Australian Commissioner of Taxation.

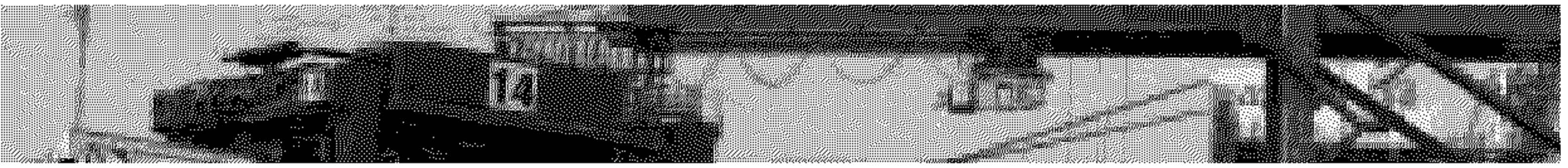
Yours faithfully

KPMG

KPMG

10
Fees and Other Costs





10. Fees and Other Costs

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from $100,000 to $80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

The total estimated expenses of the Restructure payable by Toll, which includes advisory, legal, accounting, listing and administrative fees as well as printing, advertising and other expenses, are set out in section 12.14 of this Scheme Book. This section sets out the ongoing fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Trust assets as a whole.

Taxes are set out in Section 9 of this Scheme Book.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

Type of fee or cost	Amount	How and when paid
Fees when your money moves in or out of the fund		
Establishment fee The fee to open your investment	Nil	Not applicable
Contribution fee The fee on each amount contributed to your investment – either by you or your employer	Nil	Not applicable
Withdrawal fee The fee on each amount you take out of your investment	Nil	Not applicable
Termination fee The fee to close your investment	Nil	Not applicable
Management costs		
Management fees: The fees and costs for managing your investment	While PIML is the Responsible Entity: $165,000 (including GST) for the first 6 months of the appointment of PIML as Responsible Entity then $13,750 (including GST) per month thereafter. The $165,000 is payable regardless of whether PIML is appointed for one month or six months or part thereof. While Asciano Finance Limited is the Responsible Entity there will be no management fees.	Paid by Asciano Limited and accrued daily and billed monthly or on a pro-rata basis.
Expense recoveries: The expenses which the Responsible Entity is entitled to be reimbursed in connection with the Trust	Estimated to be approximately $50,000 per annum.	Paid by Asciano Limited quarterly on the last business day of the relevant quarter.
Service fees		
Investment switching fee The fee for changing investment options	Nil	Not applicable

Example of annual fees and costs

This table gives an example of how the fees and costs for this product can affect your investment over a 1 year period while PIML is the Responsible Entity. You should use this table to compare this product with other managed investment products.

Example	Balance of $50,000 with a contribution of $5,000 during year	
Contribution Fees	Nil	For every additional $5,000 you put in, you will be charged $0.
PLUS Management Costs*	0.00531%	**And**, for every $50,000 you have in the fund you will be charged $2.66 each year.
EQUALS Cost of fund		If you had an investment of $50,000 at the beginning of the year and you put in an additional $5,000 during that year, you would be charged fees of: **$2.66** **What it costs you will depend on the investment option you choose and the fees you negotiate with your fund or financial adviser.**

* The above example relates to the first year of the investment.

10. Fees and Other Costs

Additional explanation of fees and costs

Management Fees

The management fees described in the table above are payable to PIML by Asciano Limited. However, for the purposes of illustration, if we assume that the value of the Trust assets is $4.6 billion, PIML's management fees are the equivalent of 0.00538% per annum of the value of the Trusts assets for the first year and 0.00359% per annum thereafter.

For example, if the value of the Trust's assets was $4.6 billion, the estimated management fee would be $0.54 for every $10,000 invested in Asciano.

In the event that Asciano Limited fails to pay PIML the disclosed management fee, PIML has the ability to recover the unpaid portion of the management fee from the assets of the Trust.

The management fees are to be adjusted annually by reference to the consumer price index.

Filing Fee

In addition to the fees and costs described in the table above, PIML will receive $30,000 (excluding GST) once off as a filing fee payable on the filing of this Scheme Book with ASIC and the ASX.

Tax

For information on significant tax implications relating to an investment in Asciano refer to Section 9 of this Scheme Book.

Expense Recoveries

The Responsible Entity is entitled to be reimbursed by Asciano Limited for the ongoing expenses incurred by it in the proper performance of its duties in relation to the Trust. The Responsible Entity will not be reimbursed from the Trust assets. However, for the purposes of illustration, if we assume that the value of the Trust assets is $4.6 billion, the ongoing expense recoveries will not exceed the equivalent of 0.00109% per annum of the value of the Trust assets which would be $0.09 for every $10,000 invested in Asciano.

Maximums

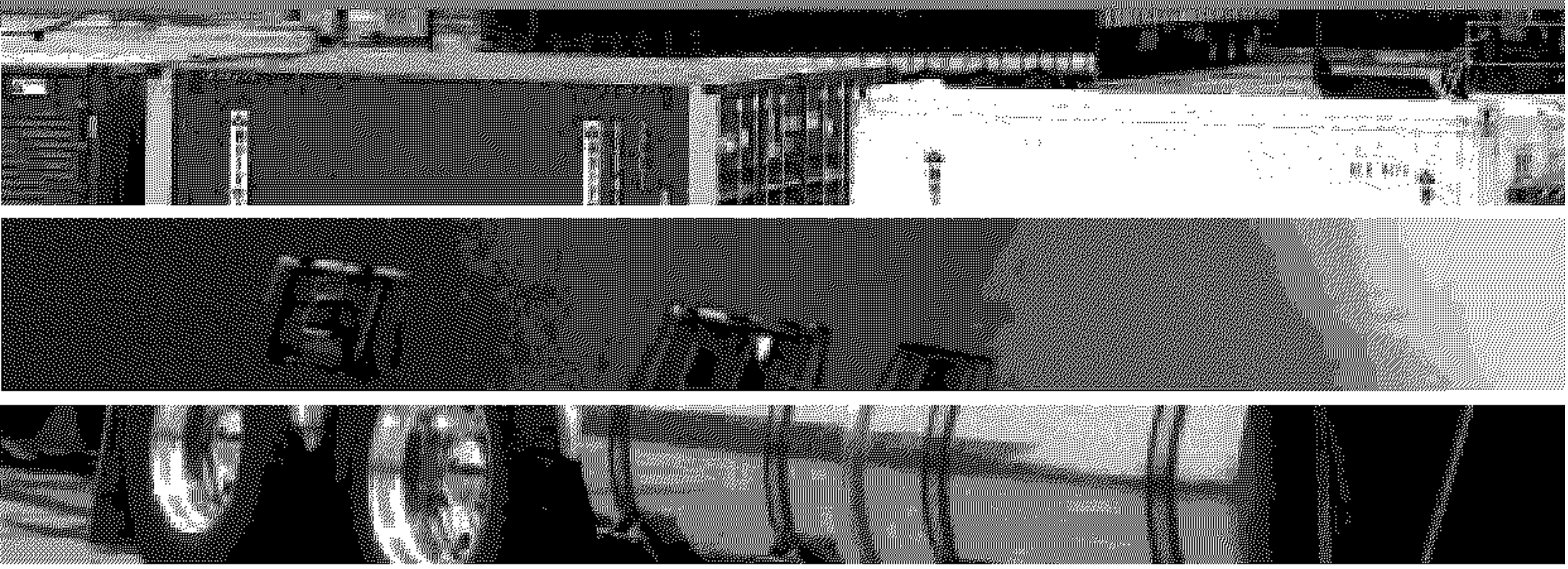
Once Asciano Finance Limited is the Responsible Entity, it reserves the right to waive or increase fees, without Unitholders' consent. Factors which may lead the Responsible Entity to vary the fees include legal, economic, policy and procedural changes. The right to vary is at the Responsible Entity's discretion and this is not an exhaustive list of circumstances which could lead it to vary the fees. The Responsible Entity will give you at least 30 days' prior notice of any change to the current fee and/or the introduction of any additional fee.

The maximum fees the Responsible Entity can charge under the Trust Constitution (and to increase the fees in the Trust Constitution, the Responsible Entity would need to have Unitholders' approval) are:

Fee	Maximum fee entitlement*
Management Fee	1.025% per annum of the gross asset value of the Trust Assets calculated on a daily basis*

* The Management Fee is stated on the assumption that GST applies, the fee is inclusive of GST less any reduced input tax credits that are available.

11
Material Contracts



11. Material Contracts

Significant contracts or arrangements (or groups of contracts or arrangements) entered into, or to be entered into, by Asciano are:

- The following contracts and arrangements between Toll and Asciano:
  - Implementation Deed;
  - Restructure Deed; and
  - Rail Linehaul Agreements.
- The leases for the Container Terminals; and
- The following financing arrangements for Asciano:
  - Facility Agreement; and
  - related securities.

In some cases, a general description is given to a group of contracts or arrangements which are significant to the operations of Asciano.

In addition, this Section 11 sets out the executive service arrangements for Toll and Asciano which will apply after the Implementation Date and also a summary of the Undertakings given to the ACCC, including the Variation.

11.1 Contracts and arrangements between Toll Group and Asciano

Toll and Asciano have entered into or will enter into a number of new contracts to facilitate the Restructure, each of which will be effective on or before the Effective Date.

Implementation Deed

Nature of contract – Toll and Asciano have entered into an Implementation Deed to carry into effect the Special Dividends, the Capital Reductions, the Schemes and all other steps necessary to give effect to the Restructure.

Toll obligations – Under the Implementation Deed, Toll agrees that it will do everything necessary to implement the Special Dividends, Capital Reductions and the Schemes, so as to implement the Restructure, including:

- Executing and delivering the Restructure Deed and the other transaction documents;
- Obtaining Court orders convening the Scheme Meetings and convening the General Meeting;
- Applying to ASX for the admission of Asciano to the official list of ASX and for official quotation of all the Stapled Securities;
- Obtaining Court orders approving the Schemes; and
- Lodging office copies of the Court orders approving the Schemes with ASIC and ASX on the Effective Date.

Asciano obligations – Under the Implementation Deed, Asciano agrees that it will do everything necessary to implement the Restructure, including:

- Executing and delivering the Restructure Deed and the other transaction documents;
- Entering into, the financing arrangements described in Section 11.3;
- Registering the Stapled Securities to Toll Shareholders;
- Issuing holding statements within the time required by the Listing Rules;
- Procuring the sale of the Stapled Securities by the Sale Agent in respect of Ineligible Overseas Shareholders; and
- Taking whatever action is necessary to procure the satisfaction of any conditions or requirements associated with any conditional ASX listing approval or deferred settlement trading on ASX of the Stapled Securities.

Restructure Deed

Nature of contract – The Restructure Deed, which will be entered into under the Implementation Deed, will deal with the transfer of the Infrastructure Assets and miscellaneous commercial and legal issues arising in connection with the legal and economic separation of Asciano from Toll.

Payment of consideration – The purchase price of the Infrastructure Assets will be satisfied by cash, the issue of Asciano Shares and the assumption of debt relating to the Infrastructure Assets.

Restructure Principle – The fundamental principle, or 'Restructure Principle', underlying the agreement between Toll and Asciano as to the intended economic and legal effect of the Restructure and separation from Toll is that, following the Restructure, the parties intend that Asciano will have the entire economic benefit and risk of the businesses and assets comprising Asciano as if the Asciano Group had owned and operated those businesses and assets at all times. Toll and Asciano give certain indemnities to each other consistent with the Restructure Principle.

Acknowledgement – Consistent with the Restructure Principle, Toll and Asciano Limited acknowledge that once the Restructure is implemented, no entity within the Asciano Group will have any rights against a member of the Toll Group and no entity within the Toll Group will have any rights against a member of the Asciano Group save as expressly provided for in the Restructure Deed or other transaction documents. Neither Toll or Asciano Limited will have any right to make a claim for loss or damage arising directly or indirectly in relation to the Schemes, the Capital Reductions or the transfer of Infrastructure Assets, unless expressly permitted by the Restructure Deed, another transaction document or an agreement between the parties executed after the Restructure Deed.

Asset restructure – The Infrastructure Assets and liabilities relating to the Infrastructure Assets have been or will be substantially restructured prior to the Implementation Date so that an identifiable corporate group will come into existence to own the Infrastructure Assets. Under the terms of the deed the parties confirm:

- Their approach to the restructure of the Infrastructure Assets prior to the separation of Asciano from Toll;
- The structure of the Asciano Group as it will exist immediately following the Restructure; and
- The practical economic and legal effect of the separation of Asciano from Toll.

Accounting separation – The Restructure Deed confirms that, for accounting purposes, Toll and Asciano will be treated as being separated as from the Implementation Date.

Access to records – Toll must maintain for seven years, and allow Asciano Limited to access, records held by the Toll Group at the Restructure Date which relate to the Asciano Group or Asciano Limited. Asciano Limited must maintain for seven years, and allow the Toll Group to access, records held by the Asciano Group at the Restructure Date which relate to the Toll Group or Toll.

Tax assistance – Toll and Asciano Limited will assist each other in relation to future and past financial and tax matters and Toll and Asciano Limited will allow each other reasonable access to financial and other records.

Other assets – Provision is made for the Toll Group companies and the Asciano Group companies, to transfer to the other any asset, contract or item of intellectual property which a group member owns or holds after the Restructure Date but which at the Restructure Date was most directly used in the other group's business or was incorrectly transferred as part of the restructure of the Toll Group.

Employees and superannuation – The Restructure Deed addresses matters relating to the transfer of the employees of Toll to Asciano Limited. Asciano Limited is obliged to maintain certain employee entitlements and to indemnify Toll against all costs and expenses (including any claims) relating to any redundancy, retrenchment or termination of a former Toll employee.

Phase-out arrangements for use of intellectual property – Both the Toll Group and the Asciano Group presently use certain intellectual property owned by the other group. Toll and Asciano Limited have agreed to phase out arrangements for the use of some intellectual property (for example, the Toll Group and Patrick Group business names) and, in some cases, to share intellectual property.

Separation of ownership of intellectual property – Toll Group and Asciano Group have or will assign to the Asciano Group and Toll (as the case requires), or will agree to share, existing intellectual property associated with a tangible asset of the other group or used exclusively in carrying out or otherwise in connection with the other group's business.

Existing supply contracts and arrangements – Toll Group companies and Asciano Group companies are parties to contracts for the supply of goods or services and other contracts with third parties. The Restructure Deed obliges both Toll and Asciano Limited to work together to effect:

- The assignment or novation of contracts from Toll to the Asciano Group where the contracts relate to Asciano's business; and
- The separation of a contract between Toll and members of the Asciano Group where both parties benefit from a contract.

Toll is also required to use its reasonable endeavours to ensure that Asciano Limited obtains the full benefit and all risk of contracts relating to Asciano Limited's business.

11. Material Contracts

Litigation management – Toll and Asciano Limited will assist each other in relation to the management of current and new claims and litigation matters involving Toll and members of the Asciano Group, and have agreed arrangements to determine the economic and management responsibilities for such claims and litigation.

Guarantees – Toll must use its best endeavours to procure the removal of all Toll guarantees and financial support of Asciano Group businesses or assets within the Asciano Group from the Implementation Date and will indemnify Asciano Limited against liabilities incurred by Asciano Limited in relation to these guarantees and financial support.

Indemnities – Toll and Asciano Limited will each give certain indemnities to the other consistent with the Restructure Principle, to ensure that the intended effect of the Restructure Principle is achieved. The Restructure Deed also contains specific indemnities in relation to residual liabilities from previous transactions, asset and business sales and in relation to liabilities arising as a result of the Toll Group and the Asciano Group having been part of the one corporate group prior to the Restructure.

Rail Linehaul Agreements

- **Nature of Contracts** – Toll and the Asciano Group have entered into rail linehaul agreements setting out general terms and conditions governing the provision of rail linehaul services by Pacific National to Toll generally and in relation to its operations in Queensland.

Key terms include:

Rail Haulage Agreement – Key Terms

- **Services:**
  - Pacific National will provide to Toll a minimum volume of specified rail haulage services, including terminal services on an exclusive basis, which will be based on the then current Pacific National Intermodal Information Pack and be consistent with market practice. Appropriate service standards will be agreed in accordance with market expectations and on a non-discriminatory basis.
  - Toll will have access to specified permanently booked slots, which must be paid for even if not used, unless the permanent slot has been cancelled within the time limits set out in the agreement.
  - Pacific National and Toll will have equal representation on an operational review committee which will meet quarterly to review the services and their KPIs with a view to improving efficiencies and to decrease costs.
- **Rates:**
  Rates payable by Toll are determined by reference to specified base rates (fixed until 30 September 2007) from which applicable discounts and rebates are deducted.
- **Term:**
  - It is expected that the contract will commence on 1 July 2007 and will continue for an initial period of 3 years with two options to extend for two further 3 year terms and an option to then extend for a further 1 year term at the election of Toll.
  - A party may terminate for the material breach of another party, but only after an appropriate cure period or if another party becomes insolvent or a force majeure event affects performance for a period exceeding 3 months.
  - In addition, if there are changes in market rates in respect of services on the North-South/South-North rail corridors which are, in Toll's reasonable opinion, uncompetitive, the parties will renegotiate the relevant rates. If those negotiations are unsuccessful, Toll may terminate the agreement by giving 90 days written notice to Pacific National.

Vehicle Haulage Agreement – Key Terms

- **Services:**
  The services to be provided by Pacific National includes haulage by rail of motor vehicles on specified rail corridors on car wagons supplied by Pacific National or in Autobox and Maxibox containers supplied by Toll on wagons supplied by Pacific National. Pacific National will also provide certain ancillary services in connection with the haulage of motor vehicles including, the provision of a compound for vehicle storage and movement of vehicles on and off applicable wagons at certain terminals (although this service is currently subcontracted to Toll which subcontract is due to expire on 4 October 2007).

- **Volume:**

  Toll agrees to provide a minimum volume of 25,000 cars for transport in each year and in return, Pacific National agrees to provide capacity on relevant wagons and to load cars and light commercial vehicles consigned by Toll under the Agreement in preference to other customers consigning such vehicles (except in certain circumstances).
  - If service frequency, train times or access arrangements for any relevant services materially change, the minimum volume commitment by Toll will not apply unless Pacific National agrees to vary the rates to reflect the economic impact of the change on Toll.
- **Rates:**

  Rates are subject to review based on increases from time to time in Superfreighter rates by corridor except that limits on rate increases apply in respect of vehicle movements under specific contracts. The agreement provides for initial permanent Autobox/Maxibox slot bookings.
- **Term:**
  - The agreement has a commencement date of 1 August 2006 and an end date of 31 July 2009.
  - A party may terminate for the material breach of another party, but only after an appropriate cure period or if another party becomes insolvent.
  - Pacific National may terminate the agreement immediately by notice to Toll if Pacific National's Rail Access Agreement terminates or expires without being replaced or its accreditation is suspended, cancelled or varied in a manner which in Pacific National's sole opinion affects its ability to perform its obligations.

Toll North and PNQ Rail Haulage Agreement – Key Terms

- **Services:**
  - The services which are being provided by Pacific National Queensland (PNQ) to Toll North are specified rail line haul services including rolling stock maintenance, provision of train crews, fuel and software systems to monitor and manage the services and terminal services.
  - Toll North has minimum take or pay commitments on the basis that 90% of the capacity of TEUs will be made available to Toll, with the remaining 10% of capacity being made available to Pacific National Intermodal. There is provision for capacity trading between Toll North and Pacific National Intermodal under a support agreement which is to be entered into separately between Toll North and Pacific National Intermodal.
  - Under the support agreement Toll North will provide terminal services to Pacific National Intermodal for intermodal freight comprising all services required to receive a train at a terminal, upload a train, load a train and depart a train.
  - Toll North may elect, but is not obliged, to obtain additional services from PNQ. The parties may agree to undertake an expansion of certain terminals, but any decision regarding expansion will be finally determined by Toll North acting in good faith.
  - PNQ and Toll have equal representation on an operational review committee which will meet at least quarterly to review and make recommendations to the parties on operational and long term planning issues.
- **Price:**
  - Rates payable by Toll North are payable whether or not the rail linehaul services are used. Rates are based on assumed gross tonne kilometres and will be reviewed on a quarterly basis. Rates are split between northbound and southbound services and will be specified in a schedule to the Agreement. Rates will be indexed to increase in each year by specified amounts or by CPI. If the access costs payable to Queensland Rail Network Access Group materials increase or decrease from the current costs as per the revised Access Agreement, the parties agree to adjust the rates to reflect the impact of such cost increases or decreases (as the case may be).
  - If Toll North cancels a line haul service not less than 36 hours before that service is due to depart, the rates payable for that service will be reduced by 90% of the variable costs in respect of that service.
  - Specified rates are subject to certain conditions being met by Toll North in relation to the operations of terminals used by PNQ and safety requirements. If Toll North does not meet any of these certain conditions, alternative rates will apply using a model prepared by Deloitte on the assumption of a set internal rate of return.
- **Term:**
  - The agreement was entered into on 11 January 2007 and is to continue for a period of 20 years.
  - A party may terminate for the material breach of another party, but only after an appropriate cure period or if another party becomes the subject of an insolvency event.

11. Material Contracts

11.2 Overview of container terminal leases

Asciano is the lessee of the container terminals at Port Botany, Fisherman Islands, Port of Melbourne and Fremantle.

A brief overview of the leases is as follows:

Property	Owner/Lessor	Term & Expiry Date	Options (not yet exercised)
New South Wales – Port Botany Terminal Lease (see note 1)	Sydney Ports Corporation	1 July 2004 to **30 June 2023** (19 year term)	No agreed further term. Parties may agree to an extension under the 'capital investment' clause
Queensland – Fisherman Islands Terminal Lease (see note 2)	Port of Brisbane Corporation	Terminals 7 & 8A: 1 July 2005 to **30 June 2015** (10 year term)	Terminals 7 & 8A: 10 years
		Terminal 8B & 9: 16 Nov. 2005 to **15 Nov. 2025**	Terminal 8B & 9: 2 x 10 years
Victoria – Lease 20452, 1-4 Swanson Dock East, Port Melbourne, Victoria	Port of Melbourne Corporation	1 Jan. 1993 to **31 Dec. 2013** (21 year term)	21 years
Western Australia – Terminal Lease	Fremantle Port Authority	1 April 1996 to **31 March 2017** (21 year term)	21 years

Notes:

1 The lease for the container terminal at Port Botany has been agreed between the Sydney Port Corporation and Asciano and is currently with the relevant Minister for approval.

2 In relation to Terminals 7 and 8A at Fisherman Islands, Asciano is currently in occupation of the terminals on the basis of an unsigned lease. Once the proposed new Terminal 10 is constructed, Asciano will take a lease of Terminal 10 for a term until 15 November 2025 with options for two further terms of ten years each. At the time Asciano enters into the lease for Terminal 10, it will surrender Terminals 7 and 8A.

11.3 Financing arrangements for the Asciano Group

Facility Agreement

Nature of contract – As part of the Restructure, Asciano will be obliged to assume the bank debt relating to the Infrastructure Assets. Asciano will also need access to its own working capital and capex facilities. Toll, on behalf of Asciano, has received binding commitments from a number of financiers to underwrite the provision of syndicated facilities on the basis of an agreed term sheet. It is anticipated that final documentation relating to the facilities will be entered into prior to the Effective Date.

Facilities – Three separate facilities will be provided to Asciano:

- Facility A: a cash advance term facility of $4,500 million provided for the purpose of refinancing debts assumed by it under the Restructure Deed and funding the general corporate purposes of the Asciano Group comprised of sub-facilities A1 and A2 each of $2,250 million;
- Facility B: a cash advance term facility of $550 million provided for the purpose of funding future capital expenditure requirements of the Asciano Group; and
- Facility C: a multi-option revolving facility of $150 million provided for the purpose of funding future working capital requirements of the Asciano Group,

(together, the 'Facilities').

Repayment –

- Facility A: Sub-facility A1 is repayable in full on the third anniversary of the facility agreement and sub-facility A2 is repayable in full on the fifth anniversary of the facility agreement, or such earlier date as a facility is cancelled in accordance with the terms of that facility agreement;
- Facility B: This facility is repayable in full on the third anniversary of the facility agreement or such earlier date as the facility is cancelled in accordance with the terms of the facility agreement; and
- Facility C: This facility is repayable in full on the date which is 364 days from the date of the facility agreement or such earlier date as the facility is cancelled in accordance with the terms of the facility agreement.

Security – Each of the Facilities will be supported by the following guarantees and security:

- **Guarantee and Indemnity** – The obligations of the Asciano Finance Trust as Borrower will be guaranteed by Asciano Limited and wholly owned companies in the Asciano Group holding not less than 90% of the total assets and accounting for not less than 90% of EBITDA of the Asciano Group; and
- **Security** – Repayment of the Facilities will be secured by:
  - fixed and floating charges over all the assets and undertaking of:
    - Asciano Holdings (Properties) Pty Ltd;
    - Asciano Holdings (General & Bulk) Pty Ltd;
    - Asciano Holdings (Rail) Pty Ltd; and
    - Asciano Holdings (Containers) Pty Ltd;
  - fixed and floating charges over all the assets and undertaking of the Asciano Finance Trust and Asciano Limited;
  - an equitable share mortgage from Asciano Holdings (Properties) Pty Ltd in relation to its shares in Asciano Properties Pty Ltd;
  - an equitable share mortgage from Asciano Holdings (General & Bulk) Pty Ltd with respect to its shares in Asciano (General & Bulk) Pty Ltd;
  - an equitable share mortgage from Asciano Holdings (Rail) Pty Ltd with respect to its shares in Toll Rail Holdings Pty Ltd; and
  - an equitable share mortgage from Asciano Holdings (Containers) Pty Ltd with respect to its shares in Equitius Pty Ltd.

Each of the above documents will be granted in favour of the security trustee or facility agent on behalf of the financiers.

Conditions Precedent – The ability of the Asciano Finance Trust to utilise the Facilities is subject to a number of conditions precedent, including in the case of the first utilisation that the Restructure has occurred (or will occur simultaneously with the first utilisation). Toll is not aware or any reason why the conditions precedent to first utilisation of the Facilities will not be satisfied at or simultaneously with the Restructure occurring.

Representations and Warranties – The representations and warranties to be given by the Asciano Finance Trust, Asciano Limited and each of the other companies which will give a guarantee in respect of the Facilities are customary for facilities of this nature. Toll is not aware of any event or circumstance that would give rise to a breach of any of the representations and warranties.

Undertakings – The undertakings to be given by Asciano Finance Trust, Asciano Limited and each of the other companies which will give a guarantee in respect of the Facilities are customary for facilities of this nature. Toll is not aware of any event or circumstance that would give rise to a breach of any of the undertakings.

Events of Default – The 'Events of Default' which apply to the Facilities are customary for facilities of this type. Toll is not aware of any event or circumstance that would give rise to a breach of any of the Events of Default.

Review Event – It will be a 'Review Event' under the Facilities if there is a change in Control of Asciano Limited after the Restructure has occurred. The occurrence of a Review Event entitles the financiers to elect not to continue their commitments in respect of the Facilities following the change in Control (the term 'Control' having the meaning given to that term in section 50AA of the Corporations Act).

11. Material Contracts

11.4 Executive Employment Agreements

Continuing Toll Executives – Executive Service Deeds

Paul Little, Neil Chatfield, John Ludeke, Stephen Stanley and Bernard McInerney (the '**Continuing Toll Executives**') are currently employees of Toll, and will remain employees of Toll after the Restructure. Each of the Continuing Toll Executives have entered into an Executive Service Deed with Toll.

Asciano Executives – Executive Service Deeds and Deeds of Separation

Mark Rowsthorn and Don Telford (the 'Asciano Executives') are currently employees of Toll. As part of the Restructure, Mark Rowsthorn has been offered employment as the Chief Executive Officer of Asciano Limited, and Don Telford has been offered employment in the position of Chief Operating Officer of Asciano Limited. The Asciano Executives have entered into Executive Service Deeds with Asciano Limited which will become effective on the Implementation Date.

As a consequence, Mark Rowsthorn and Don Telford's employment with Toll will be terminated on the Implementation Date. Asciano Limited will in future be responsible for Don Telford's accrued entitlements from his employment with Toll. Mark Rowsthorn's accrued entitlements will be paid out by Toll on termination. Mark Rowsthorn, Don Telford and other current senior executives of Toll who are transferring to Asciano will enter into Separation Deeds with Toll and Asciano Limited as referred to in section 6.9.1 of this Scheme Book.

Key Terms of Executive Service Deeds

The Executive Service Deeds for the Continuing Toll Executives and for the Asciano Executives are on similar terms, as follows.

Remuneration – Total Employment Remuneration made up of fixed remuneration, and variable remuneration in the form of Short Term Incentive Payments (to be determined by the Toll Directors or the Asciano Directors, taking into account the executive's performance), and Long Term Incentive payments (in the form of options granted under the respective entity's option plan). If Asciano Limited has no option plan in place for a relevant period and one of the Asciano Executive's employment is terminated, that Asciano Limited Executive will receive the full monetary value of the LTI remuneration for that period on termination. Total Employment Remuneration will be reviewed by Toll and Asciano Limited (as the case may be) annually taking into account, if thought appropriate by the relevant Board, a market review carried out by a remuneration consultant.

Term – The Executive Service Deeds have a term of 3 years, unless terminated earlier.

Other terms – The Executive Service Deeds contain a restraint of trade after the termination of the employment of the Continuing Toll Executives and the Asciano Executives and provide for directors and officers liability insurance.

Termination – Certain payments may become payable to the Continuing Toll Executives and the Asciano Executives on the termination of the Executive Service Deeds. The Executive Service Deeds are terminable by notice, a combination of notice and pay in lieu of notice (at Total Employment Remuneration), or no notice in circumstances warranting summary dismissal. Details of the termination events and certain termination payments which may be made to the Continuing Toll Executives and the Asciano Executives are set out in the Explanatory Memorandum in Section 18 of this Scheme Book.

Mark Rowsthorn – Executive Service Deed

Further details of Mark Rowsthorn's Executive Service Deed are as follows:

Fixed Annual Remuneration – Mark Rowsthorn's fixed annual remuneration is initially $1,650,000. This remuneration is inclusive of superannuation and fringe benefits.

Short Term Incentive – In addition to his fixed annual remuneration, Mark Rowsthorn will have a short term incentive arrangement to be paid after the completion of each financial year based on his performance as determined by the Asciano Directors against pre-determined performance criteria. Details of the incentive performance criteria will be agreed annually between the Asciano Directors (other than Mark Rowsthorn) and Mark Rowsthorn. The initial maximum base short term incentive will be $1,650,000 per annum (reviewed annually). Further 'stretch' or additional short term incentives are achievable based on agreed stretch performance criteria.

Long Term Incentive – Mark Rowsthorn will also participate in Asciano Limited's long term incentive plan once that plan is established with an initial value of $1,500,000 per annum. Securityholder approval will be required for implementation of the plan and the granting of options to him. If no plan is in place in respect of a relevant period, Mark Rowsthorn will be entitled to receive the full long term incentive amount or such other amount agreed between the Asciano Directors (other than Mark Rowsthorn) and Mark Rowsthorn for that period.

Termination – The Executive Service Deed provides that Mark Rowsthorn may terminate the Executive Service Deed at any time by giving Asciano Limited 12 months prior written notice. Asciano Limited may at any time terminate the Executive Service Deed by giving Mark Rowsthorn 12 months prior written notice. Should Mark Rowsthorn remain with Asciano Limited for the full 12 months notice period, a further payment equivalent to 6 months remuneration will be paid on termination. Should Asciano Limited terminate Mark Rowsthorn's employment and elect that he be paid in lieu of notice, a payment for an 18 month period will be paid on termination. If shareholder approval for the Termination Payment set out in Section 18 is not obtained, Mark Rowsthorn may elect to terminate the Executive Services Deed and his employment will continue without an executive services deed. If Mark Rowsthorn makes that election, Mark Rowsthorn may terminate his employment with Asciano Limited by giving one month's written notice and Asciano Limited may terminate Mark Rowsthorn's employment by providing reasonable written notice.

Asciano Limited may also terminate the Executive Service Deed without notice where there has been serious misconduct.

No later than 6 months prior to the end of the term of the Executive Service Deed, Asciano Limited and Mark Rowsthorn will commence discussions concerning an extension of the term. If no other agreement is reached, the Executive Service Deed continues on the existing terms.

The Asciano Directors and Mark Rowsthorn will meet after the Implementation Date to review his Executive Service Deed. Any material amendments or variations would be notified to ASX and Securityholders in the ordinary course.

Further details relating to entitlements payable on the termination of Mark Rowsthorn's Executive Service Deed are set out in the notice of general meeting in Section 18 of this Scheme Book.

11.5 Appointment of PIML as Responsible Entity

Permanent Investment Management Limited ('PIML') has been appointed Responsible Entity of the Trust. Trust Company Limited ('TCL'), a related body corporate of PIML, has been appointed as the custodian of the Trust's assets and is expected to remain the custodian if PIML is replaced as the Responsible Entity by Asciano Finance Limited.

The Investment Management Deed entered into between PIML and Asciano Finance Limited is described below in Section 11.5(a). The Deed of Indemnity entered into between PIML and Asciano Limited is described below in Section 11.5(b). The Custody Deed entered into between TCL and PIML is described below in Section 11.5(c).

(a) Investment Management Deed

The Investment Management Deed is concerned with the appointment by PIML of Asciano Finance Limited as investment manager to manage and invest the assets of the Trust and promote the Trust in accordance with its terms. Each of PIML and Asciano Finance Limited indemnifies the other against any loss arising from certain acts of that party or its agents. Asciano Finance Limited or PIML may terminate the Investment Management Deed at any time on 90 days written notice of termination.

(b) Deed of Indemnity

As consideration for PIML agreeing to act as Responsible Entity of the Trust, Asciano Limited has agreed to pay PIML the fees and expenses under the Trust Constitution described in Section 10 and provide certain indemnities to PIML and its agents on the terms set out in the Deed of Indemnity. In the event that Asciano Limited does not pay PIML the relevant fees and expenses and otherwise fails to indemnify PIML, PIML may recover the amount of the unpaid fees and expenses from the assets of the Trust pursuant to the terms of the Trust Constitution.

(c) Custody Deed

PIML as responsible entity of the Trust has appointed TCL to provide custodial services in respect of the assets that will be held by the PIML immediately after the issue of the Asciano Units. It is anticipated that the custodial arrangements will continue if PIML is replaced as the Responsible Entity of the Trust.

11.6 ACCC

Change to current Undertakings

On 18 April 2007, the ACCC accepted the Variation.

1. **Divestment waivers** – Under the Variation, once the Restructure is implemented, Toll will, subject to the Undertakings, be relieved of its obligations to divest:
   (a) the 50% interest in Pacific National;
   (b) the Toll Autologistics Business; and
   (c) Toll's interest in PrixCar.
2. **Starter's Kit Assets** – Toll's obligations to make available the Starter's Kit Assets will be taken over by Asciano Limited following the Restructure.
3. **Non-discrimination regime** – Toll's obligation to implement the port and rail non-discrimination regimes will be taken over by Asciano Limited following the Restructure. The regimes will apply for the period from the Implementation Date until 31 March 2011. The rail non-discrimination regime has been expanded to cover the provision of services by Pacific National to Patrick AutoCare in addition to Toll's freight forwarding and logistics businesses.

Separation measures

Toll and Asciano corporate separation requirements

The Variation imposes the following separation requirements on both Toll and Asciano, which apply for the period from the Implementation Date until 31 March 2011. Except as may be consented to by the ACCC:

1. Neither entity can acquire or retain any interest in the assets or securities of the other entity;
2. No performance or incentive fees are to be payable by either entity to the other in relation to the performance, revenues or profits or services rendered by the other entity after the Restructure. An exception exists for payments, credits or rebates provided in the ordinary course of business which are available to other service providers on a like for like basis;
3. There is to be no sharing of profits or revenues as between the entities;
4. The terms of any contract, arrangement or understanding between the entities will be on an arm's length basis and on non-exclusive terms. Terms of the contract are to be approved by each entity's board in advance only if the board if satisfied that they are arms length, bona fide and in best interests of that entity;
5. Both entities are to be separately listed on ASX;
6. The parties may not be in joint venture together;
7. Neither party may appoint as a director a person who is not, as the case may be, an 'Independent Toll Person' or an 'Independent Asciano Person' (as defined in the Variation) and procure that any director provide a personal undertaking to the ACCC prior to appointment;
8. Asciano will not engage in a role in relation to Pacific National's Intermodal business any person who has been a senior manager or held a senior operational position at Toll after the Restructure Date. Toll will not engage any person who is or has been a senior manager of, or held a senior operational position at, Pacific National's Intermodal business;
9. There is to be no secondments or sharing of management or employees by the entities; and
10. Neither entity may give effect to any shared services arrangements between the two entities, such as sharing in the procurement of goods and services or supplying to each other any services not ordinarily supplied to the customers of each entity in the ordinary course of business.

In addition, Toll will grant Asciano Limited right to renegotiate or unilaterally terminate any contract, arrangement or understanding entered into with Toll prior to the Restructure, such right to be exercised within 3 months after the Restructure and renegotiation to be concluded within a further 9 months.

Directors undertakings

The Variation imposes the following restrictions in respect of relevant Toll and Asciano directors. The relevant directors are parent company directors and those group directors whom Toll or Asciano (as the case may be but excluding directors of PIML) has the ability (directly or indirectly) to appoint or remove from office as directors of any related body corporate or other entity which Toll or Asciano is required to consolidate for reporting purposes.

Toll directors/managers

1. Each relevant Toll director must give a personal undertaking to the ACCC that he/she will resign as a director, and sever all involvement with Toll, including his/her employment, if, after the Restructure, that director is or becomes an employee, officer or director of Asciano or ceases to be independent of Asciano, as defined;
2. A Toll director would cease to be independent of Asciano if he or she:
   (a) is an employee, officer or director of Asciano;
   (b) has been an employee, officer or director of Asciano in the past 5 years;
   (c) has an agreement, arrangement or understanding with Asciano relating to the performance of his or her functions as a director of Toll;
   (d) has an interest in a Stapled Security or an interest in an asset of Asciano;
   (e) has, within the last 5 years, been a principal of a material professional adviser or a material consultant to Asciano or an employee materially associated with the provision of such services to Asciano;
   (f) has a material contractual relationship with Asciano;
   (g) has served on the board of Asciano for a period which could, or could reasonably be perceived to, materially interfere with his or her ability to act independently of Asciano;
   (h) has a relationship which could, or could reasonably be perceived to, materially interfere with his or her ability to act independently of Asciano; and
   (i) is a relative, as defined, of a person who is not independent of Asciano.
3. Each relevant Toll director must dispose of his entire interest in Stapled Securities or assets of Asciano within a defined timeframe after the Restructure occurs;
4. Each relevant Toll director must also procure that none of his or her relatives or related entities, as defined, hold any interests in Stapled Securities after the sell-down period following the Restructure. If a relative later acquires any Stapled Securities, these must be disposed of within a short cure period to avoid breach by the director;
5. Until those sell-downs are complete, the relevant Toll directors must absent themselves from any consideration/decision by a Toll entity Board in relation to contracts between Toll and Asciano;

Asciano directors/managers

6. Each relevant Asciano director (excluding directors of PIML) must give a personal undertaking to the ACCC that he/she will resign as a director and sever all involvement with Asciano, including his or her employment, if, after the Restructure, that director ceases to be independent of Toll, as defined;
7. A relevant Asciano director would cease to be independent of Toll if he or she:
   (a) is an employee, officer or director of Toll;
   (b) (other than Mark Rowsthorn) has been an employee, officer or director of Toll in the past 5 years;
   (c) has an agreement, arrangement or understanding with Toll relating to the performance of his or her functions as a director of Asciano;
   (d) has an interest in a Toll Share or an interest in a Toll asset;
   (e) has, within the last 5 years, been a principal of a material professional adviser or a material consultant to Toll or an employee materially associated with the provision of such services to Toll;
   (f) has a material contractual relationship with Toll;
   (g) has served on the board of Toll for a period which could, or could reasonably be perceived to, materially interfere with his or her ability to act independently of Toll;

(h) has a relationship which could, or could reasonably be perceived to, materially interfere with his or her ability to act independently of Toll; or

(i) is a relative, as defined, of a person who is not independent of Toll.

8. Each relevant Asciano director (excluding directors of PIML) must not hold any Toll share or assets interests on appointment as an Asciano director. (Mr Mark Rowsthorn has been permitted an agreed period to dispose of his Toll share interests after the Restructure);

9. Each relevant Asciano director (excluding directors of PIML) must also procure that none of his or her relatives or related entities, as defined, hold any Toll share interests prior to his appointment. If a relative later acquires any Toll shares, these must be disposed of within a short cure period to avoid breach by the director; and

10. In Mr Rowsthorn's case, until the sell-down of his Toll share interests is complete following the Restructure, he must absent himself from any consideration/decision by an Asciano entity Board in relation to contracts between Toll and Asciano.

Undertaking mechanics

The mechanics to implement the obligations set out above are as follows:

1. the Constitution of Asciano will include the separation measures discussed above;
2. Asciano Limited will give an undertaking to the ACCC which the ACCC accepts; and
3. Each relevant Toll and Asciano director (excluding directors of PIML) offers the required undertakings to the ACCC which the ACCC accepts.

Risks of non compliance with ACCC Undertakings

The Undertakings state that, without limiting the ACCC's rights to enforce the undertakings, if prior to 31 March 2011, Toll fails to comply with the obligations referred to in paragraphs 1 to 9 above under the heading '**Toll and Asciano corporate separation requirements**', Toll is required to sell the Toll Autologistics Business; and Toll's interest in PrixCar, at such times and on such conditions, including as to price, as required or approved by the ACCC.

The Asciano undertaking similarly states that, without limiting the ACCC's rights to enforce the undertakings, if prior to 31 March 2011, Asciano fails to comply with the obligations referred to in paragraphs 1-9 above under the heading '**Toll and Asciano corporate separation requirements**', Asciano is required to sell a 50% interest in Pacific National, at such times and on such conditions, including as to price, as required or approved by the ACCC.

12
Additional Information

12. Additional Information

12.1 Introduction

This Section 12 sets out:

a) additional information required pursuant to sub-sections 412(1)(a)(i) and (ii) of the Corporations Act and Part 3 of Schedule 8 of the Corporations Regulations;

b) information about Asciano that may be of interest to persons who become Asciano Securityholders; and

c) other information relevant to the Restructure.

12.2 Toll Directors

The Toll Directors at the date of lodgement of this Scheme Book for registration by ASIC are listed below.

- John Moule
- Paul Little
- Mark Rowsthorn
- Neil Chatfield
- Ray Horsburgh
- Harry Boon

12.3 Toll Directors' recommendation

The Toll Directors unanimously believe that, taking into account all relevant matters (including alternatives to the Restructure Proposal), the Restructure Proposal is in the best interests of both Shareholders and Toll, and that Shareholders are likely to be materially better off if the Restructure proceeds. The Toll Directors also believe that the Restructure Proposal will not materially prejudice the interests of Toll's creditors.

The Toll Directors recommend that you vote in favour of each of the resolutions required to implement the Restructure (other than Paul Little who makes no recommendation in relation to the Placement Resolution and resolution number 5 (in the notice of general meeting in Section 18 of this Scheme Book) in relation to his Executive Services Deed on the basis that he is materially interested in that resolution, Mark Rowsthorn who makes no recommendation in relation to the Placement Resolution and resolution number 8 (in the notice of general meeting in Section 18 of this Scheme Book) in relation to his Executive Services Deed on the basis that he is materially interested in those resolutions and Neil Chatfield who makes no recommendation in relation to resolution 6 (in the notice of general meeting in Section 18 of this Scheme Book) in relation to his Executive Services Deed on the basis that he is materially interested in that resolution). None of the Toll directors makes a recommendation in relation to the Directors' Deeds Resolution on the basis that they are materially interested in that resolution.

Each Toll Director intends to vote all Toll Shares and RPS held or controlled by them in favour of all resolutions to be considered at the Meetings, unless they are stated in the relevant Notice of Meeting as being precluded from voting.

12.4 Intention of Toll Directors concerning the business of Toll

It is the present intention of the Toll Directors following the implementation of the Restructure Proposal:

- to continue the businesses of the Toll Group, as set out in Section 8;
- not to make any major changes to the businesses of the Toll Group, except as set out in Section 8; and
- to continue the present policies of Toll relating to the employment of its employees.

12.5 Directors' interests

12.5.1 Toll Directors

a) Interests in Toll securities

No marketable securities of Toll are held by or on behalf of Toll Directors and no such persons are otherwise entitled to such securities as at the date of lodgement of this Scheme Book for registration by ASIC other than as listed below, all of which are held beneficially.

Toll Director	Toll securities					
	Before Restructure/Scheme			After Restructure/Scheme		
	Ordinary shares	Options	RPS	Ordinary Shares	Options	RPS
John Moule	725,628	–	–	725,628	–	–
Paul Little	36,931,300	1,300,000	1,500	36,931,300	1,300,000	1,500
Mark Rowsthorn[1]	30,194,383	1,300,000	1,500	30,194,383	1,300,000	1,500
Neil Chatfield	375,484	350,000	1,000	375,484	350,000	1,000
Ray Horsburgh	10,989	–	–	10,989	–	–
Harry Boon	–	–	–	–	–	–

Note:
1 Following the Restructure, Mark Rowsthorn will be required to dispose of his entire interest in Toll under the terms of the Variation agreed with the ACCC – refer to Section 11.6 for more information.

b) Interests in Asciano securities

No marketable securities of Asciano Limited or Asciano Finance Trust are held by or on behalf of Toll Directors as at the date of lodgement of this Scheme Book for registration by ASIC. However, as Asciano is at that date controlled by Toll, all of the Toll Directors collectively control all of the marketable securities of Asciano Limited and Asciano Finance Trust.

Toll Directors who are Toll Shareholders will be entitled to receive Stapled Securities under the terms of the Schemes on a pro rata basis, as set out below.

In addition, Mostia Dion Nominees Pty Ltd, an associate of Mark Rowsthorn, has agreed to subscribe for $50 million of Stapled Securities under the Placement. Refer to Sections 6.5 and 18 for further information.

Toll Director	Asciano securities after Restructure	
	Stapled Securities[1]	Options
John Moule	725,628	–
Paul Little	36,931,300	–
Mark Rowsthorn[2]	30,194,383	–
Neil Chatfield	375,484	–
Ray Horsburgh	10,989	–
Harry Boon	–	–

Note:
1 Assumes that no Options are exercised by Messrs Little, Rowsthorn and Chatfield prior to the Record Date.
2 Stapled Securities received under the terms of the Schemes only. Refer to Sections 6.5 and 18 for further information about the Placement. Mark Rowsthorn will resign from the Board of Toll as a consequence of the Restructure.

Following the Restructure, each of the remaining directors of Toll will be required to dispose of their entire interest in Asciano under the terms of the Variation agreed with the ACCC – refer to Section 11.6 for more information.

c) Agreements or arrangements with Toll Directors in connection with the Restructure

Other than as disclosed in Section 6.5 (with respect to the participation by an associate of Mark Rowsthorn in the Placement), Sections 6.9 and Section 11.4 (with respect to executive employment agreements) and Section 18 (with respect to resolutions 4 and 7 in the notice of general meeting) of this Scheme Book there are no agreements or arrangements made between any Toll Director and any other person in connection with or conditional upon the outcome of the Restructure.

12.5.2 Asciano Directors

The current directors of Asciano Limited and Asciano Finance Limited are Mark Rowsthorn, Peter George and Saul Cannon. Tim Poole and Chris Barlow will become directors of Asciano Limited and Asciano Finance Limited after 15 June 2007, at which time Saul Cannon will resign.

Other than as set out below or elsewhere in this Scheme Book, no director or proposed director of Asciano Limited or Asciano Finance Limited, and no firm in which a director or proposed director of Asciano Limited or Asciano Finance Limited is a partner or was a partner in the last two years, holds, or held at any time during the last two years before the date of lodgement of this Scheme Book for registration by ASIC, any interest in:

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

and no amounts (whether in cash or securities or otherwise) have been paid or agreed to be paid, and no-one has given or agreed to give a benefit, to any director or proposed director of Asciano Limited or Asciano Finance Limited either to induce them to become, or to qualify them as, a director of Asciano Limited or Asciano Finance Limited, or otherwise for services rendered by them in connection with the formation or promotion of Asciano or the Restructure.

a) Interests in Toll securities

Other than as disclosed in Section 12.5.1(a) above with respect to Mark Rowsthorn, no marketable securities of Toll are held by or on behalf of the current or proposed directors of Asciano Limited or Asciano Finance Limited as at the date of lodgement of this Scheme Book for registration by ASIC.

Following the Restructure, Mark Rowsthorn will be required to dispose of his entire interest in Toll under the terms of the Variation agreed with the ACCC – refer to Section 11.6 for more information.

b) Interests in Asciano securities

Directors of Asciano Limited and Asciano Finance Limited are not required under the constitutions of Asciano Limited, Asciano Finance Limited or the Asciano Finance Trust to hold any marketable securities in Asciano.

No marketable securities of Asciano are held by or on behalf of the current or proposed directors of Asciano Limited or Asciano Finance Limited as at the date of lodgement of this Scheme Book for registration by ASIC. However, Mark Rowsthorn, as a Toll Shareholder, will be entitled to receive Stapled Securities under the terms of the Schemes on a pro rata basis (refer to Section 12.5.1(b) above) and an associate of Mark Rowsthorn will participate in the Placement. No other director of Asciano Limited or Asciano Finance Limited will be entitled to receive Stapled Securities under the Schemes or the Placement.

c) Remuneration of Asciano Directors

Asciano Limited and Asciano Finance Limited may pay or provide to their non-executive directors fees in an amount or value determined by the relevant Board which does not in any financial year exceed in aggregate the amount last determined by the company in general meeting (or, until so determined, by the relevant Board). These fees may be provided in cash or any other manner agreed between Asciano and the relevant non-executive director.

Asciano Limited and Asciano Finance Limited must not pay remuneration to directors that is calculated as a commission on, or a percentage of, operating revenue or, in the case of non-executive directors, profits.

Refer to Section 7.11.2 for details of the annual remuneration payable to each of the non-executive directors of Asciano Limited and Asciano Finance Limited.

Details of the remuneration of Mark Rowsthorn as CEO of Asciano are set out in Section 11.4.

d) Deeds of indemnity, insurance and access

Each Asciano Director will enter into a deed of indemnity, insurance and access with Asciano Limited and Asciano Finance Limited.

Indemnity

To the maximum extent permitted by law, the relevant company will indemnify each of its directors against:

- liabilities incurred as an officer of the company and each subsidiary of the company; and
- all legal costs and other expenses arising from proceedings or investigations incurred in their capacity as an officer of the company or in relation to a subsidiary of the company.

The company can terminate the indemnity on 30 days notice to the director, but only in respect of liabilities arising after the notice takes effect.

To the extent that the indemnity is permitted by law, the company must also pay or lend to the director, on such terms as the company reasonably determines, amounts required to pay for legal costs incurred by the director in defending an action to which the indemnity applies.

Insurance

To the maximum extent permitted by law, the company will use reasonable endeavours to obtain and maintain directors' and officers' insurance cover for each director for the period of his or her directorship and for the period of seven years from the date a director ceases to hold office as a director. This obligation is limited to the extent that such coverage is available on terms which the company reasonably considers are financially prudent.

Access to company records

Each director agrees that their rights to inspect the company's records for the period of seven years after they cease to hold office are regulated by the deed. The company can refuse inspection where it could result in the waiver of, or otherwise prejudice, the legal professional privilege attaching to documents and the company can demonstrate that such inspection would be materially adverse to the company.

For the period of seven years after a director has ceased to hold office, the company will, at its cost, provide copies of documents requested where they had been circulated, whilst the director held office, for the purpose of meetings of the relevant Board of Directors. During that seven year period, copies of other documents may be taken at the directors' own expense.

e) Expenses and extra services

If any Asciano Director, with the approval of the relevant Board, performs extra or special services, the relevant company may, subject to the Corporations Act and the relevant constitution, provide additional remuneration or provide benefits to that director as the relevant Board resolves. The relevant company must pay all reasonable travelling, accommodation and other expenses that a director properly incurs in attending meetings of the Board, meetings of Board committees, meetings of Securityholders, or otherwise in connection with the business of Asciano.

12.5.3 Directors of PIML

PIML, a company independent of Toll and Asciano, has agreed to act as the responsible entity for the Trust. The directors of PIML as at the date of lodgement of this Scheme Book for registration by ASIC are Michael Britton, Jonathan Sweeney, John Dinan and Ian Nicol. No director or proposed director of PIML, and no firm in which a director or proposed director of PIML is a partner or was a partner in the last two years, holds, or held at any time during the last two years before the date of lodgement of this Scheme Book for registration by ASIC, any interest in:

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

and no amounts (whether in cash or securities or otherwise) have been paid or agreed to be paid, and no-one has given or agreed to give a benefit, to any director or proposed director of PIML either to induce them to become, or to qualify them as, a director of PIML or otherwise for services rendered by them in connection with the formation or promotion of Asciano or the Restructure.

No marketable securities of Toll or Asciano are held by or on behalf of the directors of PIML as at the date of lodgement of this Scheme Book for registration by ASIC. No directors of PIML will be entitled to receive Stapled Securities under the Schemes or the Placement. The directors of PIML are not required under the constitutions of PIML or the Trust to hold any marketable securities in Asciano.

12.6 Payments or other benefits to directors, secretaries or executive officers

No payment or other benefit is proposed to be made or given to any director, secretary or executive officer of Toll, or of any related body corporate of Toll, as compensation for loss of, or as consideration for or in connection with his or her retirement from, office in Toll or in a related body corporate of Toll as a result of the Restructure.

12.7 Related party transactions

Other than the contracts described in Section 11 the Deeds of indemnity, insurance and access referred to in Section 12.5.2(d) of this Scheme Book and an associate of Mark Rowsthorn participating in the Placement (refer to Sections 6.5 and 18), there are no related party transactions associated with the implementation of the Restructure.

12.8 Stapled securities

12.8.1 The Trust, Asciano Limited and Asciano Finance Limited

This Section 12.8 provides:

- a summary of the key provisions of the Constitutions of the Trust and Asciano Limited (together, the 'Constitutions') – refer to Sections 12.8.2 and 12.8.3, respectively;
- relevant details in relation to the Constitution of Asciano Finance Limited – refer to Section 12.8.4; and
- information about the Responsible Entity of the Trust – refer to Section 12.8.5.

This Section 12.8 assumes that Asciano is admitted to the official list of ASX – refer to Section 2.2.

Provisions of the Corporations Act and the Listing Rules affect the manner in which the Constitutions are interpreted and the rights and obligations of Asciano, the Asciano Directors and Securityholders. The summaries in this Section are not intended to be exhaustive and are qualified by the relevant constitution, the Corporations Act, the Listing Rules, the ASTC Settlement Rules and general law. In particular, the rights and liabilities attached to the Securities arise from a combination of the Constitutions, the Corporations Act, the Listing Rules and general law.

A copy of the Constitutions will be provided free of charge to any person who requests a copy by calling the Toll Restructure Infoline (within Australia only) on 1300 306 835 or +61 3 9415 4325 (international).

The Trust has been registered as a managed investment scheme under the Corporations Act – ARSN 124 102 807.

12.8.2 Trust Constitution

a) **Issue price of Asciano Units**

The Responsible Entity may issue Asciano Units (which form part of the Stapled Securities under the Schemes) at an issue price set by the Responsible Entity in accordance with the Trust Constitution.

While the Asciano Units are officially quoted on ASX, the issue price of a new Asciano Unit is linked to its market price. Market price is defined in the Trust Constitution as:

(a) the weighted average traded price for an Asciano Unit for all sales on ASX for the period of 10 Business Days ending on the relevant Business Day (adjusted as appropriate for distribution payments); or

(b) if a reputable investment bank as independent adviser determines that a measure of market price determined in accordance with paragraphs (i) or (ii) below is a more appropriate measure of market price, that other measure will be adopted:

(i) the price obtained pursuant to a bookbuild arranged by a reputable investment bank with experience in arranging bookbuilds in the Australian equity market (subject to auditor certification); or

(ii) an amount determined by a qualified independent adviser as being the fair issue price of the Asciano Unit having regard to relevant circumstances.

Under the Trust Constitution, the Responsible Entity or its nominee has certain discretions in calculating unit prices. The Responsible Entity has a documented policy relating to the exercise of these discretions. A copy of the policy, and documents relating to it, will be available free of charge by contacting the Responsible Entity on 1800 622 812 (within Australia) during business hours.

b) **Stapling**

Each Securityholder must hold an Asciano Unit and an Asciano Share stapled to form a Stapled Security, and an Asciano Unit in the Trust must not be transferred unless an Asciano Share in Asciano Limited is transferred at the same time to the same person.

The Responsible Entity must not issue, register the transfer of, consolidate or divide, redeem or buy back or cancel an Asciano Unit in the Trust unless the same action occurs to an Asciano Share in Asciano Limited.

The Responsible Entity and Asciano Limited may allocate the issue price of the Stapled Securities between Asciano Units and Asciano Shares.

c) **Powers of the Responsible Entity and investment mandate**

Subject to the Trust Constitution, the Responsible Entity has all the powers in respect of the Trust and the Trust property that is possible to confer on a natural person or corporation by law and as though it were the absolute and beneficial owner of the entirety of the Trust property acting in a personal capacity.

d) **Distributable income**

A Unitholder who is a holder on the last day of a distribution period is entitled to share in distributable income for that period. The Responsible Entity proposes to make Distributions each half year so that Unitholders will receive Distributions every six months.

When a Distribution is made, the amount payable to a Unitholder will depend on the number of Asciano Units held and the proportion of the issue price that has been paid for those Asciano Units (excluding amounts credited and amounts paid in advance of the date a payment is due).

A summary of Asciano's forecast Distributions for the pro forma forecast years ending 30 June 2007 and 30 June 2008 is set out in Section 7.12.8. Refer to Section 5.5.4 for information on Asciano's Distribution policy.

e) **Transfer of Asciano Units**

Unitholders may transfer Asciano Units in accordance with the Trust Constitution and the ASTC Settlement Rules by instrument in writing or in any form the Responsible Entity approves.

12. Additional Information

The stapling provisions of the Trust Constitution require that the Responsible Entity must not register a transfer of an Asciano Unit unless the relevant securities to which that Asciano Unit is stapled are also to be transferred simultaneously.

The Responsible Entity:

– may, in its absolute discretion, subject to the Listing Rules, the ASTC Settlement Rules and the Trust Constitution; and

– must, if the Listing Rules, the ASTC Settlement Rules or the Trust Constitution requires it to do so,

apply a holding lock or request ASTC to apply a holding lock to prevent a transfer of Asciano Units from being registered or refuse to register a transfer of Asciano Units (provided it also asks for a holding lock to apply to an equivalent number of Asciano Shares).

f) **Limitation of liability and indemnity**

The Trust Constitution limits the Responsible Entity's liability, including as set out below.

Subject to the Corporations Act, the Responsible Entity is not liable to Unitholders for any loss or damage suffered in any way except to the extent that the loss or damage is caused by the actual fraud or gross negligence or wilful default of the Responsible Entity. The Responsible Entity is entitled to be reimbursed out of the assets of the Trust, or pay from the assets of the Trust, all liabilities and losses incurred by it in properly performing or exercising its powers in relation to operation, administration and management of the Trust or otherwise in connection with the Trust, including to the extent allowed by the Corporations Act for liability resulting from the act or omission of any person (whether or not the person is appointed or otherwise engaged by the Responsible Entity).

The Responsible Entity enters into the Trust Constitution only in its capacity as Responsible Entity of the Trust.

g) **Liability of Unitholders**

Subject to the Trust Constitution and any contrary agreement with Unitholders, the liability of Unitholders is limited to the issue price paid or agreed to be paid for their Stapled Securities.

In addition, no Unitholder in their capacity as a Unitholder is liable to, or is required to, indemnify the Responsible Entity or any creditor of the Responsible Entity against any liability of the Responsible Entity in respect of the Trust in any case whatsoever.

h) **Fees of the Responsible Entity**

The Responsible Entity is entitled to receive the fees set out in Section 10 under the terms of the Trust Constitution.

i) **Related party transactions**

Under the terms of the Trust Constitution, the Responsible Entity may enter into agreements with related parties. However, the Corporations Act and Listing Rules restrict the Responsible Entity from entering into certain related party transactions without the approval of Unitholders. As set out in Section 12.17.1(b), the Responsible Entity has obtained ASIC approval to relief that allows it to consider and act in the interests of holders of Stapled Securities as holders of Asciano Units and Asciano Shares.

j) **General meetings**

Under the terms of the Trust Constitution and pursuant to the Corporations Act, each Unitholder is entitled to receive notice of and, except in certain circumstances, attend and vote at general meetings of the Trust.

While stapling applies, the Responsible Entity may convene a meeting of Unitholders in conjunction with or where necessary, consecutive to, meetings of Shareholders in Asciano Limited.

k) **Voting**

Pursuant to the Corporations Act and subject to any special rights or restrictions for the time being attached to any class of units in the Asciano Finance Trust and the Trust Constitution, at a general meeting of the Trust, each Unitholder present in person or by proxy, attorney or representative has one vote on a show of hands and one vote on a poll for each dollar of the value of Asciano Units held.

Voting on a special or extraordinary resolution of the Trust must be decided on a poll, otherwise, voting on resolutions of the Trust and Asciano Limited is by a show of hands unless a poll is demanded. The quorum required for a meeting of Unitholders is two members present in person holding or represented by proxy, attorney or representative between them not less than 10% of all issued Asciano Units.

l) **Small holdings**

While the Trust is listed, the Responsible Entity may sell or redeem the Asciano Units of a Unitholder who holds less than a marketable parcel of Asciano Units as notified by the Responsible Entity to Unitholders from time to time without request by the Unitholder. The Responsible Entity or the purchaser of the Asciano Units must pay the costs of the sale, as the Responsible Entity decides. The Responsible Entity may only sell or redeem the Asciano Units in the above circumstances in accordance with the conditions and requirements in the Trust's Constitution.

m) **Partly paid units**

The Responsible Entity may determine that units in the Asciano Finance Trust are to be offered on terms that the issue price is payable by instalments or by a single instalment payable in accordance with the terms of the Trust Constitution.

n) **Winding up**

Unitholders are entitled on a winding up of the Trust to receive a proportionate share of the Trust's assets (after the Responsible Entity has paid, discharged or provided for all liabilities and expenses of, or in connection with, the Trust and subject to any special rights, obligations or restrictions attached to any unit in the Asciano Finance Trust).

o) **ACCC requirements**

The Trust Constitution includes provisions which reflect the separation measures required by the ACCC under the terms of the Variation – refer to Section 11.6 for more information.

12.8.3 The Constitution of Asciano Limited

Asciano Limited is an Australian public company registered under the Corporations Act and has adopted a Constitution in substitution for the replaceable rules in the Corporations Act. Some important features of Asciano Limited's Constitution are summarised below.

a) **Directors**

The Asciano Limited Constitution deals with the rights and obligations of directors and officers of Asciano Limited, including:

- the appointment, retirement and removal of directors, including the managing director and chairperson;
- the appointment of a company secretary;
- the remuneration of directors;
- the powers of directors;
- meetings and written resolutions of directors; and
- the right of directors and officers to be indemnified (subject to statute) against all liabilities incurred as an officer of Asciano Limited, including all legal costs incurred in defending or resisting proceedings, whether criminal, civil, administrative or judicial, relating to such liabilities, and the right of Asciano Limited to maintain insurance in respect of directors and officers.

The Board of Asciano will be comprised of at least three directors. Details of the directors of Asciano Limited following the implementation of the Restructure are set out in Section 7.10.1.

The quorum for a meeting of directors is two directors, one of which must be the managing director. Resolutions at a meeting of directors are to be decided by a majority vote. In the case of an equality of votes, the chairman of a meeting has a casting vote.

12. Additional Information

The Board of Asciano has the power to manage the company. While stapling applies, the Board of Asciano may have regard to the interests of Unitholders and must act in the best interests of Asciano as a whole rather than only in the best interests of Asciano Limited.

b) **General meetings**

General meetings of Asciano Limited are to be held in accordance with the Corporations Act, and each shareholder will be entitled to receive notice of a general meeting in accordance with the Corporations Act and, except in certain circumstances, attend and vote at general meetings of Asciano Limited.

While stapling applies, the Asciano directors may convene a meeting of Shareholders in conjunction with a meeting of Unitholders.

c) **Voting at a general meeting**

Subject to any special rights or restrictions for the time being attached to any class of Asciano Shares and to the Asciano Limited Constitution, at a general meeting, each Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands, and one vote for each fully paid Asciano Share on a poll, or for a partly paid Asciano Share, a fraction of a vote equal to the proportion which the amount paid on the Asciano Share bears to the total issue price of the Asciano Share.

Voting at any meeting of Shareholders is by a show of hands (unless a poll is demanded). The quorum required for a meeting of Shareholders is two members present in person or by proxy, attorney or representative.

d) **Stapling**

The Asciano Limited Constitution provides for the stapling of each Asciano Share to an Asciano Unit to form a Stapled Security.

While stapling applies, Asciano Limited must not issue, transfer or register the transfer of an Asciano Share unless the same action occurs to an Asciano Unit.

Each Asciano Share will remain stapled for as long as the Asciano Share remains on issue unless the Stapled Securities are unstapled in accordance with the Asciano Limited Constitution.

e) **Dividends**

Under the Asciano Limited Constitution, the directors may determine that a dividend is payable, fix the amount and the time for payment and determine the method of payment of the dividend to each Asciano Shareholder entitled to that dividend. If a dividend is paid, it will be paid in proportion to the number of Asciano Shares held by an Asciano Shareholder and, in the case of partly paid Asciano Shares, in proportion to the percentage of the issue price that has been paid (excluding amounts credited and amounts paid in advance of a call). Interest is not payable in respect of any dividend.

f) **Transfer of Asciano Shares**

Asciano Shareholders may transfer Asciano Shares in accordance with the ASTC Settlement Rules, by instrument in writing in any form the directors approve, or by any other method of transfer of marketable securities permitted by the Corporations Act, ASTC and ASX and approved by the directors.

Subject to the Listing Rules and the ASTC Settlement Rules, the stapling provisions require that the directors must not register a transfer of an Asciano Share unless the relevant Asciano Unit to which that Asciano Share is stapled is also to be transferred simultaneously.

The directors may, if the Listing Rules, the ASTC Settlement Rules and the Asciano Limited Constitution permit Asciano Limited to do so, request ASTC to apply a holding lock to prevent a transfer of Asciano Shares from being registered or refuse to register a transfer of Asciano Shares.

g) **Issue of further Shares**

Subject to the stapling provisions, the Corporations Act and the Listing Rules, the issue of shares (including partly paid shares and redeemable preference shares) in Asciano Limited is under the control of the Directors of Asciano Limited. The board of Asciano Limited has the power to issue shares, options and other securities convertible into shares to any person at any time and for such consideration as it determines.

h) **Small holdings**

While Asciano Limited is listed, Asciano Limited may sell the Asciano Shares of an Asciano Shareholder who holds less than a marketable parcel of Asciano Shares. Asciano must hold the proceeds of sale on trust for the divested Asciano Shareholder and deal with that amount as directed by the Asciano Shareholder.

i) **Alterations of capital**

Asciano Limited may reduce, alter or buy-back its share capital in any manner provided by the Corporations Act. While stapling applies, the company must not reduce, alter or buy-back any Shares unless at the same time there is a corresponding reduction, alteration or buy-back of Asciano Units.

j) **Proportional takeover provisions**

Where offers are made under a proportional takeover bid, the board of Asciano Limited must refuse to register transfers of Asciano Shares giving effect to the offers unless the takeover bid is approved by Asciano Shareholders (excluding the bidder and its associates). These provisions will cease to apply unless renewed by special resolution of the Asciano Shareholders in general meeting by 13 April 2010, being three years from the date on which these provisions took effect.

k) **Variation of class rights**

If the capital of Asciano Limited is divided into different classes of shares, the rights attached to any class of share may be altered with the sanction of a special resolution passed at a separate meeting of the holders of shares of the affected class, or with the written consent of the holders of at least 75% of the shares of the affected class.

l) **Dividend plans**

Asciano Limited may establish a bonus share plan on any terms as the board resolves under which participants may elect to receive Asciano Shares or other financial products instead of receiving a cash dividend from the company.

Asciano Limited may establish a dividend reinvestment plan on any terms as the board resolves under which participants may elect to apply the whole or part of a dividend from the company in subscribing for or purchasing Asciano Shares or other financial products. While stapling applies, no reinvestment can occur unless the reinvestment is in Stapled Securities.

The board of Asciano Limited may implement, amend, suspend or terminate any bonus share plan or dividend reinvestment plan at any time.

m) **Calls, forfeiture and liens**

If an Asciano Shareholder fails to pay a call in respect of any amount unpaid on any Asciano Shares on the payment date specified, the company may give notice to that Asciano Shareholder requiring payment of that call, together with any costs and interest that has accrued. If, after receiving notice, the call remains unpaid, the directors may by resolution forfeit the relevant Asciano Shares.

The directors may sell, otherwise dispose of or re-issue Asciano Shares forfeited in this way, subject to compliance with the Corporations Act and the Listing Rules.

n) **Winding up**

If Asciano Limited is wound up, the liquidator may, with the sanction of a special resolution of Asciano Shareholders, distribute among Asciano Shareholders the whole or any part of the property of Asciano Limited and may determine how to distribute the property as between Asciano Shareholders or different classes of shareholders.

o) **ACCC requirements**

The Constitution includes provisions which reflect the separation measures required by the ACCC under the terms of the Variation – refer to Section 11.6 for more information.

12.8.4 The Constitution of Asciano Finance Limited

Asciano Finance Limited is an Australian public company registered under the Corporations Act.

It is intended that Asciano Finance Limited will replace PIML as Responsible Entity of the Trust once it obtains an AFSL. Asciano Finance Limited will be a wholly owned subsidiary of Asciano Limited following implementation of the Schemes and, as such, Securityholders will not hold any shares in Asciano Finance Limited.

The powers, duties and obligations of Asciano Finance Limited as the Responsible Entity of the Trust will be as set out in the Trust Constitution and the Corporations Act.

Asciano Finance Limited has adopted a Constitution in substitution for the replaceable rules in the Corporations Act. Among other things, the Constitution:

- Provides that the Board of Asciano Finance Limited will comprise at least 3 directors. It is intended that the directors of Asciano Finance Limited will initially be the same as the directors of Asciano Limited (refer to Section 7.10.1 for details of the directors);
- Allows Asciano Finance Limited and its directors to act in accordance with their legal and fiduciary obligations in relation to the Trust; and
- Includes provisions which reflect the separation measures required by the ACCC under the terms of the Variation – see Section 11.6 for more information.

Refer to Section 7.11 for information about the corporate governance policies and procedures of Asciano Finance Limited.

12.8.5 The Responsible Entity

The Corporations Act requires registered managed investment schemes to have a responsible entity.

The responsible entity:

- Must be a public company that holds an Australian financial services licence;
- Is required to comply with the trust constitution, the Corporations Act, the compliance plan for the trust and other relevant laws; and
- Has statutory duties under the Corporations Act including to act honestly, to act in the best interests of unitholders, and to treat unitholders in the same class equally and all unitholders fairly.

At the date of lodgement of this Scheme Book for registration by ASIC, the Responsible Entity of the Trust is PIML. It is proposed that once Asciano Finance Limited is issued with an appropriate AFSL, PIML will seek to retire as Responsible Entity and Asciano Finance Limited will seek to be elected as the Responsible Entity of the Trust. It is expected that Asciano Finance Limited's AFSL will be obtained within 12 months of the date of lodgement of this Scheme Book for registration by ASIC.

PIML acts as responsible entity of a number of registered managed investment schemes and has substantial expertise and experience in acting as a responsible entity. TCL, a related body corporate of PIML, has been appointed as the custodian of the Trust's assets and is expected to remain the custodian if PIML is replaced as the Responsible Entity by Asciano Finance Limited.

While PIML acts as the Responsible Entity of the Trust, various services will be provided by Asciano Finance Limited in accordance with the investment management deed (see Section 11.5(a)). Asciano Finance Limited will continue to provide these services if Asciano Finance Limited replaces PIML as Responsible Entity. Accordingly, any transition to Asciano Finance Limited as Responsible Entity is expected to proceed efficiently, and investors should not experience any material change in the level or quality of services provided by the Responsible Entity.

a) Duties of the Responsible Entity

As the responsible entity of the Trust, the Responsible Entity decides which investments are bought and sold (within the limits set by the Trust Constitution), and is entitled to hold the Trust's assets (including investments), either directly or through custodians or registry systems. To this end, PIML has entered into a custody deed with TCL, a related body corporate, to appoint TCL as the custodian of the Trust's assets – refer to Section 11.5(b).

b) Change of the Responsible Entity

In this Section of the Scheme Book PIML gives you notice that it is required to take action to retire as the Responsible Entity of the Trust if Asciano Finance Limited obtains an AFSL authorising it to operate the Trust.

It is proposed that PIML act as Responsible Entity for the Trust until Asciano Finance Limited obtains an AFSL that will permit it to act as the Responsible Entity. At that time, PIML is required under the Trust Constitution to take action so that Asciano Finance Limited may be appointed as Responsible Entity.

Asciano Finance Limited cannot act as the Responsible Entity until it obtains an appropriate AFSL.

Ordinarily, if PIML as the Responsible Entity proposed to retire as Responsible Entity, it may be required to call a Unitholders' meeting to explain its reasons for retirement and to enable Unitholders to vote on a resolution to choose a new Responsible Entity.

However, ASIC has given relief that would permit PIML to retire and for Asciano Finance Limited to replace PIML as Responsible Entity where certain relief conditions are met.

Under the terms of the relief, PIML can choose to propose Asciano Finance Limited to be the new Responsible Entity of the Trust by giving notice to members and offering members the opportunity to ask for a postal vote. This notice may be given after Asciano Finance Limited obtains an appropriate AFSL.

The notice must be to the effect that where members who together hold at least 5% of the total value of Asciano Units held by Unitholders, or 100 Unitholders who would be entitled to vote at a Unitholders' meeting, ask for a vote by giving notice to PIML within 21 days of the date that the notice is sent, PIML will either arrange a postal vote or convene a meeting to vote on a resolution for the choice of the proposed Responsible Entity. If sufficient Unitholders ask for a vote in accordance with the notice, PIML must arrange a postal vote or convene a Unitholders' meeting.

If there is a postal vote, the proposed Responsible Entity will be chosen as the new Responsible Entity if at least 50% of the votes of Unitholders who would be entitled to vote at a meeting are cast in favour of the choice. Only votes received by PIML within 28 days after the issue of the voting paper will be counted.

If a postal vote is not requested by a sufficient number of Unitholders, no postal vote is required. In that case, subject to the conditions of the ASIC relief, Asciano Finance Limited could replace PIML as Responsible Entity without a postal vote or any meeting of Unitholders.

The ASIC relief is subject to certain conditions. These include:

- the making of certain disclosures about PIML, Asciano Finance Limited and the ASIC relief in this Scheme Book;
- that no fees or charges are paid out of the Trust (other than fees paid to ASIC) in relation to the retirement and replacement of the Responsible Entity;
- PIML entering into an agreement with Asciano Finance Limited under which PIML agrees that it will, subject to its legal obligations and to any Unitholder resolution which affects its ability to do so, operate the Trust in a manner consistent with the investment objectives stated in the Scheme Book, and that it will prepare and send the notice referred to above; and
- Asciano Finance Limited executing a deed poll for the benefit of, and enforceable by, ASIC, undertaking (where it is Responsible Entity) to manage and operate the Trust in a manner consistent with statements made in the Scheme Book for a period of 12 months from the date it becomes Responsible Entity.

The ASIC relief was sought on the basis that it would not be in the interests of Unitholders to hold a meeting when the necessary disclosure about the proposed change of Responsible Entity could be made in this Scheme Book.

If Asciano Finance Limited does not obtain an AFSL authorising it to operate the Trust in sufficient time for it to replace PIML as the Responsible Entity before the expiry of the relief, a Unitholders' meeting may be required to vote on a resolution to appoint Asciano Finance Limited as the new Responsible Entity.

Risk of change of Responsible Entity

Asciano Finance Limited intends to make an application to ASIC for an AFSL, which it must hold to act as Responsible Entity for the Trust.

Asciano Finance Limited anticipates that it will obtain the required AFSL within 12 months after the date of this Scheme Book. However, there is a risk that Asciano Finance Limited's AFSL application will be delayed or refused. In that case, PIML would continue to act as the Responsible Entity of the Trust in accordance with the Trust Constitution and the Corporations Act.

Securityholders themselves may at any time call a meeting to vote and remove the Responsible Entity and choose a new Responsible Entity. In each case the resolution must be passed by greater than 50% of the votes cast by Unitholders entitled to vote on the resolution (while the Trust is listed).

The fees, costs and expenses relating to PIML as Responsible Entity and the fees, costs and expenses relating to a subsequent Responsible Entity (including, if appointed, Asciano Finance Limited) are set out in Section 10.

c) **The Compliance Plan and Compliance Committee**

The Trust is required to have a compliance plan.

Under the Corporations Act, the Responsible Entity must formulate and comply with a compliance plan, and must have the compliance plan audited annually by a compliance plan auditor. The compliance plan auditor of the Trust is KPMG.

The compliance plan auditor's report must be lodged with ASIC.

The Responsible Entity must either have a compliance committee, or a Board with a majority of external members. Currently there is a compliance committee for the Trust. Asciano Finance Limited's Board is expected to have a majority of external directors, and in that case a compliance committee will not be required if it becomes the Responsible Entity of the Trust. If the Board does not have a majority of external directors, a compliance committee will be required.

PIML and Asciano Finance Limited will each have a suitable compliance plan in place whilst they operate the Trust. The compliance plan sets out measures that the Responsible Entity is to apply in operating the Trust to ensure compliance with the Corporations Act and the Trust Constitution, for example, in relation to ensuring that scheme property is clearly identified and held separately as scheme property, that adequate records of the operations of the Trust are kept, and that the compliance plan is audited as required.

d) **Complaint Handling Procedures**

If you have a complaint about the Responsible Entity in connection with the Trust, you can:

- Contact the Responsible Entity on 1800 622 812 (within Australia) Monday to Friday between 8.45 am and 5.15 pm Melbourne time; and
- If your complaint is not satisfactorily resolved, please refer the matter in writing to the Complaints Handling Officer, Permanent Investment Management Limited, 35 Clarence Street, Sydney NSW 2001.

If your complaint is not resolved within 30 business days, you may have the right to complain to Financial Industry Complaints Service Limited at PO Box 579 Collins Street West, Melbourne VIC 8007, or telephone 1300 780 808 or fax 03 9621 2291. The Responsible Entity is a member of Financial Industry Complaints Service Limited. ASIC also has a toll free (within Australia) Infoline on 1300 300 630 which you may use to complain and obtain information about your rights.

12.8.6 Distribution reinvestment plan

Asciano proposes to establish a Distribution Reinvestment Plan ('DRP') following the Implementation Date. The DRP will provide Securityholders with the choice of reinvesting some or all of their Distributions into additional Stapled Securities rather than receiving those Distributions in cash. Asciano may decide for which Distributions, if any, the DRP will be available.

Some of the principal features of the proposed DRP are outlined below.

- Securityholders may elect to participate in the DRP in respect of all or some of their Stapled Securities. A Securityholder may join, vary participation in or withdraw from the DRP;
- Securityholders whose registered address is outside Australia may not participate in the DRP unless the issue of Stapled Securities to them under the DRP is lawful and, in the opinion of Asciano, reasonable and practicable;
- Stapled Securities may be allocated under the DRP at the prevailing market price of Stapled Securities on ASX or at a discount (as determined by Asciano from time to time) to the prevailing market price;
- Asciano will determine whether Stapled Securities to be allocated under the DRP will be newly issued Stapled Securities or Stapled Securities acquired on market for transfer to Securityholders under the DRP; and
- All Stapled Securities allocated to participants under the DRP will rank equally in all respects with all other issued Stapled Securities (except in relation to Distribution entitlements which accrued prior to the date of their issue or transfer).

Asciano will apply for quotation of Stapled Securities newly issued under the DRP. Once Stapled Securities are allocated to DRP participants and quoted on ASX, they may be sold by the Securityholder to whom they are allocated.

Participating Securityholders will be sent a statement with each allocation of Stapled Securities under the DRP giving details of their participation in the DRP. Securityholders participating in the DRP will pay no brokerage, commission or other transaction costs on Stapled Securities allocated under the DRP.

Asciano may have any issue of Stapled Securities under the DRP underwritten.

12.9 Interests of advisers

Except as set out below or elsewhere in this Scheme Book, no person named in this Scheme Book as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Book has, or has had in the two years before the date of lodgement of this Scheme Book for registration by ASIC, an interest in:

(a) the formation or promotion of Asciano;

(b) any property acquired or proposed to be acquired by Asciano in connection with its formation or promotion or the Restructure; or

(c) the Restructure,

and no amounts (whether in cash or securities or otherwise) have been paid or agreed to be paid, and no-one has given or agreed to give a benefit, to any such person for services rendered in connection with the promotion or formation of Asciano or the Restructure.

UBS has acted as sole financial adviser and a debt adviser to Toll in relation to the Restructure. Toll has paid or agreed to pay a base fee currently estimated to be $10 million plus additional incentive fees of up to $10 million in respect of these services. UBS will also act as sole placement agent for the Placement for which it will receive a fee of $750,000.

Clayton Utz have acted as Australian legal adviser to Toll in relation to the Restructure and performed work in relation to legal due diligence enquiries. Toll has paid or agreed to pay approximately $2.8 million in respect of these services. Further amounts may be payable to Clayton Utz in accordance with their normal time based charges.

KPMG Transaction Services (Australia) Pty Ltd has acted as Investigating Accountant, prepared the Investigating Accountant's Report and performed work in relation to due diligence enquiries on financial and accounting matters. Toll has paid or agreed to pay approximately $1.5 million in respect of these services. Further amounts may be payable to KPMG Transaction Services Pty Ltd in accordance with its normal time based charges.

KPMG is Toll's auditor. KPMG have been paid approximately $1.6 million and $3.6 million in respect of audit services for Toll for FY2005 and FY2006, respectively. In addition, KPMG and related practices of KPMG were also paid approximately $3.4 million in respect of other services during FY2006.

KPMG Tax have acted as Australian tax adviser to Toll in relation to the Restructure, prepared the tax opinion in Section 9 and performed work in relation to tax due diligence enquiries. Toll has paid or agreed to pay approximately $1.5 million in respect of these services. Further amounts may be payable to KPMG in accordance with its normal time-based charges.

12.10 Independent expert

Grant Samuel & Associates Pty Ltd has prepared the Independent Expert's Report set out in Section 16 of this Scheme Book advising as to whether, in its opinion, the Restructure is in the best interests of Toll Shareholders. Grant Samuel & Associates Pty Ltd will be paid a total fee of $750,000 plus all out-of-pocket expenses incurred by it in relation to the preparation of its report.

12.11 Consents and disclaimers of responsibility

12.11.1 Consent to be named

The following parties have given and have not, before the time of registration of this Scheme Book by ASIC, withdrawn their written consent to be named in this Scheme Book in the form and context in which they are named:

a) UBS as sole financial adviser and debt adviser to Toll;
b) Clayton Utz as Australian legal adviser to Toll;
c) Computershare Investor Services Pty Limited as Toll and Asciano's share registry;
d) Permanent Investment Management Limited as the responsible entity for the Trust; and
e) Trust Company Limited as the custodian of the Trust's assets.

These consents extend to the use of this Scheme Book by Asciano as the Information Memorandum required by ASX for the purposes of Asciano's application for admission to the official list of ASX.

12.11.2 Consent to be named and to the inclusion of information

The following parties have given and have not, before the time of registration of this Scheme Book by ASIC, withdrawn their written consent to the inclusion of the following information in this Scheme Book in the form and context in which it is included and to all references in this Scheme Book to that information in the form and context in which they appear:

a) KPMG Transaction Services (Australia) Pty Ltd – to be named as Investigating Accountant and to the inclusion of the Investigating Accountant's Report in Section 15 of this Scheme Book and references to that Report elsewhere in this Scheme Book;
b) KPMG Tax – to be named as Taxation Adviser to Toll and to the inclusion of the tax opinion in Section 9 of this Scheme Book;
c) KPMG – to be named as the auditor to Toll and to the inclusion of the references to the audited financial statements of Toll for the financial year ended 30 June 2006 and the references to the reviewed interim financial statements of Toll for the half year ended 31 December 2006 in Sections 7 and 8 of this Scheme Book; and
d) Grant Samuel & Associates Pty Ltd – to be named as the independent expert and to the inclusion of the Independent Expert's Report in Section 16 of this Scheme Book and other statements in this Scheme Book said to be based on statements made by Grant Samuel & Associates.

These consents extend to the use of this Scheme Book by Asciano as the Information Memorandum required by ASX for the purposes of Asciano's application for admission to the official list of ASX.

12.11.3 Disclaimers of responsibility

Each person named in Sections 12.11.1 and 12.11.2:

a) does not make, or purport to make, any statement in this document or any statement on which a statement in this document is based other than, in the case of a person referred to in Section 12.11.2, a statement included in this document with the consent of that party; and
b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this document, other than a reference to its name and, in the case of a person referred to under Section 12.11.2, any statement or report which has been included in this document with the consent of that party.

12.12 Changing address or other details

Chapter 2C of the Corporations Act requires information about you as a Securityholder (including names, addresses, other contact details and details of holdings of Securityholders) to be included in the public register of each of the Asciano Finance Trust and Asciano Limited (see Section 2.7 of this Scheme Book). This information is required to administer your holding and it is the responsibility of the Securityholder to notify Asciano of any changes to this information. Asciano's current contact details are set out in the Corporate Directory.

12.13 Availability of documents

A copy of any of the following documents will be provided free of charge to any person who requests a copy prior to the Listing Date by calling the Toll Restructure Infoline on 1300 306 835 (within Australia) or +61 3 9415 4325 (international):

- The Trust Constitution; and
- The Asciano Limited Constitution.

Each of the Trust and Asciano Limited will provide regular communication to Securityholders, including publication by way of either notification on the company's website or, if appropriate, distribution of:

- An Asciano half-yearly report which provides an update on the investments held, operation of Asciano, and performance for the period;
- An Asciano annual report with audited financial statements for each year ending 30 June;
- Distribution statements; and
- Any continuous disclosure notices given to ASX by the Trust and Asciano Limited.

The Trust and Asciano Limited, as disclosing entities, will be subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Trust and Asciano Limited may be obtained from, or inspected at, an ASIC office.

You also have the right to obtain a copy of each annual report, half-yearly report and any continuous disclosure notice relating to the Trust and Asciano Limited free of charge.

As at the date of lodgment of this Scheme Book for registration by ASIC, no annual reports or half-yearly reports relating to Asciano have been lodged with ASIC, and neither the Trust nor Asciano Limited have given continuous disclosure notices to ASX.

12.14 Costs

The total expenses of the Restructure payable by Toll are estimated at approximately $60 million (after tax) which includes advisory, legal, accounting, listing and administrative fees as well as printing, advertising and other expenses.

12.15 Capital raising by Asciano

Asciano has not raised any capital for the three months before the date of lodgement of this Scheme Book for registration by ASIC and will not need to raise any capital for the three months after that date, other than the issue of the Securities contemplated by the Schemes and the Placement, as described in this Scheme Book.

As at the date of lodgement of this Scheme Book for registration by ASIC, the one Asciano Share on issue and the one Asciano Unit on issue are controlled by Toll and there have been no sales of Asciano Shares or Asciano Units since the establishment of Asciano.

12.16 Material changes in financial position of Toll

Within the knowledge of the Toll Directors and other than as disclosed in this Scheme Book, the financial position of Toll has not materially changed since 31 December 2006, being the date of the half-yearly accounts for Toll disclosed to ASX.

12.17 Regulatory matters

12.17.1 ASIC declarations and exemptions

a) Explanatory statement

Subregulation 5.1.01 of the Corporations Regulations requires that, unless ASIC otherwise allows, the explanatory statement contains the matters set out in Part 3 of Schedule 8 to the Corporations Regulations. ASIC has allowed the following in relation to this requirement:

i. *Payments or benefits proposed to be made or given to Toll officers*

Clause 8302(d) of Part 3 of Schedule 8 to the Corporations Regulations requires the explanatory statement to disclose particulars of any payment or benefit that is proposed to be made or given to any director, secretary or executive officer of Toll or a related body corporate of Toll as compensation for loss of office, or as consideration for or in connection with his or her retirement from office.

ASIC has allowed Toll to vary its compliance with this requirement. The effect of this consent is that Toll is not required to disclose particulars of payments or benefits that are proposed to be made or given to a director, secretary or executive officer of Toll or a related body corporate of Toll in relation to their loss of or retirement from office, unless the director, secretary or executive officer will lose office or retire from office in connection with the Restructure.

ii. *Change in financial position*

Clause 8302(h) of Part 3 of Schedule 8 to the Corporations Regulations requires the explanatory statement to set out whether, within the knowledge of the Toll Directors, the financial position of Toll has materially changed since the date of the last balance sheet laid before a Toll annual general meeting or sent to Toll Shareholders in accordance with sections 314 or 317 of the Corporations Act.

ASIC has allowed Toll to vary its compliance with this requirement on the basis that Toll:

A. has released its half-yearly accounts for the period ended 31 December 2006;

B. has disclosed in the Scheme Book and in announcements to ASX all material changes to Toll's financial position since the date of the half-yearly accounts;

C. will disclose in announcements to ASX any material changes to Toll's financial position that occur after the date of lodgement of the Scheme Book for registration by ASIC but prior to the Schemes being approved by the Court; and

D. will provide, free of charge, copies of the half-yearly accounts for the period ended 31 December 2006 to any Shareholder who requests them and publish the half-yearly accounts on Toll's website prior to the despatch of the Scheme Book.

iii. *Consent to expert's report*

ASIC has given its consent for the purposes of Clause 8305 of Part 3 of Schedule 8 to the Corporations Regulations for the inclusion in this book of the independent expert's report which contains a forecast prepared by Toll of the profits or profitability of Toll.

b) **Stapled Securities and Responsible Entity**

ASIC has given approval to the following Corporations Act modifications and exemptions:

- Modifications permitting the Responsible Entity to consider and act in the interests of Securityholders as holders of Asciano Units and Asciano Shares;
- Modifications allowing the Responsible Entity to confer benefits from the property of the Trust to Asciano Limited, without having to obtain the approval from members of the Trust;
- A modification that permits the Responsible Entity, an officer of the Responsible Entity and employees of the Responsible Entity, from the requirement not to make use of information acquired through their position to gain an improper advantage for itself or to cause detriment to members of the scheme, provided that Asciano Limited receives a corresponding benefit;
- A modification that permits an officer or an employee of the Responsible Entity to use their position (directly or indirectly) to gain an advantage, or to cause detriment to the Unitholders of the Trust, having regard to their interest as holders of Stapled Securities;
- A modification permitting the Responsible Entity to determine the price of the Asciano Units, as a component of a Security, in various circumstances; and
- A modification permitting Asciano Finance Limited to replace PIML as Responsible Entity of the Trust with a modified procedure for a vote of members of the Trust, as set out in Section 12.8.5(b).

c) **On-sales of Placement Securities**

ASIC has granted a modification to the Corporations Act permitting institutional investors who acquire Stapled Securities under the Placement to on-sell those Placement Securities within 12 months of their issue, without issuing a disclosure document or product disclosure statement, provided that the Placement Securities are issued on the same day as Asciano Shares and Asciano Units are issued under the Schemes.

12.17.2 ASX waivers and approvals

a) **Information Memorandum**

ASX has agreed to the following, on an 'in-principle' basis:

- To permit Asciano to issue an Information Memorandum that complies with the requirements of Appendix 1A of the Listing Rules, for the purposes of Asciano's application for admission to the official list of ASX;
- To grant a waiver from Listing Rule 1.1 Condition 3 to permit Asciano's Information Memorandum not to comply with paragraph 116 of Appendix 1A on condition that the Information Memorandum contains a statement that Asciano has not raised any capital for the three months before the date of issue of the Information Memorandum and will not need to raise any capital for the three months after the date of the Information Memorandum (other than the issue of securities contemplated by the Schemes, the Placement and/or as otherwise described in the Information Memorandum); and
- Not to require Asciano to send the Information Memorandum to shareholders of Toll, provided that it is given to ASX and released on the company announcements platform.

b) **Participation in Placement**

ASX has given 'in-principle' approval to a waiver from Listing Rule 10.11 to the extent necessary to permit Asciano to issue Stapled Securities to a company associated with Mark Rowsthorn under the Placement, on condition that Toll Shareholders approve the issue in general meeting and the notice of meeting includes all the information required by Listing Rule 10.13.

c) **Quotation of Stapled Securities**

ASX has given 'in principle' approval to waivers of the following Listing Rules to accommodate quotation of the Stapled Securities:

- Listing Rule 1.1 Condition 7 to the extent necessary to permit shareholders in Asciano Limited and Unitholders in the Trust to hold parcels of Asciano Shares and Asciano Units having a value of less than $2,000 on condition that the Asciano Units and Asciano Shares are stapled together and at least 500 people hold parcels of Stapled Securities with a value of at least $2,000;
- Listing Rule 1.1 Condition 8 in respect of compliance with Listing Rule 1.3 on condition that Asciano Units and Asciano Shares are stapled together so that Asciano Limited and the Trust together meet the requirements of that Listing Rule;
- Listing Rule 6.24 and clause 1 of Appendix 6A to the extent that the rates and amount of a dividend and distribution announced by Asciano on a particular date need not be announced to ASX on that date on the basis that an estimated dividend and distribution rate is advised to ASX on that date and the actual dividend and distribution rate is advised to ASX as soon as it becomes known;
- Listing Rule 8.10 to the extent necessary to permit the Responsible Entity to refuse to register a paper-based transfer of an Asciano Unit that is not accompanied by a paper-based transfer of an Asciano Share and to permit Asciano Limited to refuse to register a paper-based transfer of an Asciano Share that is not accompanied by paper-based transfer of an Asciano Unit; and
- Listing Rule 10.1 to allow transfers of substantial assets, from time to time, between each of Asciano Limited and the Trust and their wholly owned subsidiaries without the need for approval from Securityholders on condition that Asciano Units and Asciano Shares are stapled, and that neither of the Trust or Asciano Limited has on issue or has issued any equity securities that are not stapled to equivalent equity securities of the other entity.

12.17.3 Foreign exchange controls

The Reserve Bank of Australia generally does not restrict the import and export of Australian dollars. There are currently no Australian exchange controls or other limitations, other than any applicable withholding of Australian tax, which restrict the remittances of any distributions, interest or other payment by Asciano to non-resident holders of Securities outside Australia, provided they are not resident in or a resident of a place to which, or a person to whom, such remittances would be prohibited, including under the following regulations:

a) the Banking (Foreign Exchange) Regulations 1959;
b) the Charter of the United Nations (Terrorism and Dealing with Assets) Regulations 2002;
c) the Charter of the United Nations (Sanctions – Afghanistan) Regulations 2001; or
d) the Iraq (Reconstruction and Repeal of Sanctions) Regulations 2003.

Persons who consider that they may be affected by these regulations should seek independent professional advice.

12.17.4 Restrictions on foreign ownership

There are no limitations, either under the laws of Australia or under the Constitutions, to the right of non-residents to hold or vote Securities, other than the Foreign Acquisitions and Takeovers Act 1975 ('FATA'). FATA may affect the right of certain persons, including US residents, to hold or control Stapled Securities. Acquisitions of securities in Australian companies by foreign interests are subject to review and approval by the Treasurer of the Commonwealth of Australia under FATA. FATA applies to any acquisition by a foreign person or associated foreign persons which would result in a holding of 15% or more of the issued shares of, or control of 15% or more of the voting power in, an Australian company. Further, it applies to any acquisition by non-associated foreign persons which would result in a holding by those persons of 40% or more of the issued shares of, or control of 40% or more of the voting power in, an Australian company. Persons who consider that they may be affected by FATA should seek independent professional advice.

12.18 Other material information

Except as set out in this Scheme Book, there is no other information material to the making of a decision in relation to the Restructure that is within the knowledge of any Toll Director, or any director of any related body corporate of Toll, which has not been previously disclosed to Toll Shareholders.

12.19 Supplementary information

Information about the Restructure Proposal may need to be updated.

In accordance with the requirements of ASX, Toll will issue a supplementary document to this Scheme Book if it becomes aware of any of the following between the date of this Scheme Book for registration by ASIC and the Listing Date:

a) a material statement in this Scheme Book is false or misleading;
b) a material omission from this Scheme Book;
c) a significant change affecting a matter included in this Scheme Book; or
d) a significant new matter has arisen and it would have been required to be included in this Scheme Book if it had arisen before the date of lodgement of this Scheme Book for registration by ASIC.

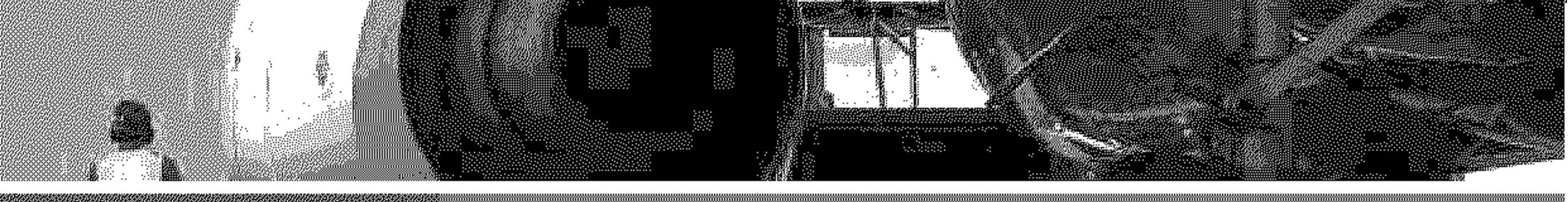
Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Toll may circulate and publish any supplementary document by:

a) placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
b) posting the supplementary document on Toll's website; or
c) making an announcement to ASX.

Any updated information about the Restructure Proposal which is not materially adverse to investors is likely to be made available on Toll's website: www.tollgroup.com. Where updated information about the Restructure Proposal is materially adverse to investors, a supplementary document will be issued and made available in accordance with regulatory requirements.

Toll will provide a copy of the updated information free of charge, to any person who requests a copy by calling to Toll Restructure Infoline or 1300 306 835 (within Australia) or +61 3 9415 4325 (international).

13 Schemes of Arrangement



Part A – Unit Scheme

Scheme of Arrangement made under section 411 of the Corporations Act 2001 (Cth)

Parties

- **Toll Holdings Limited ABN 25 006 592 089 of Level 8/380 St Kilda Road Melbourne Victoria 3004 Australia ('Toll')**
- **The holders of fully paid ordinary shares in the capital of Toll**

Recitals

A. Toll is a public company incorporated in the State of Victoria. It is admitted to the official list of ASX and Toll Shares are quoted on the stock market conducted by ASX.

B. Asciano is a public company incorporated in the State of Victoria. It is, and until the Implementation Date will be, a wholly-owned subsidiary of Toll.

C. PIML is a public company incorporated in the State of New South Wales. It is the responsible entity of the Asciano Finance Trust.

D. Toll, Asciano and various subsidiaries of those companies have entered into the Restructure Deed pursuant to which, amongst other things, Toll will transfer to Asciano certain infrastructure assets and companies.

E. Toll and Asciano have entered into the Implementation Deed pursuant to which, amongst other things:

(a) Toll has agreed to propose the First Capital Reduction and propound this Unit Scheme to Toll Shareholders;

(b) Toll has agreed to pay the First Special Dividend;

(c) Toll has agreed to propose the Second Capital Reduction and propound the Share Scheme to Toll Shareholders;

(d) Toll has agreed to pay the Second Special Dividend; and

(e) each of the parties has agreed to take all steps required to be taken by it to give effect to the First Capital Reduction, the Second Capital Reduction and the Schemes (being this Unit Scheme and the Share Scheme).

F. If the Schemes become Effective, then:

(a) Toll will implement the First Capital Reduction and, in accordance with this Unit Scheme, Toll will apply the First Capital Reduction Amount and will satisfy the First Special Dividend by procuring that PIML provides the Unit Scheme Entitlement to each Unit Scheme Participant (or the Sale Agent on behalf of that Unit Scheme Participant) in accordance with the Unit Scheme; and

(b) Toll will implement the Second Capital Reduction and, in accordance with the Share Scheme, Toll will apply the Second Capital Reduction Entitlement and will satisfy the Second Special Dividend by procuring that Asciano provides the Share Scheme Entitlement to each Share Scheme Participant (or the Sale Agent on behalf of that Share Scheme Participant) in accordance with the Share Scheme.

G. PIML has entered into the PIML Deed Poll for the purpose of covenanting in favour of the Unit Scheme Participants to perform its obligations under this Unit Scheme.

H. At and from the Implementation Date, Asciano will operate Toll's infrastructure business, details of which are contained in the Scheme Book.

1. Definitions and interpretation

1.1 Definitions

In this document, unless the contrary intention appears or the context requires otherwise:

'Asciano' means Asciano Limited ABN 26 123 652 862.

'Asciano Share' means a fully paid ordinary share in the capital of Asciano.

'Asciano Finance' means Asciano Finance Limited ABN 90 12 3 180 450.

'Asciano Finance Trust' means Asciano Finance Trust ARSN 124 102 807.

'Asciano Finance Trust Unit Register' means the register of unitholders of Asciano Finance Trust maintained under section 169 of the Corporations Act.

13. Schemes of Arrangement

'Asciano Unit' means an ordinary unit in the Asciano Finance Trust.

'ASIC' means the Australian Securities and Investments Commission.

'ASTC' means ASX Settlement and Transfer Corporation Pty Limited ACN 008 504 532 as the holder of a licence to operate a clearing and settlement facility.

'ASTC Settlement Rules' means the rules of ASTC from time to time, except to the extent of any relief given by ASTC.

'ASX' means ASX Limited ABN 98 008 624 691.

'Business Day' means a business day as defined in the Listing Rules.

'CHESS' means the clearing house electronic sub-register system of share transfers operated by ASX Settlement and Transfer Corporation Pty Limited ABN 49 008 504 532.

'Corporations Act' means the Corporations Act 2001 (Cth) and the regulations made under that Act.

'Court' means the Supreme Court of Victoria.

'Effective' means the coming into effect pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Unit Scheme.

'Effective Date' means the date on which the office copy of the Court order approving this Unit Scheme under section 411(4)(b) of the Corporations Act is lodged with ASIC pursuant to section 411(10) of the Corporations Act or, if another date is specified in the Court order for the coming into effect of this Unit Scheme, that other date.

'Financial Assistance Resolution' means resolution 3 in the Notice of General Meeting in Section 18 of the Scheme Book.

'First Capital Reduction' means a reduction of the share capital of Toll by the amount of $289,172,700 applied equally against each Toll Share on issue as at the Record Date in accordance with resolution 1 set out in the notice of general meeting contained in section 18 of the Scheme Book.

'First Capital Reduction Amount' means the amount produced by dividing $289,172,700 by the number of Toll Shares on issue as at the Record Date.

'First Capital Reduction Entitlement' means, in relation to a Unit Scheme Participant, the number produced by multiplying the First Capital Reduction Amount by the number of Unit Scheme Shares held by that Unit Scheme Participant as at the Record Date.

'First Special Dividend' means the fully franked special dividend in an amount, per Toll Share on issue as at the Record Date, to be calculated by dividing $109,243,020 by the number of Toll Shares on issue as at the Record Date.

'First Special Dividend Entitlement' means, in relation to a Unit Scheme Participant, the number produced by multiplying the First Special Dividend by the number of Unit Scheme Shares held by that Unit Scheme Participant as at the Record Date.

'Implementation Date' means 15 June 2007 or such other date as determined by the Toll Board with the approval of the Court.

'Implementation Deed' means the deed dated 13 April 2007 between Toll and Asciano to carry into effect the Restructure.

'Ineligible Overseas Shareholder' means each Unit Scheme Participant whose Registered Address is in any jurisdiction other than Australia and its external territories, Singapore or New Zealand.

'Listing Date' means the date on which trading in the Stapled Securities (on a deferred settlement basis or otherwise) first commences on ASX.

'Listing Rules' means the listing rules of ASX from time to time as modified by any express written waiver or exemption given by ASX.

'Material Adverse Change' means:

(a) in relation to Toll, any matter, event or circumstance that is, or is reasonably likely to be, materially adverse to:
   (i) the business, operations or financial condition of Toll and its subsidiaries taken as a whole (but excluding Asciano and any company that is or will be on completion of the Restructure, a subsidiary of Asciano); or
   (ii) the ability of Toll to perform its obligations under this Unit Scheme or the Implementation Deed;

(b) in relation to Asciano, any matter, event or circumstances that is, or is reasonably likely to be, materially adverse to:

(i) the business, operations or financial condition of Asciano and any company that is or will be on completion of the Restructure, a subsidiary of Asciano, taken as a whole; or

(ii) the ability of Asciano to perform its obligations under this Unit Scheme or the Implementation Deed.

'Non-Eligible Shareholder' means a Toll Shareholder (other than an Ineligible Overseas Shareholder) whose Registered Address is in any jurisdiction in which Toll reasonably believes that it is prohibited from offering, or that it is unduly onerous or impractical to implement, the Sale Facility.

'PIML' means Permanent Investment Management Limited ABN 45 003 278 831.

'PIML Deed Poll' means the deed poll dated 13 April 2007 executed by PIML in favour of Unit Scheme Participants (subject to any amendments permitted by its terms).

'Record Date' means 7.00 pm on the fifth Business Day after the Effective Date or any later time required by the ASTC Settlement Rules.

'Registered Address' means, in relation to a Toll Shareholder, the address of that Toll Shareholder shown in the Toll Share Register as at the Record Date.

'Restructure' means the separation of Toll's infrastructure business from Toll's logistics assets to be implemented through the First Capital Reduction, Second Capital Reduction, First Special Dividend, Second Special Dividend and the Schemes in the manner more fully described in the Scheme Book.

'Restructure Deed' means the deed to be entered into between Toll, Asciano and various subsidiaries of those companies to effect certain steps in relation to the Restructure.

'Restructure Proposal' means the proposal by Toll to effect the Restructure.

'Sale Agent' has the meaning given in the Share Scheme.

'Sale Facility' has the meaning given in the Share Scheme.

'Scheme Book' means the scheme book which includes the explanatory statement required by section 412 of the Corporations Act relating to the Schemes, and where the case requires includes the notices of meetings in relation to the resolutions to approve the First Capital Reduction and the Second Capital Reduction, the resolutions to approve the Schemes and other information relating to any or all of the above matters.

'Schemes' means this Unit Scheme and the Share Scheme.

'Second Capital Reduction' has the meaning given in the Share Scheme.

'Second Capital Reduction Amount' has the meaning given in the Share Scheme.

'Second Capital Reduction Entitlement' has the meaning given in the Share Scheme.

'Second Court Date' means the date on which the application made to the Court for an order for the purposes of section 411(4)(b) of the Corporations Act approving this Unit Scheme is heard (or if adjourned to a later date, that later date).

'Second Special Dividend' has the meaning given in the Share Scheme.

'Second Special Dividend Entitlement' has the meaning given in the Share Scheme.

'Selling Shareholder' means a Unit Scheme Participant (other than a Non-Eligible Shareholder and an Ineligible Overseas Shareholder) who elects to offer to sell under the Sale Facility some or all of that person's Stapled Security Entitlement.

'Share Scheme' means the scheme of arrangement under Part 5.1 of the Corporations Act between Toll and Toll Shareholders in relation to the issue of Asciano Shares as set out in section 13 of the Scheme Book.

'Share Scheme Entitlement' has the meaning given in the Share Scheme.

'Share Scheme Participant' has the meaning given in the Share Scheme.

'Share Scheme Share' has the meaning given in the Share Scheme.

'Stapled Security' means an Asciano Share and an Asciano Unit which are linked together so that one may not be transferred or otherwise dealt with without the other and which are quoted on ASX jointly as a 'Stapled Security' (or such other designation as ASX permits).

'Stapled Security Entitlement' means one Stapled Security for each Unit Scheme Share held by a Unit Scheme Participant as at the Record Date comprising:

(a) one Asciano Share for each Share Scheme Share held by the Unit Scheme Participant (in that person's capacity as a Share Scheme Participant) as at the Record Date (in discharge of that person's Second Capital Reduction Entitlement and Second Special Dividend Entitlement); and

(b) one Asciano Unit for each Unit Scheme Share held by that Unit Scheme Participant as at the Record Date (in discharge of that Unit Scheme Participant's First Capital Reduction Entitlement and First Special Dividend Entitlement).

'Toll Board' means the board of directors of Toll from time to time.

'Toll Constitution' means the constitution of Toll, as approved by Toll Shareholders on 28 October 2004.

'Toll Share' means a fully paid ordinary share in the capital of Toll.

'Toll Shareholder' means a person who is entered in the Toll Share Register as the holder of Toll Shares.

'Toll Share Register' means the register of Toll Shareholders maintained under section 169 of the Corporations Act.

'Toll Share Registry' means Computershare Investor Services Pty Limited ABN 48 078 279 277.

'Unit Scheme' means the scheme of arrangement between Toll and Toll Shareholders as set out in this document, subject to any modifications, alterations or conditions made, approved or required by the Court pursuant to section 411(6) of the Corporations Act.

'Unit Scheme Entitlement' means one Asciano Unit for each Unit Scheme Share held by a Unit Scheme Participant as at the Record Date (in discharge of that Unit Scheme Participant's First Capital Reduction Entitlement and First Special Dividend Entitlement).

'Unit Scheme Participant' means a person entered on the Toll Share Register at the Record Date as the holder of a Unit Scheme Share after registration of all transfer and transmission applications as provided for in clause 6.3.

'Unit Scheme Share' means a Toll Share on issue at the Record Date which carries an Entitlement (within the meaning of the ASTC Settlement Rules) to the First Special Dividend and to the First Capital Reduction Amount, both of which are to be applied in accordance with this Unit Scheme.

1.2 Interpretation

In this document, unless the contrary intention appears or the context requires otherwise:

(a) words and phrases (other than those defined in clause 1.1) have the same meaning (if any) given to them in the Corporations Act;
(b) the singular includes the plural and vice versa;
(c) each gender includes the other gender;
(d) references to persons includes references to individuals, corporations, other bodies corporate or bodies politic;
(e) a reference to a paragraph or clause is to a paragraph or clause of this document;
(f) a reference to a statute, regulation or agreement is to such a statute, regulation or agreement as from time to time amended;
(g) a reference to a person includes a reference to a person's executors, administrators or successors;
(h) if a time period is specified by reference to a given date or the day of an act or event, it is to be calculated exclusive of that day;
(i) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
(j) a reference to any time is a reference to that time in Melbourne, Australia;
(k) a reference to a document is a reference to that document as varied, novated, ratified or replaced from time to time;
(l) the interpretation of a substantive provision is not affected by any heading; and
(m) a reference to 'includes' in any form is not a word of limitation.

1.3 Business Day

Except where otherwise expressly provided, where the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing shall be done on the next Business Day.

2. Conditions

2.1 Conditions precedent

This Unit Scheme is subject to and conditional upon the satisfaction or waiver in accordance with clause 2.2 of each of the following conditions precedent:

(a) Toll Shareholders approve the First Capital Reduction by the requisite majority under section 256C of the Corporations Act and Article 10.2 of the Toll Constitution;

(b) Toll Shareholders approve this Unit Scheme by the requisite majority under section 411(4) of the Corporations Act;

(c) no temporary restraining order, preliminary or permanent injunction or other order is issued by any court of competent jurisdiction and no other legal restraint or prohibition preventing the Restructure is in effect as at 9.00 am on the Second Court Date;

(d) no Material Adverse Change has occurred and subsists in relation to either Toll, Asciano or the Asciano Finance Trust as at 9.00 am on the Second Court Date;

(e) the financing arrangements required for Toll, Asciano and Asciano Finance to implement the Restructure (as described in section 11.3 of the Scheme Book) have been entered into and have not been withdrawn as at 9.00 am on the Second Court Date and the Financial Assistance Resolution is approved by the requisite majority under section 260B of the Corporations Act;

(f) the Restructure Deed not having been terminated prior to 9.00 am on the Second Court Date;

(g) the Implementation Deed not having been terminated prior to 9.00 am on the Second Court Date;

(h) the Court approves this Unit Scheme in accordance with section 411(4)(b) of the Corporations Act and an office copy of the order of the Court is lodged with ASIC;

(i) the Court approves the Share Scheme in accordance with section 411(4)(b) of the Corporations Act and an office copy of the order of the Court is lodged with ASIC; and

(j) ASX:

   (i) approves the admission of Asciano and the Asciano Finance Trust to the official list of ASX; and

   (ii) grants permission for official quotation of the Stapled Securities on the securities exchange conducted by ASX,

   subject only to this Unit Scheme becoming Effective and such other conditions as may be acceptable to Toll.

2.2 Waiver of certain conditions precedent

The conditions precedent in clause 2.1 are for the benefit of Toll and Toll may at any time in its sole discretion waive any one or more of such conditions, except that clauses 2.1(a), (b), (h), (i) and (j) cannot be waived.

2.3 Certificate in relation to conditions

Toll must provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming whether or not all the conditions precedent to this Unit Scheme have been satisfied or waived.

3. First Capital Reduction and First Special Dividend

On the Implementation Date:

(a) Toll will implement the First Capital Reduction;

(b) Toll will pay the First Special Dividend; and

(c) Toll will procure that PIML satisfies Toll's obligation to apply the First Capital Reduction Entitlement and the First Special Dividend Entitlement of each Unit Scheme Participant in accordance with clause 4.3.

4. Unit Scheme

4.1 Effective Date

Subject to clause 4.2, this Unit Scheme will take effect on and from the Effective Date.

4.2 End date

This Unit Scheme will lapse and be of no further force or effect if the Effective Date has not occurred on or before 18 August 2007 or such later date as the Court approves with the consent of Toll.

4.3 Implementation of this Unit Scheme

On the Implementation Date, without the need for any further act by a Unit Scheme Participant, Toll will procure that PIML satisfies Toll's obligation to apply the First Capital Reduction Entitlement and the First Special Dividend Entitlement on behalf of each Unit Scheme Participant by PIML providing the Unit Scheme Entitlements:

(a) in the case of a Unit Scheme Participant who is an Ineligible Overseas Shareholder, to the Sale Agent on behalf of that Unit Scheme Participant;

(b) in the case of a Unit Scheme Participant who is a Selling Shareholder, to the Sale Agent on behalf of that Selling Shareholder; or

(c) in all other cases, to the Unit Scheme Participant,

in accordance with clause 4.4.

4.4 Provision of Unit Scheme Entitlements

The obligations of Toll under clause 4.3 to procure PIML to provide the Unit Scheme Entitlements to Unit Scheme Participants or the Sale Agent (as the case may be) will be discharged by Toll procuring PIML:

(a) to issue to the Unit Scheme Participant or the Sale Agent (as the case may be) the number of Asciano Units to be issued to that Unit Scheme Participant as the Unit Scheme Entitlements in accordance with this Unit Scheme;

(b) to procure the entry in the Asciano Finance Trust Unit Register:

  (i) of the name of each Unit Scheme Participant, other than a Selling Shareholder (in respect of those Stapled Securities sold or to be sold under the Sale Facility) or an Ineligible Overseas Shareholder, in respect of the Asciano Units issued to the relevant Unit Scheme Participant; or

  (ii) of the name of the Sale Agent in respect of those Asciano Units that would otherwise be issued to each Unit Scheme Participant who is either a Selling Shareholder (in respect of those Stapled Securities sold or to be sold under the Sale Facility) or an Ineligible Overseas Shareholder; and

(c) as soon as practicable after the Implementation Date and in accordance with the Listing Rules, to send or procure the dispatch to each Unit Scheme Participant, other than a Selling Shareholder (in respect of those Stapled Securities sold or to be sold under the Sale Facility) or an Ineligible Overseas Shareholder, or the Sale Agent (as the case may be) by pre-paid post to its Registered Address of uncertificated holding statements for the Asciano Units issued to the Unit Scheme Participant or the Sale Agent (as the case may be) in accordance with this Unit Scheme.

4.5 Registration of holdings of Asciano Units

Toll must procure that PIML registers each Unit Scheme Participant, other than a Selling Shareholder (in respect of those Stapled Securities sold or to be sold under the Sale Facility) or an Ineligible Overseas Shareholder, as the holder of the Asciano Units to which they are entitled under the terms of this Unit Scheme by 7.00 pm on the Implementation Date or as soon as possible thereafter.

4.6 Provision of Unit Scheme Participant information to PIML

Immediately after the close of registers on the Record Date, Toll will give PIML the names and addresses shown in the Toll Share Register of all Unit Scheme Participants and the number of Unit Scheme Shares held by them at such date and such other information as is set out in the Toll Share Register that PIML may require to comply with its obligations under the Schemes.

5. Sale of Stapled Securities

5.1 Ineligible Overseas Shareholders

Clause 5.1 of the Share Scheme applies in relation to the Stapled Securities constituting the Stapled Security Entitlement of each Ineligible Overseas Shareholder.

5.2 Selling Shareholders

Clauses 5.2(a) to (d) (inclusive) of the Share Scheme applies in relation to Selling Shareholders under this Unit Scheme.

5.3 Brokerage, duties and other charges

Toll and/or the Sale Agent will pay any brokerage, duties or other charges associated with the Sale Facility.

6. Dealings in Toll Shares

6.1 Entitlement to participate

Each Unit Scheme Participant on the Record Date will be entitled to participate in this Unit Scheme in respect of his/her Unit Scheme Shares.

6.2 Toll Share Register

Subject to the Corporations Act, the Listing Rules and the ASTC Settlement Rules, the establishment of who are Unit Scheme Participants, the First Capital Reduction Entitlements and the First Special Dividend Entitlements will be determined solely on the basis of the Toll Share Register.

6.3 Dealings in Toll Shares by Unit Scheme Participants

For the purposes of establishing who are Unit Scheme Participants and their respective Unit Scheme Entitlements, First Capital Reduction Entitlements and First Special Dividend Entitlements, subject to the Corporations Act, the Listing Rules and the ASTC Settlement Rules, dealings in Toll Shares will be recognised by Toll provided that:

(a) in the case of dealings of the type to be effected on CHESS, the transferee is registered as the holder of the relevant Unit Scheme Shares on or before the Record Date; and

(b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the Toll Share Registry on or before the Record Date.

6.4 Toll's obligation to register

Toll must register any registrable transfers or transmission applications received in accordance with clause 6.3 by, or as soon as practicable after, the Record Date, subject to the Corporations Act, the Listing Rules and the ASTC Settlement Rules.

6.5 Transfer requests received after Record Date

Toll will not accept for registration or recognise for the purpose of establishing the Unit Scheme Participants, Unit Scheme Entitlements, First Capital Reduction Entitlements, or First Special Dividend Entitlements any transmission application or transfer in respect of Toll Shares received after the Record Date.

7. Miscellaneous provisions

7.1 Agreement to become a member of Asciano Finance Trust

Under this Unit Scheme, each Unit Scheme Participant, other than a Selling Shareholder (in respect of those Stapled Securities sold or to be sold under the Sale Facility) or an Ineligible Overseas Shareholder, and the Sale Agent:

(a) agrees to become a member of Asciano Finance Trust and to have his/her name entered in the Asciano Finance Trust Unit Register and accepts the Asciano Units issued under this Unit Scheme on the terms and conditions of the constitution of Asciano Finance Trust; and

(b) agrees and acknowledges that the provision of the Unit Scheme Entitlements constitutes the satisfaction of all of his/her entitlements in and to the First Capital Reduction Entitlement and the First Special Dividend Entitlement,

without the need for any further act by the Unit Scheme Participant.

7.2 Ineligible Overseas Shareholders Acknowledgment

Under this Unit Scheme, each Ineligible Overseas Shareholder agrees and acknowledges that the sale of that person's Stapled Security Entitlement under the Sale Facility or this Scheme by operation of clause 5.1(c) of the Share Scheme constitutes the satisfaction of all of that person's entitlements in and to that person's Stapled Security Entitlement.

7.3 Selling Shareholder Acknowledgment

Under this Unit Scheme, each Selling Shareholder agrees and acknowledges that the sale of its Stapled Security Entitlement under the Sale Facility or the transfer of the Stapled Securities to it in accordance with clause 5.2(d) of the Share Scheme constitutes the satisfaction of all of its entitlements in and to its Stapled Security Entitlement.

7.4 Appointment of agent and attorney

Each Unit Scheme Participant, without the need for any further act, irrevocably appoints Toll as its agent and attorney for the purpose of:

(a) executing any document or doing any other act necessary to give effect to the terms of this Unit Scheme including, without limitation, giving consent on behalf of the Unit Scheme Participant under clauses 7.1, 7.2, 7.3 and/or 7.7 and/or instructions under clause 7.6; and

(b) enforcing the PIML Deed Poll against PIML,

and Toll accepts such appointment and, as agent of each Unit Scheme Participant, may sub-delegate its functions under this clause 7.4 to all or any of its directors and secretaries (jointly and severally).

7.5 Enforcement of the PIML Deed Poll

Toll undertakes in favour of each Unit Scheme Participant that it will enforce the PIML Deed Poll against PIML on behalf of and as agent and attorney for Unit Scheme Participants.

7.6 Instructions to Toll

Except for a Unit Scheme Participant's tax file number and any elections which they have made in relation to participation in the dividend reinvestment plan of Toll, all binding instructions or notifications between a Unit Scheme Participant and Toll relating to Unit Scheme Shares or a Unit Scheme Participant's status as a Toll Shareholder (including, without limitation, any instructions relating to communications from Toll, whether dividends are to be paid by cheque or into a specified bank account, and direct credit instructions and bank account details) will, to the extent permitted by law, from the Record Date be deemed, by reason of this Unit Scheme, to be similarly binding instructions or notifications to, and accepted by, PIML in respect of Asciano Units issued to Unit Scheme Participants unless and until those instructions or notifications are, in each case, revoked or amended by notice in writing addressed to PIML (at its registered address from time to time) or its share registry.

7.7 Unit Scheme Participants' consent

Each Unit Scheme Participant consents to Toll and PIML doing all things necessary, incidental or expedient to the implementation and performance of this Unit Scheme and acknowledges that this Unit Scheme binds Toll and all of the Toll Shareholders from time to time (including those who do not attend the meeting of Toll Shareholders to approve this Unit Scheme, do not vote at that meeting or vote against the resolution to agree to this Unit Scheme).

7.8 Amendments to this Unit Scheme

If the Court proposes to approve this Unit Scheme subject to any alterations or conditions, Toll may, by its counsel, and with the consent of PIML, consent to those alterations or conditions on behalf of all persons concerned, including a Unit Scheme Participant.

8. General

8.1 Joint Holders

In the case of Unit Scheme Shares held in joint names:

(a) any cheque required to be paid to Unit Scheme Participants by Toll must be payable to the joint holders and be forwarded to the holder whose name appears first in the Toll Share Register on the Record Date; and
(b) holding statements for Asciano Units issued to Unit Scheme Participants must be issued in the names of the joint holders and sent to the holder whose name appears first in the Toll Share Register on the Record Date.

8.2 Notices

Any notice, transfer, transmission, application or other communication under or in connection with this Scheme:

(a) must be in writing and in English;
(b) must be addressed as follows:

Name: Toll Holdings Limited
Address: Level 8/380 St Kilda Road Melbourne Victoria 3004 Australia
Fax: +61 3 9694 2880
For the attention of: Company Secretary

(c) must be signed by the party making it or (on that party's behalf) by the solicitor for, or any attorney, director, secretary or authorised agent of, that party;
(d) must be delivered by hand or posted by prepaid post to the address, or sent by fax to the number, of the addressee, in accordance with clause 8.2(b); and
(e) will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at Toll's registered office as the case may be.

8.3 Inconsistencies

To the extent of any inconsistency between this Unit Scheme and the Toll Constitution, this Unit Scheme overrides the Toll Constitution and binds Toll and all Toll Shareholders.

8.4 Further assurance

Toll will execute all deeds and other documents and do all acts and things as may be necessary for the implementation and performance of this Unit Scheme and will, on behalf of Unit Scheme Participants, procure PIML to execute all documents and do all acts and things necessary for the implementation and performance of the steps attributed to PIML under this Unit Scheme.

8.5 No liability when acting in good faith

None of Toll, Asciano, PIML or any officer of any of those companies is liable for anything done or omitted to be done in the performance of this Unit Scheme in good faith.

8.6 Costs

Except as otherwise expressly stated in this Unit Scheme, Toll will, or will procure that PIML (in its capacity as responsible entity of the Asciano Finance Trust) will, pay any costs, any stamp duty and any related fines or penalties, which are payable on or in respect of this Unit Scheme or on any document referred to in this Unit Scheme, including all costs and brokerage payable in connection with the issue or transfer of Asciano Units or Stapled Securities in accordance with this Scheme.

8.7 Governing law

This Unit Scheme is governed by the laws of the State of Victoria, Australia.

13. Schemes of Arrangement

Part B – Share Scheme

Scheme of Arrangement made under section 411 of the Corporations Act 2001 (Cth)

Parties

- **Toll Holdings Limited ABN 25 006 592 089 of Level 8/380 St Kilda Road Melbourne Victoria 3004 Australia ('Toll')**
- **The holders of fully paid ordinary shares in the capital of Toll**

Recitals

A. Toll is a public company incorporated in the State of Victoria. It is admitted to the official list of ASX and Toll Shares are quoted on the stock market conducted by ASX.

B. Asciano is a public company incorporated in the State of Victoria. It is, and until the Implementation Date will be, a wholly-owned subsidiary of Toll.

C. PIML is a public company incorporated in the State of New South Wales. It is the responsible entity of the Asciano Finance Trust.

D. Toll, Asciano and various subsidiaries of those companies have entered into the Restructure Deed pursuant to which, amongst other things, Toll will transfer to Asciano certain infrastructure assets and companies.

E. Toll and Asciano have entered into the Implementation Deed pursuant to which, amongst other things:

(a) Toll has agreed to propose the First Capital Reduction and propound the Unit Scheme to Toll Shareholders;

(b) Toll has agreed to pay the First Special Dividend;

(c) Toll has agreed to propose the Second Capital Reduction and propound this Share Scheme to Toll Shareholders;

(d) Toll has agreed to pay the Second Special Dividend; and

(e) each of the parties has agreed to take all steps required to be taken by it to give effect to the First Capital Reduction, the Second Capital Reduction and the Schemes (being the Unit Scheme and this Share Scheme).

F. If the Schemes become Effective, then:

(a) Toll will implement the First Capital Reduction and, in accordance with the Unit Scheme, Toll will apply the First Capital Reduction Amount and will satisfy the First Special Dividend by procuring that PIML provides the Unit Scheme Entitlement to each Unit Scheme Participant (or the Sale Agent on behalf of that Unit Scheme Participant) in accordance with the Unit Scheme; and

(b) Toll will implement the Second Capital Reduction and, in accordance with this Share Scheme, Toll will apply the Second Capital Reduction Entitlement and will satisfy the Second Special Dividend by procuring that Asciano provides the Share Scheme Entitlement to each Share Scheme Participant (or the Sale Agent on behalf of that Share Scheme Participant) in accordance with the Share Scheme.

G. Asciano has entered into the Asciano Deed Poll for the purpose of covenanting in favour of the Share Scheme Participants to perform its obligations under this Share Scheme and the Implementation Deed.

H. At and from the Implementation Date, Asciano will operate Toll's infrastructure business, details of which are contained in the Scheme Book.

1. Definitions and interpretation

1.1 Definitions

In this document, unless the contrary intention appears or the context requires otherwise:

'Asciano' means Asciano Limited ABN 26 123 652 862.

'Asciano Deed Poll' means the deed poll dated 13 April 2007 executed by Asciano in favour of Share Scheme Participants (subject to any amendments permitted by its terms).

'Asciano Share Register' means the register of members of Asciano maintained under section 169 of the Corporations Act.

'Asciano Share' means a fully paid ordinary share in the capital of Asciano.

'Asciano Finance' means Asciano Finance Limited ABN 90 123 180 450.

'Asciano Finance Trust' means Asciano Finance Trust ARSN 124 102 807.

'Asciano Unit' means an ordinary unit in the Asciano Finance Trust.

'ASIC' means the Australian Securities and Investments Commission.

'ASTC' means ASX Settlement and Transfer Corporation Pty Limited ACN 008 504 532 as the holder of a licence to operate a clearing and settlement facility.

'ASTC Settlement Rules' means the rules of ASTC from time to time, except to the extent of any relief given by ASTC.

'ASX' means ASX Limited ABN 98 008 624 691.

'Business Day' means a business day as defined in the Listing Rules.

'CHESS' means the clearing house electronic sub-register system of share transfers operated by ASX Settlement and Transfer Corporation Pty Limited ABN 49 008 504 532.

'Corporations Act' means the Corporations Act 2001 (Cth) and the regulations made under that Act.

'Court' means the Supreme Court of Victoria.

'Effective' means the coming into effect pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Share Scheme.

'Effective Date' means the date on which the office copy of the Court order approving this Share Scheme under section 411(4)(b) of the Corporations Act is lodged with ASIC pursuant to section 411(10) of the Corporations Act or, if another date is specified in the Court order for the coming into effect of this Share Scheme, that other date.

'Financial Assistance Resolution' means resolution 3 in the Notice of General Meeting in Section 18 of the Scheme Book.

'First Capital Reduction' has the meaning given in the Unit Scheme.

'First Capital Reduction Amount' has the meaning given in the Unit Scheme.

'First Capital Reduction Entitlement' has the meaning given in the Unit Scheme.

'First Special Dividend' has the meaning given in the Unit Scheme.

'First Special Dividend Entitlement' has the meaning given in the Unit Scheme.

'Implementation Date' means 15 June 2007 or such other date as determined by the Toll Board with the approval of the Court.

'Implementation Deed' means the deed dated 13 April 2007 between Toll and Asciano to carry into effect the Restructure.

'Ineligible Overseas Shareholder' means each Share Scheme Participant whose Registered Address is in any jurisdiction other than Australia and its external territories, Singapore or New Zealand.

'Listing Date' means the date on which trading in the Stapled Securities (on a deferred settlement basis or otherwise) first commences on ASX.

'Listing Rules' means the listing rules of ASX from time to time as modified by any express written waiver or exemption given by ASX.

'Material Adverse Change' means:

(a) in relation to Toll, any matter, event or circumstance that is, or is reasonably likely to be, materially adverse to:
   (i) the business, operations or financial condition of Toll and its subsidiaries taken as a whole (but excluding Asciano and any company that is or will be on completion of the Restructure, a subsidiary of Asciano); or
   (ii) the ability of Toll to perform its obligations under this Share Scheme or the Implementation Deed;

(b) in relation to Asciano, any matter, event or circumstances that is, or is reasonably likely to be, materially adverse to:
   (i) the business, operations or financial condition of Asciano and any company that is or will be on completion of the Restructure, a subsidiary of Asciano, taken as a whole; or
   (ii) the ability of Asciano to perform its obligations under this Share Scheme, the Implementation Deed or the Asciano Deed Poll.

13. Schemes of Arrangement

'Non-Eligible Shareholder' means a Toll Shareholder (other than an Ineligible Overseas Shareholder) whose Registered Address is in any jurisdiction in which Toll reasonably believes that it is prohibited from offering, or that it is unduly onerous or impractical to implement, the Sale Facility.

'PIML' means Permanent Investment Management Limited ABN 45 003 278 831.

'PIML Deed Poll' has the meaning given in the Unit Scheme.

'Record Date' means 7.00 pm on the fifth Business Day after the Effective Date or any later time required by the ASTC Settlement Rules.

'Registered Address' means, in relation to a Toll Shareholder, the address of that Toll Shareholder shown in the Toll Share Register as at the Record Date.

'Restructure' means the separation of Toll's infrastructure business from Toll's logistics assets to be implemented through the First Capital Reduction, Second Capital Reduction, First Special Dividend, Second Special Dividend and the Schemes in the manner more fully described in the Scheme Book.

'Restructure Deed' means the deed to be entered into between Toll, Asciano and various subsidiaries of those companies to effect certain steps in relation to the Restructure.

'Restructure Proposal' means the proposal by Toll to effect the Restructure.

'Sale Agent' means UBS AG, Australia Branch, or such other person nominated by Toll to sell or facilitate the transfer of the Stapled Security Entitlements of Selling Shareholders and Ineligible Overseas Shareholders under the terms of the Sale Facility and this Share Scheme, and to hold those Stapled Securities as agent of those Selling Shareholders and Ineligible Overseas Shareholders.

'Sale Facility' means the facility to be established and implemented by Toll under which Stapled Securities and Toll Shares may be sold by Toll Shareholders (other than Non-Eligible Shareholders), the terms of which are more fully described and contained in section 6.4 of the Scheme Book.

'Scheme Book' means the scheme book which includes the explanatory statement required by section 412 of the Corporations Act relating to the Schemes, and where the case requires includes the notices of meetings in relation to the resolutions to approve the First Capital Reduction and the Second Capital Reduction, the resolutions to approve the Schemes and other information relating to any or all of the above matters.

'Schemes' means the Unit Scheme and this Share Scheme.

'Second Capital Reduction' means a reduction of the share capital of Toll by the amount of $2,409,772,500 applied equally against each Toll Share on issue as at the Record Date in accordance with resolution 2 set out in the notice of general meeting contained in section 18 of the Scheme Book.

'Second Capital Reduction Amount' means the amount produced by dividing $2,409,772,500 by the number of Toll Shares on issue as at the Record Date.

'Second Capital Reduction Entitlement' means, in relation to a Share Scheme Participant, the number produced by multiplying the Second Capital Reduction Amount by the number of Share Scheme Shares held by that Share Scheme Participant as at the Record Date.

'Second Court Date' means the date on which the application made to the Court for an order for the purposes of section 411(4)(b) of the Corporations Act approving this Share Scheme is heard (or if adjourned to a later date, that later date).

'Second Special Dividend' means the special unfranked dividend in an amount, per Toll Share on issue as at the Record Date, to be calculated by dividing $899,648,400 by the number of Toll Shares on issue as at the Record Date.

'Second Special Dividend Entitlement' means, in relation to a Share Scheme Participant, the number produced by multiplying the Second Special Dividend by the number of Share Scheme Shares held by that Share Scheme Participant as at the Record Date.

'Selling Shareholder' means a Share Scheme Participant (other than a Non-Eligible Shareholder and an Ineligible Overseas Shareholder) who elects to offer to sell under the Sale Facility some or all of that person's Stapled Security Entitlement.

'Share Scheme' means the scheme of arrangement between Toll and Toll Shareholders as set out in this document, subject to any modifications, alterations or conditions made, approved or required by the Court pursuant to section 411(6) of the Corporations Act.

'Share Scheme Entitlement' means one Asciano Share for each Share Scheme Share held by a Share Scheme Participant as at the Record Date (in discharge of that Share Scheme Participant's Second Capital Reduction Entitlement and Second Special Dividend Entitlement).

'Share Scheme Participant' means a person entered on the Toll Share Register at the Record Date as the holder of a Share Scheme Share after registration of all transfer and transmission applications as provided for in clause 6.3.

'Share Scheme Share' means a Toll Share on issue at the Record Date which carries an Entitlement (within the meaning of the ASTC Settlement Rules) to the Second Special Dividend and to the Second Capital Reduction Amount, both of which are to be applied in accordance with this Share Scheme.

'Stapled Security' means an Asciano Share and an Asciano Unit which are linked together so that one may not be transferred or otherwise dealt with without the other and which are quoted on ASX jointly as a 'Stapled Security' (or such other designation as ASX permits).

'Stapled Security Entitlement' means one Stapled Security for each Share Scheme Share held by a Share Scheme Participant as at the Record Date comprising:

(a) one Asciano Share for each Share Scheme Share held by the Share Scheme Participant as at the Record Date (in discharge of that Share Scheme Participant's Second Capital Reduction Entitlement and Second Special Dividend Entitlement); and
(b) one Asciano Unit for each Unit Scheme Share held by that Share Scheme Participant (in that person's capacity as a Unit Scheme Participant) as at the Record Date (in discharge of that person's First Capital Reduction Entitlement and First Special Dividend Entitlement).

'Toll Board' means the board of directors of Toll from time to time.

'Toll Constitution' means the constitution of Toll, as approved by Toll Shareholders on 28 October 2004.

'Toll Share' means a fully paid ordinary share in the capital of Toll.

'Toll Shareholder' means a person who is entered in the Toll Share Register as the holder of Toll Shares.

'Toll Share Register' means the register of Toll Shareholders maintained under section 169 of the Corporations Act.

'Toll Share Registry' means Computershare Investor Services Pty Limited ABN 48 078 279 277.

'Unit Scheme' means the scheme of arrangement under Part 5.1 of the Corporations Act between Toll and Toll Shareholders in relation to the issue of Asciano Units as set out in section 13 of the Scheme Book.

'Unit Scheme Entitlement' has the meaning given in the Unit Scheme.

'Unit Scheme Participant' has the meaning given in the Unit Scheme.

'Unit Scheme Share' has the meaning given in the Unit Scheme.

1.2 Interpretation

In this document, unless the contrary intention appears or the context requires otherwise:

(a) words and phrases (other than those defined in clause 1.1) have the same meaning (if any) given to them in the Corporations Act;
(b) the singular includes the plural and vice versa;
(c) each gender includes the other gender;
(d) references to persons includes references to individuals, corporations, other bodies corporate or bodies politic;
(e) a reference to a paragraph or clause is to a paragraph or clause of this document;
(f) a reference to a statute, regulation or agreement is to such a statute, regulation or agreement as from time to time amended;
(g) a reference to a person includes a reference to a person's executors, administrators or successors;
(h) if a time period is specified by reference to a given date or the day of an act or event, it is to be calculated exclusive of that day;
(i) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;

(j) a reference to any time is a reference to that time in Melbourne, Australia;
(k) a reference to a document is a reference to that document as varied, novated, ratified or replaced from time to time;
(l) the interpretation of a substantive provision is not affected by any heading; and
(m) a reference to 'includes' in any form is not a word of limitation.

1.3 Business Day

Except where otherwise expressly provided, where the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing shall be done on the next Business Day.

2. Conditions

2.1 Conditions precedent

This Share Scheme is subject to and conditional upon the satisfaction or waiver in accordance with clause 2.2 of each of the following conditions precedent:

(a) Toll Shareholders approve the Second Capital Reduction by the requisite majority under section 256C of the Corporations Act and Article 10.2 of the Toll Constitution;
(b) Toll Shareholders approve this Share Scheme by the requisite majority under section 411(4) of the Corporations Act;
(c) no temporary restraining order, preliminary or permanent injunction or other order is issued by any court of competent jurisdiction and no other legal restraint or prohibition preventing the Restructure is in effect as at 9.00 am on the Second Court Date;
(d) no Material Adverse Change has occurred and subsists in relation to either Toll, Asciano or the Asciano Finance Trust as at 9.00 am on the Second Court Date;
(e) the financing arrangements required for Toll, Asciano and Asciano Finance to implement the Restructure (as described in section 11.3 of the Scheme Book) have been entered into and have not been withdrawn as at 9.00 am on the Second Court Date and the Financial Assistance Resolution is approved by the requisite majority under section 260B of the Corporations Act;
(f) the Restructure Deed not having been terminated prior to 9.00 am on the Second Court Date;
(g) the Implementation Deed not having been terminated prior to 9.00 am on the Second Court Date;
(h) the Court approves this Share Scheme in accordance with section 411(4)(b) of the Corporations Act and an office copy of the order of the Court is lodged with ASIC;
(i) the Court approves the Unit Scheme in accordance with section 411(4)(b) of the Corporations Act and an office copy of the order of the Court is lodged with ASIC; and
(j) ASX:
    (i) approves the admission of Asciano and the Asciano Finance Trust to the official list of ASX; and
    (ii) grants permission for official quotation of the Stapled Securities on the securities exchange conducted by ASX,

subject only to this Share Scheme becoming Effective and such other conditions as may be acceptable to Toll.

2.2 Waiver of certain conditions precedent

The conditions precedent in clause 2.1 are for the benefit of Toll and Toll may at any time in its sole discretion waive any one or more of such conditions, except that clauses 2.1(a), (b), (h), (i) and (j) cannot be waived.

2.3 Certificate in relation to conditions

Toll must provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming whether or not all the conditions precedent to this Share Scheme have been satisfied or waived.

3. Second Capital Reduction and Second Special Dividend

On the Implementation Date:

(a) Toll will implement the Second Capital Reduction;
(b) Toll will pay the Second Special Dividend; and
(c) Toll will procure that Asciano satisfies Toll's obligation to apply the Second Capital Reduction Entitlement and the Second Special Dividend Entitlement of each Share Scheme Participant in accordance with clause 4.3.

4. Share Scheme

4.1 Effective Date

Subject to clause 4.2, this Share Scheme will take effect on and from the Effective Date.

4.2 End date

This Share Scheme will lapse and be of no further force or effect if the Effective Date has not occurred on or before 18 August 2007 or such later date as the Court approves with the consent of Toll.

4.3 Implementation of this Share Scheme

On the Implementation Date, without the need for any further act by a Share Scheme Participant, Toll will procure that Asciano satisfies Toll's obligation to apply the Second Capital Reduction Entitlement and the Second Special Dividend Entitlement on behalf of each Share Scheme Participant by Asciano providing the Share Scheme Entitlements:

(a) in the case of a Share Scheme Participant who is an Ineligible Overseas Shareholder, to the Sale Agent on behalf of that Share Scheme Participant;

(b) in the case of a Share Scheme Participant who is a Selling Shareholder, to the Sale Agent on behalf of that Selling Shareholder; or

(c) in all other cases, to the Share Scheme Participant,

in accordance with clause 4.4.

4.4 Provision of Share Scheme Entitlements

The obligations of Toll under clause 4.3 to procure Asciano to provide the Share Scheme Entitlements to Share Scheme Participants or the Sale Agent (as the case may be) will be discharged by Toll procuring Asciano:

(a) to issue to the Share Scheme Participant or the Sale Agent (as the case may be) the number of Asciano Shares to be issued to that Share Scheme Participant as the Share Scheme Entitlements in accordance with this Share Scheme;

(b) to procure the entry in the Asciano Share Register:

   (i) of the name of each Share Scheme Participant, other than a Selling Shareholder (in respect of those Stapled Securities sold or to be sold under the Sale Facility) or an Ineligible Overseas Shareholder, in respect of the Asciano Shares issued to the relevant Share Scheme Participant; or

   (ii) of the name of the Sale Agent in respect of those Asciano Shares that would otherwise be issued to each Share Scheme Participant who is either a Selling Shareholder (in respect of those Stapled Securities sold or to be sold under the Sale Facility) or an Ineligible Overseas Shareholder; and

(c) as soon as practicable after the Implementation Date and in accordance with the Listing Rules, to send or procure the dispatch to each Share Scheme Participant, other than a Selling Shareholder (in respect of those Stapled Securities sold or to be sold under the Sale Facility) or an Ineligible Overseas Shareholder, or the Sale Agent (as the case may be) by pre-paid post to its Registered Address of uncertificated holding statements for the Asciano Shares issued to the Share Scheme Participant or the Sale Agent (as the case may be) in accordance with this Share Scheme.

4.5 Registration of holdings of Asciano Shares

Toll must procure that Asciano registers each Share Scheme Participant, other than a Selling Shareholder (in respect of those Stapled Securities sold or to be sold under the Sale Facility) or an Ineligible Overseas Shareholder, as the holder of the Asciano Shares to which they are entitled under the terms of this Share Scheme by 7.00 pm on the Implementation Date or as soon as possible thereafter.

4.6 Provision of Share Scheme Participant information to Asciano

Immediately after the close of registers on the Record Date, Toll will give Asciano the names and addresses shown in the Toll Share Register of all Share Scheme Participants and the number of Share Scheme Shares held by them at such date and such other information as is set out in the Toll Share Register that Asciano may require to comply with its obligations under the Implementation Deed and the Schemes.

5. Sale of Stapled Securities

5.1 Ineligible Overseas Shareholders

(a) Where the Sale Facility is implemented, Toll will procure that the Sale Agent (subject to clauses 5.1(b) and 5.1(c)) sells under the Sale Facility, for the benefit of each Ineligible Overseas Shareholder, the Stapled Securities constituting the Stapled Security Entitlement of that Ineligible Overseas Shareholder, and remits the proceeds of sale in accordance with the terms of the Sale Facility.

(b) Each Ineligible Overseas Shareholder acknowledges that none or only some of the Stapled Securities referred to in clause 5.1(a) may ultimately be sold under the Sale Facility.

(c) Where the Sale Facility is not implemented, or the Sale Facility is terminated by Toll, or none or only some of the Stapled Securities referred to in clause 5.1(a) are sold under the Sale Facility, then as soon as reasonably practicable (and in any event not more than 15 Business Days after the later of the Listing Date and the Implementation Date), Toll will procure that the Sale Agent:

(i) sells on ASX, for the benefit of the Ineligible Overseas Shareholder at such a price and on such other terms as the Sale Agent determines in good faith (and at the risk of the Ineligible Overseas Shareholder), that portion of the Stapled Securities referred to in clause 5.1(a) which has not been sold under the Sale Facility;

(ii) accounts or procures that the Toll Share Registry accounts to each Ineligible Overseas Shareholder for the proceeds of sale of those Stapled Securities (on an averaged basis so that all Ineligible Overseas Shareholders receive the same price for each Stapled Security, subject to rounding to the nearest whole cent and any exchange rate fluctuations) and any income attributable to those Stapled Securities at the Ineligible Overseas Shareholder's risk, in full satisfaction of the Ineligible Overseas Shareholder's rights under the Asciano Deed Poll, the PIML Deed Poll, this Share Scheme and the Unit Scheme; and

(iii) remits or procures that the Toll Share Registry remits the proceeds of sale under clause 5.1(c)(ii) to the Ineligible Overseas Shareholder, such proceeds to be sent at the risk of the Ineligible Overseas Shareholder by pre-paid airmail to the Ineligible Overseas Shareholder's Registered Address by cheque either in:

A. Australian currency drawn on an Australian bank; or

B. if Toll so decides, the currency of the country of the jurisdiction in which the Ineligible Overseas Shareholder's Registered Address is situated, being converted at the prevailing exchange rate between that currency and Australian currency at a date not more than 15 Business Days after the sale of the last Ineligible Overseas Shareholder's entitlements.

5.2 Selling Shareholders

(a) Where the Sale Facility is implemented, Toll will procure that the Sale Agent (subject to clauses 5.2(b) and 5.2(d)) sells under the Sale Facility for the benefit of each Selling Shareholder that portion of the Stapled Security Entitlement of that Selling Shareholder which that Selling Shareholder has elected to offer to sell (up to a maximum of 100,000 Stapled Securities) and remits the proceeds of sale in accordance with the terms of the Sale Facility.

(b) The Sale Agent will sell those Stapled Securities on ASX within 15 Business Days following the Implementation Date (or such longer period as the Sale Agent reasonably requires having regard to the demand for Stapled Securities) at such price as the Sale Agent shall determine.

(c) Each Selling Shareholder acknowledges that none or only some of the Stapled Securities referred to in clause 5.2(a) may ultimately be sold under the Sale Facility.

(d) Where the Sale Facility is not implemented, the Sale Facility is terminated by Toll, or none or only some of the Stapled Securities referred to in clause 5.2(a) are sold under the Sale Facility, all Share Scheme Participants (except Ineligible Overseas Shareholders) will receive the Stapled Securities (or the balance of their Stapled Securities not sold under the Sale Facility). Any such Stapled Securities will be transferred from the Sale Agent back to the Share Scheme Participants as soon as reasonably practicable; and

(e) Each Share Scheme Participant (other than a Non-Eligible Shareholder) may elect to offer to sell Toll Shares (up to a maximum of 100,000 Toll Shares) by way of the Sale Facility, in which case clauses 5.2(a) to 5.2(d) above will apply (with such modifications as are necessary) as if a reference to Stapled Securities were a reference to such Toll Shares.

5.3 Brokerage, duties and other charges

Toll and/or the Sale Agent will pay any brokerage, duties or other charges associated with the Sale Facility.

6. Dealings in Toll Shares

6.1 Entitlement to participate

Each Share Scheme Participant on the Record Date will be entitled to participate in this Share Scheme in respect of his/her Share Scheme Shares.

6.2 Toll Share Register

Subject to the Corporations Act, the Listing Rules and the ASTC Settlement Rules, the establishment of who are Share Scheme Participants, the Second Capital Reduction Entitlements and the Second Special Dividend Entitlements will be determined solely on the basis of the Toll Share Register.

6.3 Dealings in Toll Shares by Share Scheme Participants

For the purposes of establishing who are Share Scheme Participants and their respective Share Scheme Entitlements, Second Capital Reduction Entitlements and Second Special Dividend Entitlements, subject to the Corporations Act, the Listing Rules and the ASTC Settlement Rules, dealings in Toll Shares will be recognised by Toll provided that:

(a) in the case of dealings of the type to be effected on CHESS, the transferee is registered as the holder of the relevant Share Scheme Shares on or before the Record Date; and

(b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the Toll Share Registry on or before the Record Date.

6.4 Toll's obligation to register

Toll must register any registrable transfers or transmission applications received in accordance with clause 6.3 by, or as soon as practicable after, the Record Date, subject to the Corporations Act, the Listing Rules and the ASTC Settlement Rules.

6.5 Transfer requests received after Record Date

Toll will not accept for registration or recognise for the purpose of establishing the Share Scheme Participants, Share Scheme Entitlements, Second Capital Reduction Entitlements, or Second Special Dividend Entitlements any transmission application or transfer in respect of Toll Shares received after the Record Date.

7. Miscellaneous provisions

7.1 Agreement to become a member of Asciano

Under this Share Scheme, each Share Scheme Participant, other than a Selling Shareholder (in respect of those Stapled Securities sold or to be sold under the Sale Facility) or an Ineligible Overseas Shareholder, and the Sale Agent:

(a) agrees to become a member of Asciano and to have his/her name entered in the Asciano Share Register and accepts the Asciano Shares issued under this Share Scheme on the terms and conditions of the constitution of Asciano; and

(b) agrees and acknowledges that the provision of the Share Scheme Entitlements constitutes the satisfaction of all of his/her entitlements in and to the Second Capital Reduction Entitlement and the Second Special Dividend Entitlement,

without the need for any further act by the Share Scheme Participant.

7.2 Ineligible Overseas Shareholders Acknowledgment

Under this Share Scheme, each Ineligible Overseas Shareholder agrees and acknowledges that the sale of that person's Stapled Security Entitlement under the Sale Facility or this Scheme by operation of clause 5.1(c) constitutes the satisfaction of all of that person's entitlements in and to that person's Stapled Security Entitlement.

7.3 Selling Shareholder Acknowledgment

Under this Share Scheme, each Selling Shareholder agrees and acknowledges that the sale of its Stapled Security Entitlement under the Sale Facility or the transfer of the Stapled Securities to it in accordance with clause 5.2(d) constitutes the satisfaction of all of its entitlements in and to its Stapled Security Entitlement.

7.4 Appointment of agent and attorney

Each Share Scheme Participant, without the need for any further act, irrevocably appoints Toll as its agent and attorney for the purpose of:

(a) executing any document or doing any other act necessary to give effect to the terms of this Share Scheme including, without limitation, giving consent on behalf of the Share Scheme Participant under clauses 7.1, 7.2, 7.3 and/or 7.7 and/or instructions under clause 7.6; and

(b) enforcing the Asciano Deed Poll against Asciano,

and Toll accepts such appointment and, as agent of each Share Scheme Participant, may sub-delegate its functions under this clause 7.4 to all or any of its directors and secretaries (jointly and severally).

7.5 Enforcement of the Asciano Deed Poll

Toll undertakes in favour of each Share Scheme Participant that it will enforce the Asciano Deed Poll against Asciano on behalf of and as agent and attorney for Share Scheme Participants.

7.6 Instructions to Toll

Except for a Share Scheme Participant's tax file number and any elections which they have made in relation to participation in the dividend reinvestment plan of Toll, all binding instructions or notifications between a Share Scheme Participant and Toll relating to Share Scheme Shares or a Share Scheme Participant's status as a Toll Shareholder (including, without limitation, any instructions relating to communications from Toll, whether dividends are to be paid by cheque or into a specified bank account, and direct credit instructions and bank account details) will, to the extent permitted by law, from the Record Date be deemed, by reason of this Share Scheme, to be similarly binding instructions or notifications to, and accepted by, Asciano in respect of Asciano Shares issued to Share Scheme Participants unless and until those instructions or notifications are, in each case, revoked or amended by notice in writing addressed to Asciano (at its registered address from time to time) or its share registry.

7.7 Share Scheme Participants' consent

Each Share Scheme Participant consents to Toll and Asciano doing all things necessary, incidental or expedient to the implementation and performance of this Share Scheme and acknowledges that this Share Scheme binds Toll and all of the Toll Shareholders from time to time (including those who do not attend the meeting of Toll Shareholders to approve this Share Scheme, do not vote at that meeting or vote against the resolution to agree to this Share Scheme).

7.8 Amendments to this Share Scheme

If the Court proposes to approve this Share Scheme subject to any alterations or conditions, Toll may, by its counsel, and with the consent of Asciano, consent to those alterations or conditions on behalf of all persons concerned, including a Share Scheme Participant.

8. General

8.1 Joint Holders

In the case of Share Scheme Shares held in joint names:

(a) any cheque required to be paid to Share Scheme Participants by Toll must be payable to the joint holders and be forwarded to the holder whose name appears first in the Toll Share Register on the Record Date; and

(b) holding statements for Asciano Shares issued to Share Scheme Participants must be issued in the names of the joint holders and sent to the holder whose name appears first in the Toll Share Register on the Record Date.

8.2 Notices

Any notice, transfer, transmission, application or other communication under or in connection with this Scheme:

(a) must be in writing and in English;

(b) must be addressed as follows:

Name: Toll Holdings Limited
Address: Level 8/380 St Kilda Road Melbourne Victoria 3004 Australia
Fax: +61 3 9694 2880
For the attention of: Company Secretary

(c) must be signed by the party making it or (on that party's behalf) by the solicitor for, or any attorney, director, secretary or authorised agent of, that party;

(d) must be delivered by hand or posted by prepaid post to the address, or sent by fax to the number, of the addressee, in accordance with clause 8.2(b); and

(e) will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at Toll's registered office as the case may be.

8.3 Inconsistencies

To the extent of any inconsistency between this Share Scheme and the Toll Constitution, this Share Scheme overrides the Toll Constitution and binds Toll and all Toll Shareholders.

8.4 Further assurance

Toll will execute all deeds and other documents and do all acts and things as may be necessary for the implementation and performance of this Share Scheme and will, on behalf of Share Scheme Participants, procure Asciano to execute all documents and do all acts and things necessary for the implementation and performance of the steps attributed to Asciano under this Share Scheme.

8.5 No liability when acting in good faith

None of Toll, Asciano, Asciano Finance, PIML or any officer of any of those companies is liable for anything done or omitted to be done in the performance of this Share Scheme in good faith.

8.6 Costs

Except as otherwise expressly stated in this Share Scheme, Toll will, or will procure that Asciano will, pay any costs, any stamp duty and any related fines or penalties, which are payable on or in respect of this Share Scheme or on any document referred to in this Share Scheme, including all costs and brokerage payable in connection with the issue or transfer of Asciano Shares or Stapled Securities in accordance with this Scheme.

8.7 Governing law

This Share Scheme is governed by the laws of the State of Victoria, Australia.

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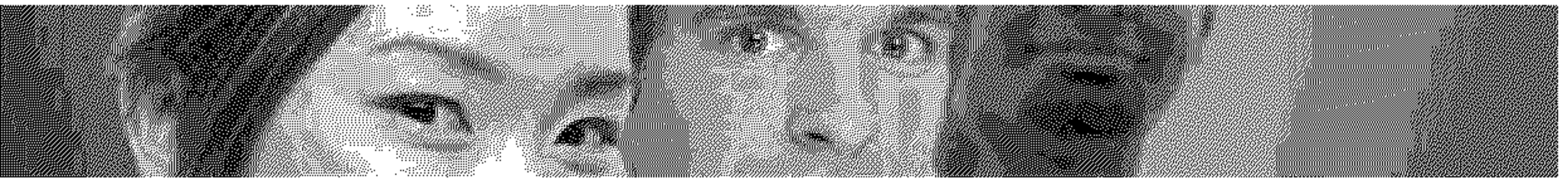
Deed Poll



PIML Deed Poll made on 13 April 2007

Parties

- **Permanent Investment Management Limited ABN 45 003 278 831 of Level 4, 35 Clarence Street, Sydney NSW 2000 ('PIML')**
- **The holders of fully paid ordinary shares in the capital of Toll Holdings Limited ABN 25 006 592 089 ('Toll') who are Unit Scheme Participants**

Recitals

A. The directors of Toll have proposed the Unit Scheme.

B. The effect of the Unit Scheme will be that Toll will implement the First Capital Reduction and Toll will apply the First Capital Reduction Amount and will satisfy the First Special Dividend by procuring that PIML provides the Unit Scheme Entitlement to each Unit Scheme Participant (or the Sale Agent on behalf of that Unit Scheme Participant) in accordance with the Unit Scheme.

C. PIML is entering into this PIML Deed Poll for the purpose of covenanting in favour of Unit Scheme Participants to perform the steps attributed to it under the Unit Scheme.

1. Definitions and interpretations

1.1 Definitions

In this PIML Deed Poll:

(a) **'Unit Scheme'** means the proposed scheme of arrangement between Toll and the holders of fully paid ordinary shares in Toll in relation to the issue of Asciano Units, subject to any alterations or conditions made or required by the Supreme Court of Victoria pursuant to section 411(6) of the *Corporations Act 2001* (Cth);

(b) **'Obligations'** means, for the purposes of clause 8, all obligations and liabilities of whatever kind undertaken or incurred by, or devolving upon, PIML under or in respect of this PIML Deed Poll;

(c) **'Assets'**, for the purposes of clause 8, has the same meaning as 'Trust Assets' under the constitution of Asciano Finance Trust; and

(d) other capitalised words and phrases have the same meaning given to them in the Unit Scheme.

1.2 Interpretation

In this document, unless the contrary intention appears or the context requires otherwise:

(a) words and phrases (other than those defined in clause 1.1) have the same meaning (if any) given to them in the Corporations Act;

(b) the singular includes the plural and vice versa;

(c) each gender includes the other gender;

(d) references to persons include references to individuals, corporations, other bodies corporate or bodies politic;

(e) a reference to a paragraph or clause is to a paragraph or clause of this document;

(f) a reference to a statute, regulation or agreement is to such a statute, regulation or agreement as from time to time amended;

(g) a reference to a person includes a reference to a person's executors, administrators, or successors;

(h) if a time period is specified by reference to a given date or the day of an act or event, it is to be calculated exclusive of that day;

(i) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;

(j) a reference to any time is a reference to that time in Melbourne, Australia;

(k) a reference to any document (including this PIML Deed Poll and the constitution of Asciano Finance Trust) is a reference to that document as varied, novated, ratified or replaced from time to time;

(l) the interpretation of a substantive provision is not affected by any heading; and

(m) a reference to 'includes' in any form is not a word of limitation.

1.3 Nature of this PIML Deed Poll

PIML acknowledges that:

(a) this PIML Deed Poll may be relied on and enforced by any Unit Scheme Participant in accordance with its terms even though the Unit Scheme Participants are not party to it;

(b) under the Unit Scheme, each Unit Scheme Participant appoints Toll as its agent and attorney to enforce this PIML Deed Poll against PIML; and

(c) Toll may enforce this PIML Deed Poll against PIML in its own name notwithstanding that Toll is not a party to this PIML Deed Poll.

2. Conditions

2.1 Conditions

PIML's obligations under this PIML Deed Poll are subject to the satisfaction or, where permitted, waiver of each condition in clause 2.1 of the Unit Scheme in accordance with their terms.

2.2 Termination

If the Effective Date for the Unit Scheme has not occurred on or before 18 August 2007 or such later date as the Court approves with the consent of Toll, PIML's obligations under this PIML Deed Poll automatically terminate.

2.3 Consequences of termination

If this PIML Deed Poll is terminated under clause 2.2, then in addition and without prejudice to any other rights, powers or remedies, PIML is released from its obligations to further perform this PIML Deed Poll.

3. Provision of Unit Scheme Entitlements

3.1 Agreement to become members of Asciano Finance Trust

Under clause 7.1 of the Unit Scheme, each Unit Scheme Participant (other than Selling Shareholders in respect of those Stapled Securities sold under the Sale Facility and Ineligible Overseas Shareholders) agrees to become a member of the Asciano Finance Trust, to have their name entered in the Asciano Finance Trust Unit Register and to accept the Asciano Units issued under the Unit Scheme on the terms and conditions of the constitution of the Asciano Finance Trust.

3.2 Timing of provision of Unit Scheme Entitlements

Subject to clause 2, on the Implementation Date, PIML will issue to each Unit Scheme Participant, or in the case of a Unit Scheme Participant who is an Ineligible Overseas Shareholder or a Selling Shareholder, to the Sale Agent on behalf of that Unit Scheme Participant, their Unit Scheme Entitlements in accordance with the provisions of the Unit Scheme.

3.3 Discharge of obligations

The obligations of PIML under clause 3.2 shall be discharged in accordance with the provisions of the Unit Scheme (including without limitation clause 4.4 of the Unit Scheme).

4. Other obligations of PIML

PIML covenants in favour of Unit Scheme Participants:

(a) to perform all other steps attributed to it under, and otherwise to comply with, the Unit Scheme as if named as a party to the Unit Scheme; and

(b) on or before the Effective Date, to apply for admission to the official list of ASX and for the quotation of Asciano Units on the stock market conducted by ASX as Stapled Securities.

5. Warranties

PIML represents and warrants that:

(a) it is a corporation validly existing under the laws of its place of registration;

(b) it has the corporate power to enter into and perform its obligations under this PIML Deed Poll and to carry out the transactions contemplated by this PIML Deed Poll;
(c) it has taken all necessary corporate action to authorise its entry into this PIML Deed Poll and has taken or will take all necessary corporate action to authorise the performance of this PIML Deed Poll and to carry out the transactions contemplated by this PIML Deed Poll; and
(d) this PIML Deed Poll is valid and binding on it.

6. Continuing obligations

This PIML Deed Poll is irrevocable and, subject to clause 2, remains in full force and effect until:

(a) PIML has fully performed its obligations under this PIML Deed Poll; or
(b) the earlier termination of this PIML Deed Poll under clause 2.

7. General

7.1 Governing law and jurisdiction

(a) This PIML Deed Poll is governed by the laws of the State of Victoria, Australia.
(b) PIML irrevocably submits to the non-exclusive jurisdiction of the courts of Victoria, Australia.

7.2 Waiver

(a) Waiver of any right arising from a breach of this PIML Deed Poll or of any right, power, authority, discretion or remedy arising upon default under this PIML Deed Poll must be in writing and signed by the party granting the waiver.
(b) A failure or delay in exercise, or partial exercise, of:
    (i) a right arising from a breach of this PIML Deed Poll; or
    (ii) a right, power, authority, discretion or remedy created or arising upon default under this PIML Deed Poll,

    does not result in a waiver of that right, power, authority, discretion or remedy.
(c) A party is not entitled to rely on a delay in the exercise or non-exercise of a right, power, authority, discretion or remedy arising from a breach of this PIML Deed Poll or on a default under this PIML Deed Poll as constituting a waiver of that right, power, authority, discretion or remedy.
(d) A party may not rely on any conduct of another party as a defence to exercise of a right, power, authority, discretion or remedy by that other party.
(e) This clause may not itself be waived except in writing.

7.3 Variation

A provision of this PIML Deed Poll may not be varied unless:

(a) before the Second Court Date, the variation is agreed to in writing by Toll; or
(b) on or after the Second Court Date, the variation is agreed to in writing by Toll and is approved by the Court, in which event PIML will enter into a further PIML Deed Poll in favour of the Unit Scheme Participants giving effect to the amendment.

7.4 Cumulative rights

The rights, powers and remedies of PIML and the Unit Scheme Participants under this PIML Deed Poll are cumulative and do not exclude any other rights, powers or remedies provided by the law independently of this PIML Deed Poll.

7.5 Assignment

The rights and obligations of PIML and the rights of each Unit Scheme Participant under this PIML Deed Poll are personal and must not be assigned or otherwise dealt with at law or in equity.

7.6 Further action

PIML will promptly do all things and execute all further documents necessary to give effect to this PIML Deed Poll.

8. Limitation of PIML's liability

This limitation of PIML's liability applies despite any other provisions of this PIML Deed Poll and extends to all Obligations of PIML in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to this PIML Deed Poll.

(a) PIML enters into this PIML Deed Poll as trustee and responsible entity of the Asciano Finance Trust and in no other capacity.

(b) The parties other than PIML acknowledge that PIML incurs the Obligations solely in its capacity as trustee and responsible entity of the Asciano Finance Trust and that PIML will cease to have any obligation under this PIML Deed Poll if PIML ceases for any reason to be trustee and responsible entity of the Asciano Finance Trust.

(c) Subject to clause 8(g) below, PIML will not be liable to pay or satisfy any Obligations except out of the Assets against which it is actually indemnified in respect of any liability incurred by it as trustee and responsible entity of the Asciano Finance Trust.

(d) Subject to clause 8(g) below, the parties other than PIML may enforce their rights against PIML arising from non-performance or breach of the Obligations only to the extent that PIML is entitled to be and is actually indemnified out of the Assets of the Asciano Finance Trust.

(e) Subject to clause 8(g) below, if any party other than PIML does not recover all money owing to it arising from non-performance or breach of the Obligations by PIML it may not seek to recover the shortfall by:

(i) bringing proceedings against PIML in its personal capacity; or

(ii) applying to have PIML put into administration or wound up or applying to have a receiver or similar person appointed to PIML or proving in the administration or winding up of PIML.

(f) Subject to clause 8(g) below, the parties other than PIML waive their rights and release PIML from any personal liability whatsoever, in respect of any loss or damage:

(i) which they may suffer as a result of any:

A. breach by PIML of any of its Obligations; or

B. non-performance by PIML of the Obligations; and

(ii) which cannot be paid or satisfied out of the Assets of which PIML is entitled to be indemnified in respect of any liability incurred by it as trustee and responsible entity of the Asciano Finance Trust.

(g) The parties other than PIML acknowledge that the whole of this PIML Deed Poll is subject to this clause 8 and PIML shall in no circumstances be required to satisfy any liability of PIML arising under, or for non-performance or breach of any Obligations under or in respect of, this PIML Deed Poll or under or in respect of any other document to which it is expressed to be a party out of any funds, property or assets other than the Assets of the Asciano Finance Trust under PIML's control and in its possession as and when they are available to PIML to be applied in exoneration for such liability PROVIDED THAT if the liability of PIML is not fully satisfied out of the Assets of the Asciano Finance Trust as referred to in this clause 8, PIML will be liable to pay out of its own funds, property and assets the unsatisfied amount of that liability but only to the extent of the total amount, if any, by which the Assets of the Asciano Finance Trust have been reduced by reasons of fraud, negligence or breach of trust by PIML in the performance of PIML's duties as trustee and responsible entity of the Asciano Finance Trust.

(h) The parties agree that no act or omission of PIML (including any related failure to satisfy any Obligations) will constitute fraud, negligence or wilful default of PIML for the purposes of this clause 8 to the extent to which the act or omission was caused or contributed to by any failure of the parties other than PIML or any other person to fulfil its obligations relating to the Asciano Finance Trust or by any other act or omission of the parties other than PIML or any other person.

(i) No attorney, agent or other person appointed in accordance with this PIML Deed Poll has authority to act on behalf of PIML in a way which exposes PIML to any personal liability (except in accordance with the provisions of clause 8), and no act or omission of such a person will be considered fraud, negligence or wilful default of PIML for the purposes of this clause 8.

Executed as a deed poll.

Asciano Deed Poll made on 13 April 2007

Parties

- **Asciano Limited ABN 26 123 652 862 of Level 8, 380 St Kilda Road, Melbourne ('Asciano')**
- **The holders of fully paid ordinary shares in the capital of Toll Holdings Limited ABN 25 006 592 089 ('Toll') who are Share Scheme Participants**

Recitals

A. The directors of Toll have proposed the Share Scheme.

B. The effect of the Share Scheme will be that Toll will implement the Second Capital Reduction and Toll will apply the Second Capital Reduction Entitlement and will satisfy the Second Special Dividend by procuring that Asciano provides the Share Scheme Entitlement to each Share Scheme Participant (or the Sale Agent on behalf of that Share Scheme Participant) in accordance with the Share Scheme.

C. Asciano is entering into this Asciano Deed Poll for the purpose of covenanting in favour of Share Scheme Participants to perform the steps attributed to it under the Share Scheme.

1. Definitions and interpretations

1.1 Definitions

In this Asciano Deed Poll:

(a) **'Share Scheme'** means the proposed scheme of arrangement between Toll and the holders of fully paid ordinary shares in Toll in relation to the issue of Asciano Shares, subject to any alterations or conditions made or required by the Supreme Court of Victoria pursuant to section 411(6) of the *Corporations Act 2001 (Cth)*; and

(b) capitalised words and phrases have the same meaning given to them in the Share Scheme.

1.2 Interpretation

In this document, unless the contrary intention appears or the context requires otherwise:

(a) words and phrases (other than those defined in clause 1.1) have the same meaning (if any) given to them in the Corporations Act;

(b) the singular includes the plural and vice versa;

(c) each gender includes the other gender;

(d) references to persons include references to individuals, corporations, other bodies corporate or bodies politic;

(e) a reference to a paragraph or clause is to a paragraph or clause of this document;

(f) a reference to a statute, regulation or agreement is to such a statute, regulation or agreement as from time to time amended;

(g) a reference to a person includes a reference to a person's executors, administrators, or successors;

(h) if a time period is specified by reference to a given date or the day of an act or event, it is to be calculated exclusive of that day;

(i) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;

(j) a reference to any time is a reference to that time in Melbourne, Australia;

(k) a reference to any document (including this Asciano Deed Poll) is a reference to that document as varied, novated, ratified or replaced from time to time;

(l) the interpretation of a substantive provision is not affected by any heading; and

(m) a reference to 'includes' in any form is not a word of limitation.

1.3 Nature of this Asciano Deed Poll

Asciano acknowledges that:

(a) this Asciano Deed Poll may be relied on and enforced by any Share Scheme Participant in accordance with its terms even though the Share Scheme Participants are not party to it;
(b) under the Share Scheme, each Share Scheme Participant appoints Toll as its agent and attorney to enforce this Asciano Deed Poll against Asciano; and
(c) Toll may enforce this Asciano Deed Poll against Asciano in its own name notwithstanding that Toll is not a party to this Asciano Deed Poll.

2. Conditions

2.1 Conditions

Asciano's obligations under this Asciano Deed Poll are subject to the satisfaction or, where permitted, waiver of each condition in clause 2.1 of the Share Scheme in accordance with their terms.

2.2 Termination

If the Effective Date for the Share Scheme has not occurred on or before 18 August 2007 or such later date as the Court approves with the consent of Toll, Asciano's obligations under this Asciano Deed Poll automatically terminate.

2.3 Consequences of termination

If this Asciano Deed Poll is terminated under clause 2.2, then in addition and without prejudice to any other rights, powers or remedies, Asciano is released from its obligations to further perform this Asciano Deed Poll except those obligations under clause 7.1.

3. Provision of Share Scheme Entitlements

3.1 Agreement to become members of Asciano

Under clause 7.1 of the Share Scheme, each Share Scheme Participant (other than Selling Shareholders in respect of those Stapled Securities sold under the Sale Facility and Ineligible Overseas Shareholders) agrees to become a member of Asciano, to have their name entered in the Asciano Share Register and to accept the Asciano Shares issued under the Share Scheme on the terms and conditions of the constitution of Asciano.

3.2 Timing of provision of Share Scheme Entitlements

Subject to clause 2, on the Implementation Date, Asciano will issue to each Share Scheme Participant, or in the case of a Share Scheme Participant who is an Ineligible Overseas Shareholder or a Selling Shareholder, to the Sale Agent on behalf of that Share Scheme Participant, their Share Scheme Entitlements in accordance with the provisions of the Share Scheme.

3.3 Discharge of obligations

The obligations of Asciano under clause 3.2 shall be discharged in accordance with the provisions of the Share Scheme (including without limitation clause 4.4 of the Share Scheme).

4. Other obligations of Asciano

Asciano covenants in favour of Share Scheme Participants:

(a) to perform all other steps attributed to it under, and otherwise to comply with, the Implementation Deed and the Share Scheme as if named as a party to the Share Scheme; and
(b) on or before the Effective Date, to apply for admission to the official list of ASX and for the quotation of Asciano Shares on the stock market conducted by ASX as Stapled Securities.

5. Warranties

Asciano represents and warrants that:

(a) it is a corporation validly existing under the laws of its place of registration;
(b) it has the corporate power to enter into and perform its obligations under this Asciano Deed Poll and to carry out the transactions contemplated by this Asciano Deed Poll;
(c) it has taken all necessary corporate action to authorise its entry into this Asciano Deed Poll and has taken or will take all necessary corporate action to authorise the performance of this Asciano Deed Poll and to carry out the transactions contemplated by this Asciano Deed Poll; and
(d) this Asciano Deed Poll is valid and binding on it.

6. Continuing obligations

This Asciano Deed Poll is irrevocable and, subject to clause 2, remains in full force and effect until:

(a) Asciano has fully performed its obligations under this Asciano Deed Poll; or
(b) the earlier termination of this Asciano Deed Poll under clause 2.

7. General

7.1 Stamp duty

Asciano will:

(a) pay all stamp duties and any related fines and penalties in respect of this Asciano Deed Poll, the performance of this Asciano Deed Poll and each transaction effected by or made under this Asciano Deed Poll; and
(b) indemnify each Share Scheme Participant against any liability arising from failure to comply with clause 7.1(a).

7.2 Governing law and jurisdiction

(a) This Asciano Deed Poll is governed by the laws of the State of Victoria, Australia.
(b) Asciano irrevocably submits to the non-exclusive jurisdiction of the courts of Victoria, Australia.

7.3 Waiver

(a) Waiver of any right arising from a breach of this Asciano Deed Poll or of any right, power, authority, discretion or remedy arising upon default under this Asciano Deed Poll must be in writing and signed by the party granting the waiver.
(b) A failure or delay in exercise, or partial exercise, of:
    (i) a right arising from a breach of this Asciano Deed Poll; or
    (ii) a right, power, authority, discretion or remedy created or arising upon default under this Asciano Deed Poll,

    does not result in a waiver of that right, power, authority, discretion or remedy.
(c) A party is not entitled to rely on a delay in the exercise or non-exercise of a right, power, authority, discretion or remedy arising from a breach of this Asciano Deed Poll or on a default under this Asciano Deed Poll as constituting a waiver of that right, power, authority, discretion or remedy.
(d) A party may not rely on any conduct of another party as a defence to exercise of a right, power, authority, discretion or remedy by that other party.
(e) This clause may not itself be waived except in writing.

7.4 Variation

A provision of this Asciano Deed Poll may not be varied unless:

(a) before the Second Court Date, the variation is agreed to in writing by Toll; or
(b) on or after the Second Court Date, the variation is agreed to in writing by Toll and is approved by the Court, in which event Asciano will enter into a further Asciano Deed Poll in favour of the Share Scheme Participants giving effect to the amendment.

7.5 Cumulative rights

The rights, powers and remedies of Asciano and the Share Scheme Participants under this Asciano Deed Poll are cumulative and do not exclude any other rights, powers or remedies provided by the law independently of this Asciano Deed Poll.

7.6 Assignment

The rights and obligations of Asciano and the rights of each Share Scheme Participant under this Asciano Deed Poll are personal and must not be assigned or otherwise dealt with at law or in equity.

7.7 Further action

Asciano will promptly do all things and execute all further documents necessary to give effect to this Asciano Deed Poll.

Executed as a deed poll.

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Investigating Accountants' Report

KPMG

KPMG Transaction Services (Australia) Pty Limited
Australian Financial Services Licence No. 245402
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FINANCIAL SERVICES GUIDE AND INVESTIGATING ACCOUNTANT'S REPORT

This report is in two parts ("Report"):

- Part 1 is the KPMG Transaction Services (Australia) Pty Limited Financial Services Guide ("FSG") which we are required to provide to you under section 941A of the Corporations Act 2001; and
- Part 2 is the Investigating Accountant's Report

The FSG should be read prior to the Investigating Accountant's Report.

Part 1 - Financial Services Guide

Dated 12 April 2007

KPMG Transaction Services

KPMG Transaction Services (Australia) Pty Limited ABN 65 003 891 718 ("KPMG Transaction Services" or **"we"** or **"us"** or **"ours"** as appropriate) holds an Australian Financial Services Licence ("AFSL") issued by the Australian Securities and Investment Commission on 11 March 2004. Our AFSL number is 245402.

We have been engaged by Toll (Corporate Services) Pty Ltd ("Toll Corporate Services") to issue general financial product advice, about Toll Holding Limited ("Toll")'s financial products, in the form of an Investigating Accountant's Report to be provided to you. We are required to include this FSG in our Report because we have authorised the product issuer to include our Investigating Accountant's Report in the Scheme Book for Toll's financial products.

Purpose of the FSG

The purpose of this FSG is to:
• **help you decide whether to consider the Investigating Accountant's Report;**
• **contain information about remuneration to be paid to us in relation to the Investigating Accountant's Report;**
• **contain information on the financial services we are authorised to provide under our AFSL; and**
• **contain information on how you can complain against us.**

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Financial services we are licensed to provide

Our AFSL authorises us to provide financial product advice in relation to interests in managed investment schemes (excluding investor directed portfolio services) and securities (such as shares and debentures) to wholesale and retail clients.

General Financial Product Advice

In the Investigating Accountant's Report, we provide general financial product advice, not personal financial product advice. It has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on any advice contained in the Investigating Accountant's Report.

Fees, commissions and other benefits

We charge fees for providing reports. These fees are agreed with, and paid by, the product issuer. Fees are agreed on either a fixed fee or a time cost basis. In this instance, Toll Corporate Services has agreed to pay us on a time cost basis based on the degree of responsibility, skill involved and time necessary occupied for providing the Investigating Accountant's Report.

Except for the fees referred to above, neither KPMG Transaction Services, nor its representative, or any of its employees, involved in the provision of the report, receive any pecuniary or other benefits, directly or indirectly, for or in connection with, the provision of the Investigating Accountant's Report.

All our employees receive a salary and our Directors or employees may receive partnership distributions from KPMG or bonuses based on overall productivity, but not directly in connection with any engagement for the provision of a report.

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

Through a variety of corporate and trust structures, KPMG Transaction Services is ultimately wholly owned by, and operates as part of, KPMG's Australian professional advisory and accounting practice. Our Directors may be partners in KPMG's Australian partnership. From time to time KPMG Transaction Services or KPMG and/or KPMG related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints

If you have a complaint, please raise it with us. All complaints must be in writing, addressed to The Complaints Officer, KPMG Transaction Services, PO Box H67, Australia Square, Sydney NSW 1213. When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

If you are not satisfied with the outcome of the above process, or our determination, you have the right to refer the matter to the Financial Industry Complaints Service Limited ("**FICS**"). FICS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry. Further details about FICS are available at the FICS website: www.fics.asn.au. FICS can also be contacted by telephone on 1300 78 08 08.

Contact details

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.

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Part 2 – Investigating Accountant's Report

The Directors
Toll (Corporate Services) Pty Limited
380 St Kilda Road
Melbourne
VIC 3004

12 April 2007

Dear Sirs

Investigating Accountant's Report

Introduction

KPMG Transaction Services (Australia) Pty Limited ("KPMG Transaction Services") has been engaged by Toll (Corporate Services) Pty Ltd to prepare this report for inclusion in the Scheme Book to be dated on or about 20 April 2007, and to be issued by Toll Holdings Limited ("Toll"), in respect of the proposed restructure of Toll.

The restructure proposal involves the transfer of the Toll Group's infrastructure businesses from its network and supply chain business into "Asciano", which consists of Asciano Limited and Asciano Finance Trust.

Expressions defined in the Scheme Book have the same meaning in this report.

Financial information

KPMG Transaction Services has been requested to prepare a report covering the historical, pro forma historical and forecast financial information described below and disclosed in the Scheme Book.

Historical financial information

The historical financial information, as set out in section 8.7.4 and 8.7.12 of the Scheme Book, comprises:

- extracts from the income statements of Toll for the year ended 30 June 2006 and six months ended 31 December 2006; and
- the balance sheet of Toll as at 31 December 2006.

The historical financial information set out in section 8.7.4 and 8.7.12 of the Scheme Book has been extracted from Toll's audited annual accounts for the year ended 30 June 2006 and Toll's reviewed interim financial statements for the half year ended 31 December 2006.

The financial statements of Toll for the year ended 30 June 2006 were audited by KPMG in accordance with Australian Auditing Standards. The audit opinions issued to the members of Toll relating to those financial statements were unqualified.

The Directors of Toll are responsible for the preparation and presentation of the historical financial information.

The historical financial information is presented in an abbreviated form insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001 ("Corporations Act").

Pro forma historical financial information

The pro forma historical financial information, as set out in sections 8.7 and 7.12 of the Scheme Book, comprises the pro forma, unaudited:

- income statements and cash flow information of Toll and Asciano for the year ended 30 June 2006 and six months ended 31 December 2006; and
- balance sheets of Toll and Asciano as at 31 December 2006.

The pro forma historical financial information has been derived from the historical financial information after adjusting for the pro forma transactions and/or adjustments described in sections 8.7.2 and 8.7.13 of the Scheme Book in respect of Toll and sections 7.12.2 and 7.12.13 in respect of Asciano.

The Directors of Toll are responsible for the preparation and presentation of the pro forma historical financial information, including the determination of the pro forma transactions and/or adjustments.

The pro forma historical financial information is presented in an abbreviated form insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

Toll pro forma forecast and Asciano pro forma forecasts

The Toll pro forma forecast and the Asciano pro forma forecasts are set out in sections 8.7 and 7.12 of the Scheme Book respectively and comprise the pro forma forecast income statement and schedule of cash flows of Toll for the year ending 30 June 2007 ("Toll forecast") and the pro forma forecast income statements and schedule of cash flows of Asciano for the years ending 30 June 2007 and 30 June 2008 ("Asciano forecasts").

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The Directors of Toll are responsible for the preparation and presentation of the Toll and the Asciano forecasts, including the best-estimate assumptions on which those forecasts are based and the sensitivity of the Asciano forecasts to changes in key assumptions.

The Toll forecast and the Asciano forecasts have been prepared by the Directors to provide investors with a guide to Toll's and Asciano's respective potential future financial performance based upon the achievement of certain economic, operating, developmental and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. The Directors' best-estimate assumptions underlying the Toll forecast and the Asciano forecasts are set out in sections 8.7.10 and 8.7.11 of the Scheme Book in respect of Toll and sections 7.12.10 and 7.12.11 in respect of Asciano.

The Toll forecast and the Asciano forecasts have been prepared by the Directors as if the proposed restructure had taken effect on 1 July 2006. The forecasts do not reflect the directors' expectations as to the actual results or cash flows of Toll that will be reported for the year ending 30 June 2007 or the actual results or cash flows of Asciano for the years ending 30 June 2007 and 2008.

There is a considerable degree of judgement involved in the preparation of any forecast. Consequently, the actual results of Toll or Asciano during the forecast period may vary materially from the Toll or Asciano forecasts respectively, and those variations may be materially positive or negative.

The sensitivity of the Asciano forecasts to changes in key assumptions is set out in section 7.12.14 of the Scheme Book, and the risks to which the businesses of Toll and Asciano are exposed are set out in sections 8.9 and 7.14 of the Scheme Book. Investors should consider the Toll and Asciano forecasts in conjunction with the analysis and disclosure provided in those sections.

The Toll and Asciano forecasts are presented in an abbreviated form insofar as they do not include all of the disclosures required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

Scope

Review of the historical financial information

We have reviewed the historical financial information in order to report whether anything has come to our attention which causes us to believe that the historical financial information, as set out in section 8.7.4 and 8.7.12 of the Scheme Book, does not present fairly;

- extracts from the historical income statements of Toll for the year ended 30 June 2006 and six months ended 31 December 2006; and
- balance sheet of Toll as at 31 December 2006.

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in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and accounting policies adopted by Toll, as disclosed in Toll's annual accounts for the year ended 30 June 2006 and interim financial statements for the six months ended 31 December 2006.

Our review has been conducted in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, including:

- analytical procedures on the historical financial information;
- a consideration of work papers, accounting records and other documents;
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Toll, as disclosed in Toll's annual accounts for the year ended 30 June 2006 and interim financial statements for the half year ended 31 December 2006; and
- enquiry of directors, management and others.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review of pro forma historical financial information

We have reviewed the pro forma historical financial information in order to report whether anything has come to our attention which causes us to believe that the pro forma historical financial information, as set out in sections 8.7 and 7.12 of the Scheme Book, does not present fairly:

- the pro forma income statements and schedules of cash flows of Toll and Asciano for the year ended 30 June 2006 and six months ended 31 December 2006; and
- the pro forma balance sheets of Toll and Asciano as at 31 December 2006,

on the basis of the pro forma transactions and/or adjustments described in sections 8.7.2 and 8.7.13 of the Scheme Book in respect of Toll and sections 7.12.2 and 7.12.13 in respect of Asciano, and in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and accounting policies adopted by Toll, as disclosed in Toll's annual accounts for the year ended 30 June 2006 and interim financial statements for the half year ended 31 December 2006.

Our review has been conducted in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, including:

- consideration of the pro forma transactions and/or adjustments made to the historical financial information;
- consideration of work papers, accounting records and other documents;
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Toll, as disclosed in Toll's annual accounts for the year ended 30 June 2006 and interim financial statements for the half year ended 31 December 2006; and
- enquiry of Directors, management and others.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review of Toll forecast and Asciano forecasts and Directors' best-estimate assumptions

We have reviewed the Toll forecast and Asciano forecasts, set out in sections 8.7 and 7.12 respectively of the Scheme Book, and the Directors' best-estimate assumptions underlying the Toll forecast and the Asciano forecasts, set out in sections 8.7.10 and 8.7.11 of the Scheme Book in respect of Toll and sections 7.12.10 and 7.12.11 in respect of Asciano, in order to report whether anything has come to our attention which causes us to believe that:

- the Directors' best-estimate assumptions, when taken as a whole, do not provide reasonable grounds for the preparation of the Toll forecast and the Asciano forecasts;
- the Toll forecast and the Asciano forecasts are not properly compiled on the basis of the Directors' best-estimate assumptions or presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Toll, as disclosed in Toll's annual accounts for the year ended 30 June 2006 and interim financial statements for the half year ended 31 December 2006; and consequently that
- the Toll forecast or the Asciano forecasts are unreasonable

Our review has been conducted in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary.

Our review of the Toll forecast and the Asciano forecasts and the Directors' best-estimate assumptions is substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Toll forecast, the Asciano forecasts or the Directors' best-estimate assumptions.

Review statements

Review statement on the Toll historical financial information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the historical financial information, as set out in section 8.7.4 and 8.7.12 of the Scheme Book, does not present fairly:

- extracts from the historical income statements of Toll for the year ended 30 June 2006 and the six months ended 31 December 2006; and
- the historical financial position of Toll as at 31 December 2006,

in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and accounting policies adopted by Toll, as disclosed in Toll's annual accounts for the year ended 30 June 2006 and interim financial statements for the half year ended 31 December 2006.

Review statement on the pro forma historical financial information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the pro forma historical financial information, as set out in sections 8.7 and 7.12 of the Scheme Book, does not present fairly:

- the pro forma income statements and schedules of cash flows of Toll and Asciano for the year ended 30 June 2006; and
- the pro forma balance sheets of Toll and Asciano as at 31 December 2006,

on the basis of the pro forma transactions and/or adjustments described in sections 8.7.2 and 8.7.13 of the Scheme Book in respect of Toll and sections 7.12.2 and 7.12.13 in respect of Asciano, and in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and accounting policies adopted by Toll, as disclosed in Toll's annual accounts for the year ended 30 June 2006 and interim financial statements for the half year ended 31 December 2006

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Review statement on the Toll forecast, the Asciano forecast and the Directors' best-estimate assumptions

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the Directors' best-estimate assumptions for the Toll forecast and Asciano forecasts, set out in sections 8.7.10 and 8.7.11 of the Scheme Book in respect of Toll and 7.12.10 and 7.12.11 in respect of Asciano, when taken as a whole, do not provide reasonable grounds for the preparation of the Toll forecast and the Asciano forecasts;
- the Toll forecast and Asciano forecasts, set out in sections 8.7 and 7.12 respectively of the Scheme Book, are not properly compiled on the basis of the Directors' best-estimate assumptions or presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Toll, as disclosed in Toll's annual accounts for the year ended 30 June 2006 and interim financial statements for the half year ended 31 December 2006; and consequently that
- the Toll forecast or the Asciano forecasts are unreasonable.

The underlying assumptions are subject to significant uncertainties and contingencies, often outside the control of Toll and Asciano. If events do not occur as assumed, actual results achieved by Toll and Asciano may vary significantly from the Toll forecast and Asciano forecasts respectively. Accordingly, we do not confirm or guarantee the achievement of the Toll forecast or the Asciano forecasts, as future events, by their very nature, are not capable of independent substantiation.

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed scheme of arrangement, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of Toll and from time to time, KPMG also provides Toll with certain other professional services for which normal professional fees are received.

Responsibility

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Scheme Book in the form and context in which it is so included, but has not authorised the issue of the Scheme Book. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Scheme Book.

General advice warning

This report has been prepared, and included in the Scheme Book, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Yours faithfully

Jack O'Connell AO
Director

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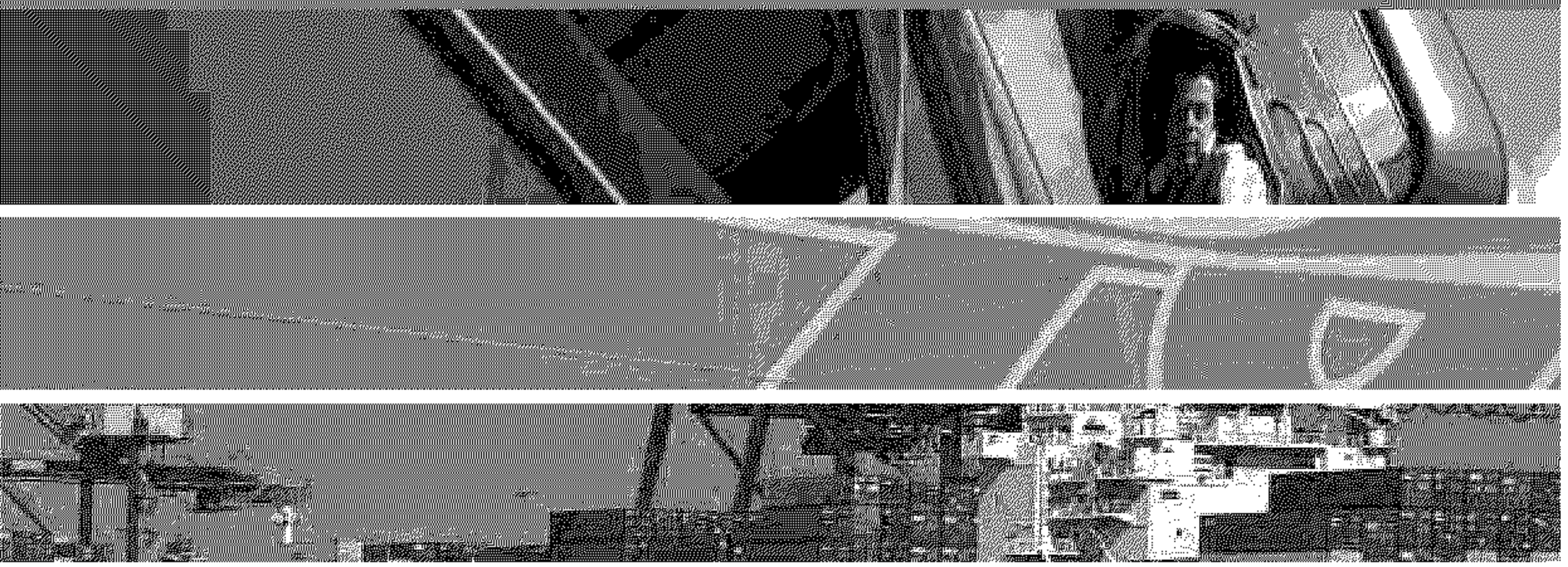
Independent Expert's Report



GRANT SAMUEL

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18 April 2007

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

Dear Directors

Restructure Proposal

1 Introduction

On 13 December 2006, Toll Holdings Limited ("Toll") announced a proposal to separate its port and rail assets and its logistics business into two separately listed entities (the "proposed restructure"). The proposed restructure is to be effected by way of two capital reductions, special dividends and schemes of arrangement between Toll and its shareholders.

If the proposed restructure proceeds:

- Toll will undertake an internal restructure to establish a new entity named Asciano Group ("Asciano") as the holding entity for the port and rail businesses. Asciano will have a stapled security structure;
- Asciano will be "demerged" from Toll. Toll shareholders will receive one stapled Asciano security (consisting of one new share in Asciano Limited and one new unit in Asciano Finance Trust) for each Toll share they currently hold;
- Toll will continue to own the logistics business as well as its 62.8% shareholding in Virgin Blue Holdings Limited ("Virgin Blue"), and will retain its listing on the Australian Stock Exchange ("ASX") ("New Toll"); and
- application will be made to the ASX for Asciano to be separately listed.

Immediately following the proposed restructure, Asciano will undertake a $150 million capital raising. There will be no cross-shareholdings between New Toll and Asciano and they will not have common directors or management.

The proposed restructure requires the approval of Toll shareholders. The resolutions to be voted on by Toll shareholders are interdependent. If any of these resolutions is not approved the proposed restructure will not proceed. In addition, subject to the proposed restructure being implemented the Australian Competition and Consumer Commission ("ACCC") has agreed to vary the undertakings imposed on Toll in relation to its takeover of Patrick Corporation Limited ("Patrick") including waiving the obligation to divest 50% of Pacific National Pty Limited ("Pacific National").

The directors of Toll have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the proposed restructure is in the best interests of Toll shareholders and to state reasons for that opinion. Grant Samuel has also been requested to give its opinion as to whether the capital reductions associated with the proposed restructure are materially prejudicial to Toll creditors. A copy of the report will accompany the Notices of Meeting and the Restructure Scheme Book ("the Restructure Scheme Book") to be sent to shareholders by Toll. This letter contains a summary of Grant Samuel's opinion and main conclusions.

GRANT SAMUEL

2 **Summary of Opinion**

In Grant Samuel's opinion, the proposed restructure is, on balance, in the best interests of Toll shareholders. In essence, Toll shareholders are splitting their current investment into two parts, one in New Toll and a separate investment in Asciano.

Since the acquisition of SembLog Corp Logistics Ltd ("SembLog") in May 2006 and Patrick in July 2006, Toll has consolidated its Australian transport operations with those of Patrick, restructured the ports businesses, continued the operational improvements at Pacific National and optimised operational linkages between the port, rail and logistics assets. The estimated annual cost savings of approximately $60 million from the acquisitions are largely in place.

However, for Toll to pursue its next phase of growth it will need to address various emerging issues that, over time, have the potential to constrain Toll's growth. In addition, Toll believes the required sale of 50% of Pacific National is sub optimal in terms of future management of the business. The proposed restructure seeks to address these issues. The main benefits expected from the proposed restructure are:

- **shareholders retain 100% ownership of Pacific National which would not be achieved without the proposed restructure. Shareholders benefit from strategic flexibility, expected improvement in Pacific National's earnings and an ability to extract synergies between the businesses in the Asciano portfolio;**
- **higher combined dividends and distributions. Asciano will seek to pay out all free cash flow after debt and net capital expenditure requirements to investors (with approximately 80% of distributions expected to be tax deferred over the period to 2008);**
- **financial flexibility to establish appropriate capital structures having regard to the characteristics of each business. Asciano can sustain a higher gearing level given the cash flow characteristics of the port and rail assets;**
- **the enhanced ability of each entity to pursue growth opportunities without the potential constraints from competing capital demands and from regulatory limitations within Australia; and**
- **a potentially higher aggregate share market valuation as investors apply different valuation metrics to each entity.**

However, the structural separation of New Toll and Asciano creates some risk that the strategic benefits achieved by integrating the operations following the Patrick acquisition may be eroded over time. As a separate entity, Asciano will have its own objectives and strategy (such as entering new infrastructure asset sectors). Over time these may diverge from the commercial objectives of New Toll. This risk is somewhat mitigated by the operational changes that have been achieved within the rail business since Toll first acquired its interest in 2002 and by the ongoing commercial interdependence of Asciano and New Toll. New Toll will be Pacific National's largest intermodal customer and they will enter into agreements for key intermodal operations.

The other costs, disadvantages and risks of the proposed restructure include the smaller size of each entity, the greater proportion of New Toll represented by Virgin Blue, the one-off costs associated with the transaction and the incremental ongoing costs of having two separate listed entities. However, none of these is a major drawback.

The evaluation of the proposed restructure is essentially subjective as the benefits are not easily quantifiable or testable. The benefits, are at least to some extent, a matter of investor perception and the proposed restructure is not a guarantee of future absolute performance. The issue is whether performance is likely to be better than it would have been in the absence of the proposed restructure. In Grant Samuel's view, having regard to the nature of the proposed restructure, shareholders are likely to be better off if the proposed restructure proceeds notwithstanding the costs, disadvantages and risks.

3 Key Conclusions

- **Toll shareholders will have the same economic interest in the businesses before and after the proposed restructure.**

  The proposed restructure establishes two independent entities each with a separate focus:

  - Asciano will comprise the Australian ports and stevedoring assets of Toll and Patrick, as well as other transport infrastructure stevedoring operations in New Zealand and 100% of Pacific National. It may subsequently expand into other transport infrastructure as well as expanding internationally. Asciano will initially have net debt of approximately $4.2 billion which represents most of Toll's current net debt (which is being refinanced); and

  - New Toll will comprise the current Australian, New Zealand and Asian logistics businesses of Toll including some assets acquired as part of the Patrick takeover and the 62.8% shareholding in Virgin Blue. It will focus on expansion opportunities in logistics in the Asian region. It will initially have net debt of approximately $0.7 billion.

  Toll shareholders (other than ineligible overseas shareholders) will hold the same ownership interest in New Toll as they currently hold in Toll. Their ownership interest in Asciano will be diluted slightly by the $150 million capital raising by Asciano following the proposed restructure. Apart from the capital raising, the proposed restructure is a "clean" split. Toll shareholders will receive one stapled security in Asciano for each share in Toll. There is:

  - no purchase or sale of equity in either New Toll or Asciano to third parties (other than the $150 million capital raising);
  - no value leakage to third parties (e.g. in the form of management fees out of either company);
  - no value transfer between the demerged companies (e.g. in the form of a retained shareholding or management fees); and
  - no adverse tax consequences for the separated entities. The proposed restructure will not result in any capital gains tax ("CGT") or other tax related liability for Toll or Asciano. Australian shareholders form the majority of Toll's shareholder base in terms of the number of shares and number of shareholders. Under the demerger provisions, Australian resident shareholders are eligible for rollover relief to defer the CGT consequences of a demerger. The vast majority of the tax consequences of the proposed restructure are covered by the demerger provisions and shareholders holding pre CGT shares preserve that status. There will be some CGT and income tax consequences but the impact on the vast majority of Australian Toll shareholders will be minimal:

    - shareholders that have a cost base less than $0.45 per share will realise a capital gain and have their cost base reduced to nil. This is expected to apply to a very limited number of shareholders; and

    - shareholders will be assessable for income tax on a fully franked dividend of $0.17 per share. For individual shareholders with a marginal tax rate of 45.0% this tax assessment will be approximately $0.04 per share.

    The tax consequences for individual shareholders will vary depending upon their personal circumstances. Shareholders should consult their own tax adviser if in any doubt as to the tax consequences of the proposed restructure.

  In essence, Toll shareholders are splitting their current investment into two parts, a shareholding in New Toll and a separate investment in Asciano. The economic interest of Toll shareholders in the underlying businesses is effectively unchanged.

GRANT SAMUEL

- **The proposed restructure seeks to position Toll to pursue its next stage of growth.**

  Toll has evolved to become a leading integrated logistics business, providing customers with a seamless order to delivery service, through the acquisitions of SembLog in May 2006 and Patrick in July 2006. Since then, it has consolidated its Australian transport operations with the international freight forwarding operations of Patrick, reduced the bottlenecks between the road and rail activities around the port assets, improved the links between PortLink and Pacific National and continued operational improvements at Pacific National. Toll's ability to make these improvements has been enhanced by 100% ownership.

  Toll's business has now evolved to a point where Toll believes there are a number of issues to address to enable the business to pursue its next stage of growth. The emerging issues that Toll will need to address in the short to medium term include the high capital requirements of the port and rail assets, the potential regulatory constraints on growth in Australia and reconciling the growth opportunities of individual businesses with its overall strategy. Toll is also concerned about the potential impact on operational flexibility of the required sale of 50% of Pacific National. Addressing these issues is the main impetus for the proposed restructure.

  A number of alternatives were considered by Toll to deal with these issues, including joint venture partners for Pacific National and the port assets and sale and leaseback arrangements for the port assets. Although the alternatives would provide cash to pursue expansion opportunities they have drawbacks such as adverse tax consequences for Toll or Toll shareholders and potential restrictions on operating flexibility. None of the alternatives would have allowed shareholders to retain 100% of Pacific National.

- **Shareholders retain 100% ownership of Pacific National and benefit from the continuing improvement in its performance.**

  The proposed restructure provides a structural solution to the ACCC's principal competition concerns with the Patrick takeover and allows 100% of Pacific National to be retained for the benefit of Toll shareholders.

  Toll has continued the operational improvements being achieved at Pacific National since it acquired 100% ownership. It has had greater flexibility in optimising Pacific National's performance to provide better levels of service for customers and greater capacity to direct a clear business focus and strategy. Divesting 50% of Pacific National may therefore not have maximised value for shareholders. Shareholder value should be enhanced through the retention of 100% of Pacific National and the ability to retain the strategic flexibility derived from 100% ownership.

- **Shareholders will receive increased dividends and distributions.**

  As a stapled entity, Asciano is expected to pay out 100% of its free cash flow after meeting debt obligations and net capital expenditure requirements proposed. The dividend policy of New Toll is expected to remain unchanged from that of Toll prior to the restructure (which resulted in a payout ratio of approximately 40%). As a consequence of the relative earnings of New Toll and Asciano, Toll shareholders will benefit from a significant increase in distributions per share compared to Toll prior to the proposed restructure.

  Moreover, distributions by Asciano will comprise a tax deferred component and taxable income, with the mix expected to be 80% tax deferred and 20% unfranked dividend in the medium term. This type of return will be attractive to investors in the infrastructure sector.

- **The proposed restructure enhances the ability of each business to pursue growth opportunities.**

  Following the proposed restructure, Asciano and New Toll will be better placed to pursue growth opportunities:

- Asciano will have more flexibility to pursue acquisitions, joint ventures, alliances or other transactions in the transport (or even broader) infrastructure sector in Australia or overseas; and
- potential regulatory constraints on growth that the current vertically integrated Toll may face in Australia are eased through the structural separation of assets.

■ **The proposed restructure allows appropriate financial structures to be established.**

As a result of the establishment of separate entities, the growth and development opportunities of each business will be funded independently. Asciano will be more highly geared than the logistics assets in New Toll, with pro forma net debt of approximately $4.2 billion and pro forma forecast 2007 interest cover (EBITDA[1]/net interest) of approximately 1.9 times. The port and rail assets can support a relatively high level of debt given the relative stability of their cash flows. As common user transport infrastructure, the primary business exposure is to the overall level of traded goods being transported. The gearing levels proposed are comparable to those of other listed infrastructure vehicles. Asciano will also have in place a capital expenditure facility of $550 million to fund the majority of growth capital expenditure over the next three years. New Toll will have pro forma net debt of approximately $0.7 billion with significant capacity to exploit growth opportunities in Australia, New Zealand and Asia (pro forma forecast 2007 interest cover is 30 times). The more efficient capital structure, particularly for Asciano, should lower the overall cost of capital.

■ **The proposed restructure provides a number of other benefits.**

There are a number of other benefits flowing from the proposed restructure:

- a potentially higher aggregate sharemarket valuation as investors apply different valuation metrics to the separate businesses. By placing assets in separate structures the proposed restructure allows the market rating of each business to reflect its particular risk/return characteristics. Asciano is most likely to be valued similarly to other transport infrastructure assets with an emphasis on cash yield to investors;
- greater management and board focus on each business. In theory, similar management focus and alignment should be able to be achieved within the current structure. However, previous demerger transactions indicate these benefits can be real;
- enhanced prospects of a takeover for each entity through which shareholders could realise a premium for control. The size of Toll and mix of assets may have limited the number of potential bidders for the whole business. In contrast, New Toll and Asciano will be smaller in size and more focussed companies likely to appeal to a wider set of acquirers; and
- flexibility for investors to determine the extent to which they retain or assume exposure to each of New Toll and Asciano. Effectively, investors will make their own diversification decisions rather than having those diversification decisions imposed on them by the current Toll corporate structure.

■ **The proposed restructure should enhance shareholder value over the long term. In fact, the share price has already responded positively.**

In the longer term, it is reasonable to anticipate that the cumulative benefits of the proposed restructure should enhance shareholder value. This view is generally supported by the evidence from academic and other studies on the impact of demergers and spin-offs. However, it should be recognised that the benefits are, at least to some extent, a matter of investor perception rather than unambiguous quantifiable evidence. A demerger is not a guarantee of future absolute performance. The issue is whether performance is likely to be better than it would have been in the absence of the demerger.

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[1] EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income, equity accounted share of profits of associates and joint venture entities and significant items.

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However, there can also be benefits in the short term as the market recognises the longer term implications. Toll's market capitalisation has increased by approximately $1.5 billion since the announcement of the proposed restructure. The volume weighted average price of Toll shares from 13 December 2006 to 30 March 2007 of $19.85 represents a 8.8% premium to the closing share price on 12 December 2006 (the day before the announcement). The closing price on 30 March 2007 was $20.50, a premium of 12.3%.

The share price increase is also likely to reflect the improved outlook for Toll disclosed at the same time as the announcement. Nevertheless, Grant Samuel considers that the post announcement increase in Toll's share price is an endorsement of the perceived benefits of the proposed restructure. If the proposed restructure was not approved there would be a risk of a share price fall and loss of value for Toll shareholders.

- **The structural separation of New Toll and Asciano creates some risk that the benefits of the Patrick acquisition may be eroded over time.**

  Toll's strategy to provide customers with an integrated and efficient logistics solution was the strategic rationale for the Patrick acquisition. The structural separation of New Toll and Asciano may appear to be a reversal of Toll's strategy. However, establishing seamless and efficient access between the port and rail assets and other elements of the logistics supply chain, rather than ownership per se, was the most important element for Toll in improving logistics solutions for customers. Now that these efficiency gains and sharper commercial focus have been achieved, Toll believes that ongoing ownership is not critical:

  - ownership does not allow Toll to utilise the rail and port assets to favour its own operations to gain a competitive advantage over other logistics providers. The ACCC undertakings sought to address these concerns and Toll's competitive behaviour is subject to continuing ACCC oversight;
  - each of the entities will have similar commercial imperatives in terms of providing competitive and efficient services. The businesses of New Toll will be an important customer for Asciano and have the ability to shift volumes between port operators to ensure the most efficient services;
  - there will be contractual arrangements between the entities on arm's length terms; and
  - the business mix within each entity reflects the grouping of logistics capabilities to deliver efficient services. For example, the international freight forwarding operations of Patrick are within New Toll and Toll's port side operations are within Asciano. Asciano is not simply the previous Patrick operations.

  These commercial linkages and imperatives provide a strong basis for New Toll to be able to continue to access efficient port and rail services on an ongoing basis. On the other hand, separation does create risks. Despite the apparent commercial imperatives and contractual arrangements, the pursuit by Asciano of its own strategy independent of New Toll may lead to the development of its business in a manner that potentially diverges from the interests of New Toll, particularly if Asciano is acquired by a third party.

  Annual cost savings of approximately $60 million (pre-tax) from the acquisition of Patrick are largely in place. These primarily relate to information technology, procurement and administrative cost savings. A number of these savings result from businesses that will sit wholly within New Toll or Asciano and, therefore, should be retained after the proposed restructure.

- **There are a number of other potential disadvantages but the effects are relatively limited.**

  There are a number of other disadvantages and downside risks for shareholders but these are relatively limited:

- some shareholders may prefer Toll's current vertically integrated logistics model and may therefore have no interest in an exposure to Asciano and New Toll. However, both companies should be attractive to a wide investor base;
- New Toll and Asciano will both be substantially smaller than Toll. However, both entities are expected to form part of the S&P/ASX 50 Index (albeit close to the bottom end). Accordingly, the potential adverse impact from index related selling should be limited;
- the relative impact on shareholder value of an adverse development within either business will be greater as each demerged company will be smaller and less diversified than Toll. In particular, Virgin Blue will represent a greater proportion of New Toll's earnings;
- the reduced size of Asciano and New Toll will arguably reduce their ability to make large acquisitions and investments relative to the current Toll. Notwithstanding, New Toll and Asciano will both be substantial companies in their own right with market capitalisations expected to exceed $5 billion;
- Asciano will be exposed to increased financial risk as it will be significantly more geared than the current Toll. Some investors may not be attracted to the higher debt levels of Asciano as a stand alone entity although the gearing is comparable with other listed infrastructure assets;
- there will be higher incremental ongoing administrative costs including listed company costs for Asciano of approximately $6 million per annum. In addition, Asciano will incur increased funding costs of approximately $10 million per annum relative to Toll's expected future funding costs;
- one-off transaction costs of approximately $87 million (before tax). The cash transaction costs represent less than 1% of market capitalisation;
- there is a risk of a period of relative share price weakness in the short term until the share registers eventually reach some degree of equilibrium and because the one-off costs and incremental ongoing costs will be incurred immediately while many of the benefits will take some time to translate into earnings. This may be exacerbated to the extent Mark Rowsthorn and Paul Little sell down significant tranches of, respectively, their shares in New Toll and stapled securities in Asciano in accordance with ACCC requirements; and
- certain shareholders based in overseas jurisdictions ("ineligible overseas shareholders") will not be able to receive Asciano stapled securities and will only receive the net proceeds from a sale of their Asciano stapled securities. This will apply to less than 0.5% of Toll's issued capital.

■ **The capital reductions do not materially prejudice the interests of Toll creditors.**

In Grant Samuel's opinion, existing Toll creditors will not be materially prejudiced by the capital reduction principally because:

- New Toll and Asciano will remain substantial companies in their own right. New Toll will initially have a low level of gearing of 15.2%. By contrast, Asciano will be relatively highly geared at 58.6% but only to levels broadly comparable to gearing levels in the infrastructure sector;
- Asciano will have new finance facilities totalling $5.2 billion. The providers of these facilities have made their own judgements as to the financial risk of Asciano in full knowledge of its position. These funding commitments by third party lenders suggest that the financial gearing of Asciano is reasonable;
- most trade creditors are short term in nature (ie. repayable within, say, 60 days at any point in time) and they will therefore have the opportunity to reassess for themselves whether or not they wish to continue to grant credit to either New Toll or Asciano; and
- there is no net cash outflow (except for the costs associated with the transaction) from the Toll group as a consequence of the proposed restructure (as the capital reductions and deemed demerger dividend are reinvested). Further, Asciano will raise $150 million following the proposed restructure.

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Grant Samuel makes no warranty, express or implied, as to the potential recoverability of existing or contingent debts owed by Toll as at the date of this report or at any subsequent time. Future creditors must rely on their own investigations of the financial positions of New Toll and Asciano.

4 Other Matters

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual shareholders in Toll. Because of that, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Restructure Scheme Book issued by Toll in relation to the proposed restructure.

Approval or rejection of the proposed restructure is a matter for individual shareholders based on their own views as to value and expectations as to future market conditions and their particular circumstances including risk profile, liquidity preference, portfolio strategy and tax position. Shareholders who are in doubt as to the action they should take in relation to the proposed restructure should consult their own professional adviser. Any decision to continue to hold shares in New Toll or stapled securities in Asciano is a separate investment decision upon which Grant Samuel does not offer an opinion. Shareholders should consult their own professional adviser in this regard.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act, 2001. The Financial Services Guide is included at the beginning of the full report.

This letter is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary.

The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours faithfully
GRANT SAMUEL & ASSOCIATES PTY LIMITED

Financial Services Guide
and
Independent Expert's Report
in relation to the Proposed Restructure of
Toll Holdings Limited

Grant Samuel & Associates Pty Limited
(ABN 28 050 036 372)

18 April 2007

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Financial Services Guide

Grant Samuel & Associates Pty Limited ("Grant Samuel") holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investments schemes to wholesale and retail clients.

The Corporations Act 2001 requires Grant Samuel to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a document ("Disclosure Document") provided to members by the company or other entity ("Entity") for which Grant Samuel prepares the Report.

Grant Samuel does not accept instructions from retail clients. Grant Samuel provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Samuel does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, Grant Samuel's client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report for Toll Holdings Limited ("Toll") in relation to the proposed restructure into two separately listed companies (the "Toll Report"), Grant Samuel will receive a fixed fee of $750,000 plus reimbursement of out-of-pocket expenses for the preparation of the Toll Report (as stated in Section 8.3 of the Toll Report).

No related body corporate of Grant Samuel, or any of the directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Report.

Grant Samuel is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Practice Note 42 issued by the Australian Securities Commission (the predecessor to the Australian Securities & Investments Commission) on 8 December 1993. The following information in relation to the independence of Grant Samuel is stated in Section 8.3 of the Toll Report:

> *"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Toll that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the proposed restructure. Grant Samuel advises that:*
>
> - *Grant Samuel prepared an independent expert's report for Virgin Blue dated 25 February 2005 in relation to the takeover offer by Patrick; and*
> - *two Grant Samuel group executives hold in aggregate less than 5,500 shares in Virgin Blue and one Grant Samuel group executive holds a parcel of less than 500 shares in Toll.*
>
> *Grant Samuel had no part in the formulation of the proposed restructure. Its only role has been the preparation of this report.*
>
> *Grant Samuel will receive a fixed fee of $750,000 for the preparation of this report. This fee is not contingent on the outcome of the proposed restructure. Grant Samuel's out-of-pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.*
>
> *Grant Samuel considers itself to be independent in terms of Practice Note 42 issued by the ASIC (previously known as Australian Securities Commission) on 8 December 1993."*

Grant Samuel has internal complaints-handling mechanisms and is a member of the Financial Industry Complaints Services' Complaints Handling Tribunal, No. F 4197.

Grant Samuel is only responsible for the Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.

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1 Details of the Proposed Restructure

On 13 December 2006, Toll Holdings Limited ("Toll") announced a proposal to separate its transport infrastructure assets and its logistics business into two separately listed companies (the "proposed restructure").

The proposed restructure is to be effected by two capital reductions, special dividends and two schemes of arrangement between Toll and its shareholders. The following steps will be implemented if the proposed restructure is approved:

- Toll will undertake an internal restructure to establish a new entity named Asciano Group ("Asciano") to hold the port and stevedoring assets acquired as part of the Patrick Corporation Limited ("Patrick") takeover completed in July 2006, the existing stevedoring assets of Toll as well as 100% of Pacific National Pty Limited ("Pacific National"), the rail freight business. Asciano will have a stapled structure consisting of a company, Asciano Limited, and a trust, Asciano Finance Trust;
- Toll will undertake two capital reductions totalling \$2.7 billion and pay two special dividends totalling \$1.0 billion;
- the two capital reductions and special dividends will be applied by Toll on behalf of Toll shareholders as payment for stapled securities in Asciano. Each Toll shareholder will receive one stapled security consisting of one new share and one new unit in Asciano for every Toll share they hold;
- Toll will continue to own the remaining Australian, New Zealand and Asian logistics business (including assets acquired as part of the Patrick takeover) as well as the 62.8% shareholding in Virgin Blue Holdings Limited ("Virgin Blue"), and will retain its listing on the Australian Stock Exchange ("ASX") ("New Toll"); and
- Toll will apply to the ASX for Asciano to be separately listed.

The current responsible entity of Asciano Finance Trust is Permanent Investment Management Limited ("PIML"). Asciano Finance Limited, a subsidiary of Asciano Limited, is to replace PIML as responsible entity of Asciano Finance Trust upon obtaining necessary regulatory approvals. Trust Company Limited, a related company of PIML, is the custodian of Asciano Finance Trust.

Immediately following the proposed restructure, Asciano will undertake a \$150 million placement. There will be no cross-shareholdings between New Toll and Asciano and they will not have common directors or management.

Shareholders with registered addresses in certain jurisdictions outside of Australia ("ineligible overseas shareholders") will not receive Asciano stapled securities. A share sale facility has been established so that such shareholders will receive in cash the net proceeds of the sale of the Asciano stapled securities to which they would otherwise have been entitled. The share sale facility is also available to all other Toll shareholders to sell part or all of their holding in either or both New Toll or Asciano (subject to a limit on the number of securities that can be sold).

The effect of the proposed restructure is that Toll shareholders (other than ineligible overseas shareholders) will hold an equal number of shares in New Toll and stapled securities in Asciano. The ownership interests of shareholders in New Toll will be equal to their ownership interest in Toll immediately prior to the proposed restructure. In respect of Asciano, the ownership interests of shareholders will be diluted by the \$150 million placement but this should not have a material effect on economic interests.

The proposed restructure requires the approval of Toll shareholders for the following resolutions:

- two ordinary resolutions to approve the capital reductions;
- two members scheme of arrangement resolutions under Section 411 of the Corporations Act, 2001 ("the Corporations Act"). Under Section 411 a scheme of arrangement must by approved by a majority in number (i.e. at least 50%) of shareholders present and voting (either in person or by

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proxy) at the meeting, representing at least 75% of the votes cast on the resolution. The scheme of arrangement is then subject to approval by the Victorian Supreme Court; and

- a special resolution to approve the financial arrangements in respect of Asciano under Section 260B(2) of the Corporations Act. The resolution requires approval by more 75% of the votes cast at the meeting (either in person or by proxy).

Each of the resolutions to be voted on by Toll shareholders are interdependent. Failure to approve any of these resolutions will result in the proposed restructure not proceeding.

Holders of Toll reset preference shares ("Toll RPS") are entitled, under their terms, to vote on the capital reductions but are not entitled to vote on the schemes of arrangement. If the proposed restructure is implemented, the conversion ratio for the Toll RPS will be adjusted for the capital reductions in accordance with their terms (refer to Section 6 of the Restructure Scheme Book).

Holders of Toll options issued under its executive options plan will not participate in the proposed restructure unless those options have been exercised (in accordance with their terms) before the record dates for the schemes of arrangement (refer to Section 6 of the Restructure Scheme Book).

The Australian Competition and Consumer Commission ("ACCC") has agreed to vary the undertakings given by Toll in relation to the Patrick takeover (refer to Section 11.7 of the Restructure Scheme Book). Under the variation, if the proposed restructure is implemented Toll will be relieved of its obligations to divest 50% of Pacific National Pty Ltd ("Pacific National"), its vehicle distribution business and its interest in PrixCar Services Pty Limited ("PrixCar"). Toll's obligation to make available to third parties a "Starter's Kit" for the east-west rail route and to implement port and rail non-discrimination regimes will be assumed by Asciano following implementation of the proposed restructure. Toll and Asciano have given various undertakings to ensure effective separation between the two entities, until 31 March 2011, including:

- separate and independent boards of directors and no cross-shareholdings;
- restrictions on the ability of New Toll and Asciano to employ senior management of the other entity; and
- no shared services arrangements between the New Toll and Asciano.

In addition, Mark Rowsthorn will be required to sell his shareholding in Toll, and the remaining directors of Toll will be required to sell their shareholdings in Asciano, following implementation of the proposed restructure, within an agreed timeframe. If Toll or Asciano fail to comply with the undertakings then the original undertakings will come into operation.

2 Scope of the Report

2.1 Purpose of the Report

The proposed restructure is subject to the approval in general meeting by Toll shareholders pursuant to:

- Sections 256B and 256C of the Corporations Act ("Sections 256B and 256C");
- Section 411 of the Corporations Act ("Section 411"); and
- Section 260B(2) of the Corporations Act.

Sections 256B and 256C and Section 411 govern reductions of share capital and schemes of arrangement respectively. They require the prior approval of shareholders before a capital reduction or scheme of arrangement can be effected. Sections 256B and 256C do not require an independent expert's report to be prepared.

Part 3 of Schedule 8 to the Corporations Regulations prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to Section 411. Part 3 of Schedule 8 requires an independent expert's report in relation to a scheme of arrangement to be prepared when a party to a scheme of arrangement has a prescribed shareholding in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert's report must state whether the scheme of arrangement is in the best interests of shareholders subject to the scheme and to state reasons for that opinion. Although an independent expert's report is not required to be prepared for Toll shareholders under Part 3 of Schedule 8, the directors of Toll have decided to obtain a report for shareholders, prepared as if it were required.

Section 260B(2) requires shareholder approval for the giving of financial assistance by a company for the acquisition of shares in that company or a holding company and is required in relation to the financing of Asciano. An independent expert's report is not required for the purposes of Section 260B(2).

The directors of Toll have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the proposed restructure is in the best interests of Toll shareholders and to state reasons for that opinion. Grant Samuel has also been requested to give its opinion as to whether the capital reductions are materially prejudicial to Toll creditors.

The sole purpose of this report is an expression of Grant Samuel's opinion as to whether the proposed restructure is in the best interests of Toll shareholders and whether the capital reductions are materially prejudicial to Toll creditors. A copy of this report will accompany the Notices of Meeting and Restructure Scheme Book ("the Restructure Scheme Book") to be sent to shareholders by Toll.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Toll shareholders. Because of that, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Restructure Scheme Book issued by Toll in relation to the proposed restructure.

Approval or rejection of the proposed restructure is a matter for individual shareholders based on their expectations as to value and future market conditions and their particular circumstances including risk profile, liquidity preference, portfolio strategy and tax position. Shareholders who are in doubt as to the action they should take in relation to the proposed restructure should consult their own professional adviser.

2.2 Basis of Evaluation

There is no legal definition of the expression "in the best interests". The Australian Securities Commission (now the Australian Securities and Investments Commission ("ASIC")) issued Policy

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Statement 75 which established certain guidelines in respect of independent expert's reports prepared for the purposes of Sections 411, 640 and 703 of the Corporations Act. Policy Statement 75 is primarily directed towards reports prepared for the purpose of Section 640 and comments on the meaning of "fair and reasonable" in the context of a takeover offer. The statement gives limited guidance as to the regulatory interpretation or meaning of "in the best interests" other than to imply that it is similar to "fair and reasonable".

Schemes of arrangement pursuant to Section 411 can encompass a wide range of transactions. Accordingly, "in the best interests" must be capable of a broad interpretation to meet the particular circumstances of each transaction. This involves a judgement on the part of the expert as to the overall commercial effect of the transaction, the circumstances that have led to the proposal and the alternatives available. The expert must weigh up the advantages and disadvantages of the proposal and form an overall view as to whether the shareholders are likely to be better off if the proposal is implemented than if it is not.

In Grant Samuel's opinion, the most appropriate basis on which to evaluate the proposed restructure is to assess the overall impact on the shareholders of Toll and to form a judgement as to whether the expected benefits outweigh any disadvantages and risks that might result.

In forming its opinion as to whether the proposed restructure is in the best interests of Toll shareholders, Grant Samuel has considered the following:

- the impact on business operations if the restructure proceeds;
- the effect on earnings and dividends attributable to existing shareholders;
- the effect of the restructure on financial position;
- the likely impact on the market value of shareholders' interests and the market for shares in the demerged companies generally;
- any other advantages and benefits arising from the proposed restructure; and
- the costs, disadvantages and risks of the proposed restructure.

2.3 Sources of the Information

The following information was utilised and relied upon, without independent verification, in preparing this report:

Publicly Available Information

- the Restructure Scheme Book (including earlier drafts);
- annual reports of Toll for the four years ended 30 June 2006 and half year announcement for the six months to 31 December 2006;
- press releases, public announcements, media and analyst presentation material and other public filings by Toll including information available on its website;
- brokers' reports and recent press articles on Toll and the logistics and infrastructure sectors; and
- sharemarket data and related information on Australian and selected international listed companies engaged in the logistics and infrastructure sectors.

Non Public Information provided by Toll

- board papers and other internal briefing papers relating to the proposed restructure;
- financial budgets for Toll businesses for the year ending 30 June 2007;
- due diligence reports for Toll and Asciano businesses;
- debt information memorandum dated 23 January 2007 for Asciano; and

- other confidential documents, presentations and working papers.

Grant Samuel has also held discussions with, and obtained information from, senior management of Toll and its advisers.

2.4 Limitations and Reliance on Information

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel's opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances. However, Grant Samuel has no obligation or undertaking to advise any person of any change in circumstances which has come to its attention after the date of this report or to review, revise or update its report or opinion.

This report is also based upon financial and other information provided by Toll and its advisers. Grant Samuel has considered and relied upon this information. Toll has represented in writing to Grant Samuel that to its knowledge the information provided by it was complete and not incorrect or misleading in any material aspect. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the extent that it considers necessary or appropriate for the purposes of forming an opinion as to whether the proposed restructure is in the best interests of Toll shareholders. However, Grant Samuel does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. Due diligence of the type undertaken by companies and their advisers in relation to, for example, prospectus or profit forecasts, is beyond the scope of an independent expert's report.

Accordingly, this report and the opinions expressed in it should be considered more in the nature of an overall review of the anticipated commercial and financial implications rather than a comprehensive audit or investigation of detailed matters.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Toll. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

The information provided to Grant Samuel included pro forma accounts for New Toll and Asciano for the year ended 30 June 2006 and forecast financial information for New Toll for the year ending 30 June 2007 and forecast financial information for Asciano for the years ending 30 June 2007 and 30 June 2008. Toll is responsible for this financial information. Grant Samuel has had regard to the financial information for these entities in undertaking its analysis but has not relied upon it in forming its opinion. Given the nature of the transaction, the forecast financial information is not the fundamental basis for assessing the proposed restructure. Rather, other factors such as strategic implications for the businesses and investors are more important.

Grant Samuel has not investigated this financial information in terms of the reasonableness of the underlying assumptions, accuracy of compilation or application of assumptions. However, the

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2006 pro forma accounts and forecast financial information were subject to review by the Investigating Accountant, KPMG Transaction Services (Australia) Pty Limited ("KPMG"). The Investigating Accountant's Report is set out in Section 15 of the Restructure Scheme Book. On this basis, Grant Samuel considers that there are reasonable grounds to believe that the financial information on New Toll and Asciano as presented in the Restructure Scheme Book has been prepared on a reasonable basis. However, the achievability of the forecast financial information is not warranted or guaranteed by Grant Samuel. Future profits and cash flows are inherently uncertain. They are predictions by management of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of the company or its management. Actual results may be significantly more or less favourable.

In forming its opinion, Grant Samuel has also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the information set out in the Restructure Scheme Book sent by Toll to its shareholders is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading;
- the proposed restructure will be implemented in accordance with its terms; and
- the legal mechanisms to implement the proposed restructure are correct and will be effective.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue.

3 Profile of Toll

3.1 Background

Toll is an Australian-based integrated logistics services company, operating a network of over 670 sites throughout 20 countries across the Asian region. Toll was listed on the ASX in 1993. It is in the S&P/ASX 50 Index and, prior to the announcement of the proposed restructure, had a market capitalisation of around $11.5 billion.

Toll was established in 1888 and became part of the Peko Wallsend Group in the 1960s. In 1986, a management buy-out team led by current Managing Director, Mr Paul Little, and former Chairman, Mr Peter Rowsthorn, acquired Toll and listed the company in October 1993. The company has experienced significant organic and acquisition growth, and now owns and operates a large portfolio of transport and infrastructure assets including ports, warehousing, road fleets, ships, rail rolling stock and air freight capacity.

Toll's acquisition strategy has been to develop access to strategic infrastructure and acquire capability and skills across the supply chain to service customers' needs and provide a platform for further growth. In the period from 1986, Toll made a number of strategic acquisitions to expand its service offering in Australia and to establish a strong market presence in New Zealand. These acquisitions included TNT Forwarding, 84.2% of TranzRail, 50% of Pacific National (established with Patrick to acquire National Rail Corporation Limited and FreightCorp), Finemores Transport, Mayne Express, Brambles Transport and IPEC.

In the 2006 financial year, Toll substantially transformed its business by completing the acquisitions of SembCorp Logistics Ltd ("SembLog") and Patrick.

Toll acquired control of SembLog for $1.1 billion through the acquisition of 60% of SembCorp Industries Limited ("SembCorp") in March 2006 and assumed 100% control on 10 July 2006. SembLog is one of Asia's premier logistics companies, providing supply chain management and logistics in 15 countries. The acquisition of SembLog was a key element of Toll's strategy to become the pre-eminent integrated logistics provider in the Asian region.

The $6 billion acquisition of Patrick was completed in May 2006 following a prolonged takeover that had commenced in August 2005. Historically a ports business, Patrick had more recently expanded into rail, road and sea transport through a number of acquisitions. It also had a 62.8% interest in Virgin Blue. Toll's Patrick acquisition was premised on the benefits of an integrated end-to-end supply chain of global scale. Estimated cost savings of approximately $60 million per annum are largely in place through operational improvements and by eliminating operational overlap and costs in the areas of corporate overheads and procurement.

3.2 Operations

Toll provides a wide range of logistics and transport services to over 40,000 customers operating in a broad range of market sectors, including automotive, beverage, food and retail, ports, relocation and resources. Toll's services include transport via road, rail, sea and air, warehousing and distribution, port management, port services, container and general stevedoring. Following the acquisition of Patrick and SembLog, Toll was restructured along geographic lines:

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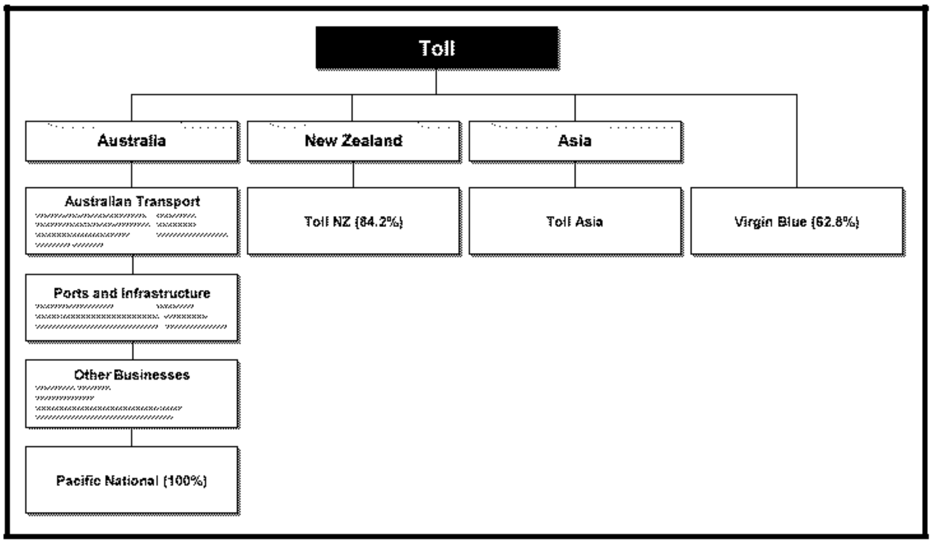

Detailed descriptions of Toll's businesses are set out in the Restructure Scheme Book and summarised below.

3.2.1 Toll Australia

Australian Transport

The key logistics services provided by the Australian Transport division include:

Australian Transport – Key Services	
▪ Road, rail and air linehaul	▪ Regional distribution networks
▪ Time sensitive freight	▪ Defence logistics
▪ Warehousing	▪ Removalists
▪ Metropolitan transport	▪ Facility management
▪ Logistics	▪ Autologistics
▪ Temperature controlled transport and warehousing	▪ Personnel and labour hire
▪ Business to consumer transport	▪ Resource and specialty industry supply chains

Australian Transport comprises businesses operating as individual logistics and coordinated "end to end" service providers:

- **Road logistics:** Toll operates a number of different business units providing road logistics including express courier, container, intermodal and truck delivery services. Metropolitan courier services are provided by *Toll Fast*, Australia's largest courier business. Domestic and international overnight express services are provided by *Toll Priority*. The charter network includes 52 light aircraft, 1,600 road vehicles, and national branches delivering throughout Australia and to over 220 countries. *Toll IPEC* provides express bulk freight services across Australia.
- **Air logistics:** *Toll Air Services* provides independent ground handling (ramp, cargo, luggage, aircraft and passenger) services at all major Australian airports.
- **Linehaul and multimodal logistics:** *Toll SPD* and *Toll Regional* provide regional logistics services using road, rail, shipping or air transport. These operations include refrigerated linehaul (through *Toll Refrigerated*) and container vehicles, warehousing and distribution networks. Interstate freight forwarding, shipping and distribution services include *Toll Tasmania* (operating between Tasmania and the mainland), *NQX*

Freight System (up to full container load services between and to the Northern Territory and Queensland) and *QRX* (Queensland's leading rail carrier). Specialised logistics services are provided to the energy and resources, corporate, government, defence, retail and fashion sectors.

- **Support services:** *Toll Managed Transport Services*, a centralised, web-based supply chain network, provides order, transport planning, tracking, supply chain execution and performance management services. *Toll Personnel* provides human resources services to the entire Toll group.

Ports and Infrastructure

Ports and Infrastructure includes the combined port operations and stevedoring businesses of Toll and Patrick. Its primary activities are the movement of containers from "ship to shore" and related port facility services. The Port Services and PortLink businesses provide the associated "shore to door" container management services that support the Terminals business and deliver integrated logistics solutions to importers and exporters. The "ship to shore" operations have high barriers to entry and have experienced consolidation of shipping lines (customers). The "shore to door" businesses operate in fragmented supplier and customer markets.

The businesses of Ports and Infrastructure typically hold market leading positions:

- **Container Terminals:** Toll is Australia's leading owner and operator of container terminals located at Australia's major ports – East Swanson (Melbourne), Port Botany (Sydney), Fisherman's Island (Brisbane) and Fremantle Inner Harbour (Perth). The combined throughput of the four terminals in 2006 was 2.17 million twenty-foot equivalent units ("TEUs"). The principal customers of the Container Terminals business are the major global shipping lines, in particular, Mediterranean Shipping Company, Australian Asia Alliance and Maersk. These customers represented a substantial proportion of revenue in the 2006 financial year. The properties on which the container terminals are located are all held under long term leases, a majority of which are subject to consumer price index ("CPI") increases.

- **Bulk Ports:** which is focussed on the development and operation of the Port of Geelong, Western Port and the Albany Bulk Handling facility in Western Australia.

- **Stevedoring:** which concentrates on non-containerised cargo handling (primarily general, break-bulk and bulk) at ports in Australia and New Zealand. The business manages ports and port infrastructure in regional locations in Australia, providing the interface between shipping services and land distribution activities. The primary operating sites of the business are Adelaide, Albany, Geelong, Geraldton and Western Port. Toll is currently the largest bulk and general stevedore in Australia, operating in over 20 ports.

- **Port Services:** which offers a national network of land based services to shipping lines, freight forwarding agents, customs brokers, importers and exporters. Its primary activity is the provision of transport logistics (container cartage and linehaul), container freight stations, and warehousing and cross dock services to cargo importers, exporters and shipping lines. Other services include container park facilities, bonded storage (where goods are not released until customs duties, taxes or other such fees are paid) and Australian quarantine and customs services.

  Port Services operates in a fragmented and highly competitive segment of the market due to the relatively low barriers to entry. Given the fragmented nature of the market, the majority of the work of the Port Services business is uncontracted. However, the business has a diverse customer base including many of Australia's leading manufacturers and all major shipping lines.

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- **PortLink:** which provides the interface between Toll's road, rail and stevedoring services. The core business is to provide rail services that link shipping and regional customers with ports and facilities for export and import container movement. PortLink operates across a network of 25 regional hubs in Queensland, New South Wales, Victoria, and South Australia. PortLink also operates in Western Australia and the Northern Territory. It operates a fleet of 30 locomotives and 500 wagons and has its own rail accreditation and maintenance services. PortLink has a diverse customer base including global shipping lines and Australian manufacturers. Its top twenty customers contributed a significant proportion of revenue in the 2006 financial year.
- **Toll Owens:** Toll has a 50% interest in the Toll Owens joint venture established with the Port of Tauranga in 2004. It is currently New Zealand's largest on-wharf logistics company providing services at 12 ports in New Zealand.

Other Businesses

Toll's other businesses comprise:

- **Autocare:** Toll has an 80% interest in the Autocare joint venture with NYK Tokyo. This business offers an integrated service of processing, storage and distribution of motor vehicles and operates in partnership with the Stevedoring business.
- **AAT Joint Venture:** Toll has a 50% interest in the Australian Amalgamated Terminals ("AAT") joint venture with P&O Ports (which is part of the DP World group). It focuses on developing specialised cargo handling facilities in port areas as well as providing services to stevedores including land logistics and freight forwarding between ports, regional centres and capital cities.
- **Car Components of Australia:** Toll has a 50% interest in the Car Components of Australia ("CCA") joint venture established by Patrick with Mitsui O.S.K. Lines. It provides storage and processing facilities for Nissan and Renault.
- **Queensland Bulk Handling:** Toll has a 50% interest in the Queensland Bulk Handling ("QBH") joint venture with New Hope Corporation Limited ("New Hope") which operates the only export coal terminal in Southern Queensland at the Port of Brisbane. As a result of the Patrick acquisition, New Hope has sought to trigger its pre-emptive rights under the joint venture arrangements and discussions between Toll and New Hope are continuing.

Pacific National

Pacific National was established in February 2002 as a 50/50 joint venture between Toll and Patrick to acquire the previously government owned intermodal and bulk rail freight businesses of National Rail Corporation Limited and FreightCorp. Pacific National acquired Australian Transport Network ("ATN") in Tasmania and Freight Australia in Victoria in 2004 and is now the leading freight rail operator in Australia. Toll acquired 100% of Pacific National through the Patrick takeover. It accesses mainline rail tracks under access agreements with a number of track owners.

Pacific National has three key operating divisions:

- **Bulk Services:** Pacific National transports all bulk products, including coal, grain and industrial products in New South Wales, Victoria and South Australia. It is the leading coal haulage operator in New South Wales and the second largest coal haulage operator in Australia. Pacific National transports the majority of grain in New South Wales and Victoria. Coal haulage contracts are medium to long term and are largely take or pay arrangements as are those for the haulage of other bulk commodities. It also provides rail transport services for bulk commodities in the energy, mining, agricultural and construction industries.

- **Intermodal:** which transports containerised freight on the interstate network and the narrow gauge networks in Queensland and Tasmania. Additionally, it provides rail freight and terminal services to freight forwarders and steel manufacturers and haulage services for the Ghan and Indian Pacific passenger trains.
- **Network and Operation Services:** which provides maintenance and engineering services within Pacific National.

Virgin Blue

Toll owns a 62.8% interest in Virgin Blue, which was acquired pursuant to the acquisition of Patrick. Virgin Blue is a low cost domestic and Pacific regional airline. It has a 30% share of the domestic airline market. A number of initiatives have been introduced at Virgin Blue that are having a positive impact on the business including an active fuel hedging program and the "velocity" frequent flyer program. Toll completed an initial review of its Virgin Blue investment in November 2006 and decided that the investment offered further value enhancement opportunities for Toll shareholders. It will complete a further review towards the end of the 2007 financial year. Toll is also completing its strategy in relation to airfreight, which is expected to include a major role for Virgin Blue.

3.2.2 Toll NZ

Toll NZ Limited ("Toll NZ"), a New Zealand listed company, is the leading multimodal freight transport and distribution company in New Zealand. Toll acquired approximately 84.2% of TranzRail in October 2003 and re-branded the business as Toll NZ. The key services provided by Toll NZ are:

- **Freight forwarding:** *Toll Tranzlink* is New Zealand's leading freight forwarding company, providing intermodal transport services, comprising over 30 national branches and 380 road fleet vehicles.
- **Rail logistics:** *Toll Rail* is New Zealand's sole long-haul railway operator, providing intermodal container logistics services to the automotive, fertiliser, steel and timber industries. *Tranz Scenic* and *Tranz Metro* also provide passenger services between Auckland and Wellington, Picton, Christchurch and Greymouth and to the Wellington metropolitan area.
- **The Interislander:** which operates three vessels across the Cook Strait between Wellington and Picton providing transport of passengers, heavy vehicles, livestock and specialty and dangerous goods.

3.2.3 Toll Asia

Toll Asia comprises the SembLog operations and the existing Toll operations in Vietnam, Thailand and Malaysia. It provides land based supply chain services to the consumer goods, retail, healthcare, automotive, technology, healthcare and industrial sectors. Toll Asia services the oil and gas sectors from its main base in Singapore and smaller bases in Thailand and Azerbaijan. Toll Asia is able to provide key operational support required for cross-border supply chain services between Asia and Australia.

SembLog was established in 1983 and manages an extensive network of over 220 distribution centres, one million plus square metres of warehousing space across 15 high growth countries to service in excess of 1,000 customers. Services include supply chain management, distribution of bulk materials, project logistics, roll-on-roll-off services and stevedoring. SembLog provides Toll with a strong presence and scale across Asia and access to the United Kingdom and the United States.

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3.2.4 Corporate

Toll's corporate division includes finance and administration, business development, company secretarial, payroll, taxation, treasury, information technology and property administration. The cost of these services is fully allocated to the relevant business unit. Toll also incurs costs associated with being a listed company on the ASX (e.g. board and secretarial costs, listing fees, registry fees, annual reports and shareholder communications).

3.3 Growth Strategy

Toll is actively pursuing a number of organic and acquisition growth opportunities. These include:

- pursuing organic growth in freight and logistics markets. The Australian and New Zealand freight and logistics market was estimated at over $66 billion per annum in 2006 and the Australian market is projected to double in size over the next 15 years. Approximately half of this market is outsourced and is serviced by a fragmented industry. Regulatory impediments currently restrict Toll's ability to significantly further expand its domestic operations by acquisition;
- capturing a greater share of the growing Australia/New Zealand-Asia and intra-Asian trade through organic growth and strategic acquisitions. The value of trade between Australia/New Zealand and Asia was estimated to total approximately $150 billion per annum in 2006 and trade within Asia is estimated to be in the hundreds of billions of dollars per annum;
- continued growth of the ports business reflecting the rapidly growing export/import and global trade markets;
- continued investment in technology to drive efficiencies and improve customer service levels. Toll continues to invest in web-based technologies that link databases across supply chain participants to provide enhanced visibility of inventory, capacity, status of equipment and orders across the extended supply chain;
- further investment in container terminals to expand capacity and improve productivity to meet customer requirements and growth. Toll is in the process of introducing AutoStrad® (automated straddle carriers) technology across its terminals. This technology will enable the carriers to operate unmanned 24 hours a day in most conditions, resulting in significant cost reductions;
- Pacific National participating in the expected growth in transport services for bulk commodities and expansion of the north-south rail corridor;
- continuing the operational improvements at Pacific National from 100% ownership through improved customers service levels and closer integration of operations with PortLink; and
- developing an airfreight strategy utilising Virgin Blue.

3.4 Financial Performance

The historical financial performance of Toll for the four years ended 30 June 2006 is summarised below:

Toll – Financial Performance ($ millions)[1]	Year ended 30 June			
	2003 actual AGAAP	2004 actual AGAAP	2005 actual AGAAP	2006 actual AIFRS
Total revenue[2]	**2,570**	**3,272**	**3,798**	**4,894**
EBITDA[3]	**197**	**302**	**359**	**534**
Depreciation and amortisation	(77)	(114)	(137)	(190)
EBIT[4]	**120**	**188**	**222**	**344**
Net interest expense	(19)	(23)	(24)	(88)
Investment income[5]	5	2	6	11
Equity accounted share of profits of associates and joint venture entities	31	45	54	34
Operating profit before tax	**137**	**212**	**258**	**301**
Income tax expense	(30)	(39)	(34)	(58)
Profit after tax	**107**	**173**	**224**	**243**
Outside equity interests	(1)	(4)	(7)	(12)
Profit after tax attributable to Toll shareholders	**106**	**169**	**217**	**231**
Statistics				
Basic earnings per share[6]	*39.6c*	*50.8c*	*61.9c*	*63.8c*
Diluted earnings per share	*34.0c*	*50.1c*	*66.0c*	*63.3c*
Dividends per share	*12.0c*	*16.5c*	*23.0c*	*29.5c*
Payout ratio	*42.0%*	*38.9%*	*40.6%*	*64.9%*
Amount of dividend franked	*100%*	*100%*	*100%*	*100%*
Total revenue growth	*26.1%*	*27.3%*	*16.1%*	*29.5%*
EBITDA growth	*37.0%*	*53.4%*	*18.6%*	*50.8%*
EBIT growth	*31.6%*	*56.4%*	*17.8%*	*50.9%*
EBITDA margin	*7.7%*	*9.2%*	*9.4%*	*10.9%*
EBIT margin	*4.7%*	*5.7%*	*5.8%*	*7.0%*
Interest cover[7]	*10.2x*	*13.1x*	*15.1x*	*6.1x[8]*

Source: Toll and Grant Samuel analysis

1 Financial statements for years ended 30 June 2003 to 30 June 2005 were prepared in accordance with Australian generally accepted accounting principles ("AGAAP"). Toll adopted the Australian equivalent to international financial reporting standards ("AIFRS") from 1 July 2005. The major impacts on Toll have been from the elimination of goodwill amortisation, an increase in interest as dividends paid on Toll RPS now treated as interest expense and an increase in income tax expense due to a change in tax accounting method. If AIFRS had been adopted in 2005 profit after tax attributable to Toll shareholders would have been $194 million compared to $217 million under AGAAP.

2 Total revenue represents the sale of goods and provision of services.

3 EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income, equity accounted share of profits of associates and joint venture entities and significant items.

4 EBIT is earnings before net interest, tax, depreciation, amortisation, investment income, equity accounted share of profits of associates and joint venture entities and significant items.

5 Investment income comprises dividends received, rent received and trust distributions.

6 Basic earnings per share shown before dividends paid on Toll RPS.

7 Interest cover is EBITDA divided by net interest.

8 Interest cover reduced due to increased debt in relation to recent acquisitions and as a consequence of accounting for dividends paid on Toll RPS as interest expense under AIFRS. Under AGAAP interest cover would have been 7.4x.

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Comparative analysis of Toll's recent financial performance is difficult as the last three years have been a period of significant corporate activity that has transformed the company. The 2006 results include the consolidation of the Patrick acquisition (including 100% of Pacific National) from 10 May 2006 and consolidation of SembLog from 20 March 2006 as well as the second full year of results for the TranzRail business acquired in 2003.

Toll's underlying businesses exhibited strong organic growth across the period from 2003 to 2006. The Australian operations benefited from the implementation of enhanced technology and expanded capacity. Coal remained the major profit driver for Pacific National although the intermodal and grain divisions underperformed in 2006. Grain volumes suffered as a result of drought conditions, with export tonnage from Victoria and southern New South Wales significantly below expectations. TranzRail's revenue and earnings in 2006 were flat compared to 2005, reflecting the softer economic environment in New Zealand.

Fuel is Toll's largest operating cost. Since taking control of Virgin Blue in 2006, Toll has introduced hedging strategies to manage the impact of fuel costs on that business. Where possible, Toll ensures that fuel surcharging mechanisms are in place to effectively recover increased costs. In addition to encouraging the greater use of rail, Toll is pursuing a range of other initiatives including fuel substitutes and additives to manage fuel costs.

Toll's dividend payout ratio has been approximately 40% over the three years to 2005. In the year ended 30 June 2006 the dividend was increased in consideration of the Patrick and SembLog acquisitions.

Under the Australian tax consolidation system, Toll forms the head entity of the tax consolidated group. As at 31 December 2006, Toll had no carried forward income tax losses and no carried forward capital losses. After allowing for the final dividend for the year ended 30 June 2006, Toll has approximately $120 million in accumulated franking credits.

3.5 Financial Position

The financial position of Toll as at 31 December 2006 is summarised below:

Toll – Financial Position ($ millions)	As at 31 December 2006
Debtors (net)	1,245
Inventories	93
Creditors and provisions	(1,837)
Current tax liabilities (net)	(40)
Net working capital	**(539)**
Property, plant and equipment (net)	5,039
Investments accounted for using the equity method	288
Assets held for sale (net)	60
Intangibles (net)	867
Goodwill	5,686
Deferred tax liabilities (net)	(87)
Other assets (net)	161
Total funds employed	**11,475**
Cash	1,122
Interest bearing liabilities	(6,061)
Toll RPS	(249)
Net borrowings	**(5,188)**
Net assets	**6,287**
Outside equity interests	(378)
Equity attributable to Toll shareholders	**5,909**
Statistics	
Shares on issue at year end (million)	*632*
Net assets per share	*$9.95*
NTA[9] per share	*$(0.42)*
Gearing[10]	*45.2%*

Source: Toll and Grant Samuel analysis

The following should be noted in relation to Toll's financial position as at 31 December 2006:

- Toll has significant intangible assets. Approximately $5.7 billion of this balance relates to goodwill, of which $5.1 billion relates to the acquisition of Patrick;
- assets held for resale include the Patrick Bass Strait Shipping and Tasmanian Freight Forwarding businesses which were required to be divested in accordance with the ACCC undertakings given by Toll in relation to the acquisition of Patrick ($45 million), and property held for sale ($15 million);
- Toll's interest bearing liabilities include $249 million in Toll RPS. There are 2.5 million Toll RPS on issue with a face value of $100. Dividends are payable half yearly on 11 November and 11 May at a dividend rate of 6.2% per annum. Toll RPS holders are unable to speak or vote at shareholder meetings of Toll except in certain circumstances including on a proposal impacting the rights of Toll RPS holders. The Toll RPS were initially classified as equity, however, under AIFRS the Toll RPS are classified as an interest bearing liability;

[9] NTA is net tangible assets, which is calculated as net assets less goodwill and other intangibles.

[10] Gearing is net borrowings divided by net assets plus net borrowings. Net borrowings include Toll RPS.

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- gearing increased during 2006 to 45.2% at 31 December 2006 due to the significant increase in debt required to fund the acquisitions of Patrick and SembLog; and
- Toll is exposed to changes in interest rates and foreign exchange rates from its activities. Toll uses interest rate swaps, foreign exchange options and forward foreign exchange contracts to hedge these risks. Toll also has in place hedging policies to manage fuel costs.

Toll's operations have been funded over time by profits from operations, the proceeds from share issues and borrowings:

Toll – Cash Flow ($ millions)

	Year ended 30 June			
	2003 actual AGAAP	**2004 actual AGAAP**	**2005 actual AGAAP**	**2006 actual AIFRS**
EBITDA	**197**	**302**	**359**	**534**
Changes in working capital and other adjustments	11	(26)	21	93
Capital expenditure (net)	(115)	(130)	(129)	(331)
Operating cash flow	**93**	**146**	**251**	**296**
Tax paid	(37)	(28)	(34)	(65)
Net interest paid (including Toll RPS)	(18)	(20)	(22)	(48)
Dividends paid (net)	(26)	(44)	(61)	(54)
Restructure costs	(7)	(19)	(9)	(10)
Investments (net)	(96)	(152)	(160)	(2,397)
Proceeds from equity issue	20	299	50	4
Other	9	(8)	(8)	19
Proceeds from borrowings	103	(161)	43	3,311
Net cash generated (used)	**41**	**13**	**50**	**1,056**
Cash - opening	*48*	*88*	*102*	*152*
Effects of exchange rate fluctuations on the balance of cash held in foreign currencies	-	*1*	-	-
Cash - closing	*88*	*102*	*151*	*1,208*

Source: Toll and Grant Samuel analysis

3.6 Capital Structure and Ownership

As at 31 March 2007, Toll had the following securities on issue:

- 634,494,000 ordinary shares; and
- 8,762,000 options over unissued shares at various exercise prices and expiry dates granted under the Senior Executive Option Plan and the Executive Share Option Scheme. Each option is convertible into one ordinary share at any time after the initial qualifying period, which is usually between three and five years after the grant date.

As at 31 March 2007, there were 73,713 registered shareholders with the top twenty shareholders comprising approximately 66.0% of the ordinary shares on issue:

Toll – Major Shareholders as at 31 March 2007	Number of Shares	Percentage
JP Morgan Nominees Australia Limited	88,614,093	13.97
National Nominees Limited	55,973,634	8.82
Westpac Custodian Nominees Limited	40,060,505	6.31
Mr Paul Alexander Little	36,026,444	5.68
Citicorp Nominees Pty Limited	32,444,962	5.11
Mostia Dion Nominees Pty Ltd	29,604,824	4.67
HSBC Custody Nominees (Australia) Limited	20,590,888	3.25
ANZ Nominees Limited	17,939,413	2.83
Queensland Investment Corporation	15,809,898	2.49
ANZ Nominees Limited	13,991,180	2.21
Cogent Nominees Pty Limited	12,320,728	1.94
PGA (Investments) Pty Ltd	10,000,000	1.58
Australian Foundation Investment Company	8,000,000	1.26
Citicorp Nominees Pty Limited	7,292,137	1.15
UBS Nominees Pty Ltd	6,991,000	1.10
AMP Life Limited	5,463,172	0.86
HSBC Custody Nominees (Australia) Limited	5,127,058	0.81
PGA (Investments) Pty Ltd	5,000,000	0.79
Citicorp Nominees Pty Limited	3,798,096	0.60
HSBC Custody Nominees (Australia) Limited	3,435,644	0.54
Subtotal - Top 20 shareholders	**418,483,676**	**65.96**
Other shareholders	216,010,324	34.04
Total	**634,494,000**	**100.00**

Source: Toll. Numbers may not add due to rounding

Substantial shareholders with an interest in Toll ordinary shares greater than 5% as at 31 March 2007 are set out below:

Toll – Substantial Shareholders as at 31 March 2007	Number of Shares	Percentage
The Capital Group Companies, Inc	62,201,201	9.80
Commonwealth Bank Group	43,427,322	6.84
Paul Little	36,931,300	5.82

Source: Toll

Other than Paul Little and Mark Rowsthorn[15] the top twenty registered shareholders are principally institutional nominee or custodian companies. Toll shareholders are almost all Australian based (approximately 75% of shares on issue).

[15] Shares held through Mostia Dion Nominees Pty Ltd

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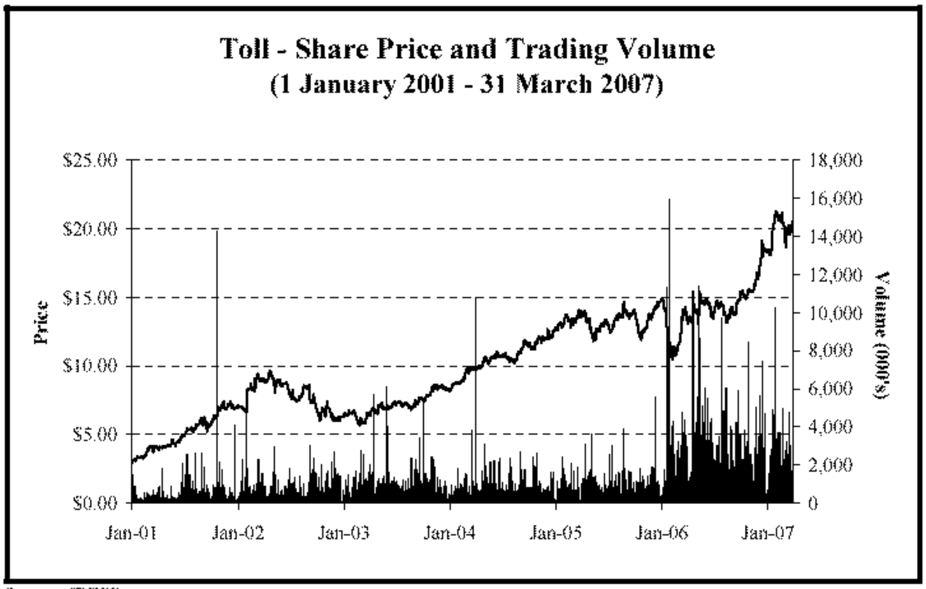
3.7 Share Price History

A summary of the price and trading history of Toll since 1 January 2001 is set out below:

Toll – Share Price History					
	Share Price ($)			Average Weekly Volume	Average Weekly
	High	Low	Close	(000's)	Transactions
Year ended 31 December					
2001	7.40	2.89	6.96	2,697	534
2002	9.73	5.80	6.35	3,649	916
2003	8.80	5.60	8.25	4,546	1,384
2004	12.83	8.26	12.79	4,127	1,568
2005	14.95	11.66	14.90	4,536	2,415
Quarter ended					
31 March 2006	15.20	10.36	13.10	13,201	5,368
30 June 2006	15.61	12.91	14.05	16,024	5,153
30 September 2006	15.42	13.00	15.39	12,239	5,362
Month ended					
31 October 2006	15.77	14.83	15.50	11,446	4,820
30 November 2006	17.00	15.20	16.82	9,915	5,481
31 December 2006	19.22	16.50	18.27	13,138	5,772
31 January 2007	21.46	17.95	20.95	13,659	6,183
28 February 2007	21.40	19.15	19.37	11,127	7,415
31 March 2007	20.55	18.55	20.50	11,307	7,901

Source: IRESS

The following graph illustrates the movement in the Toll share price and trading volumes since 1 January 2001:



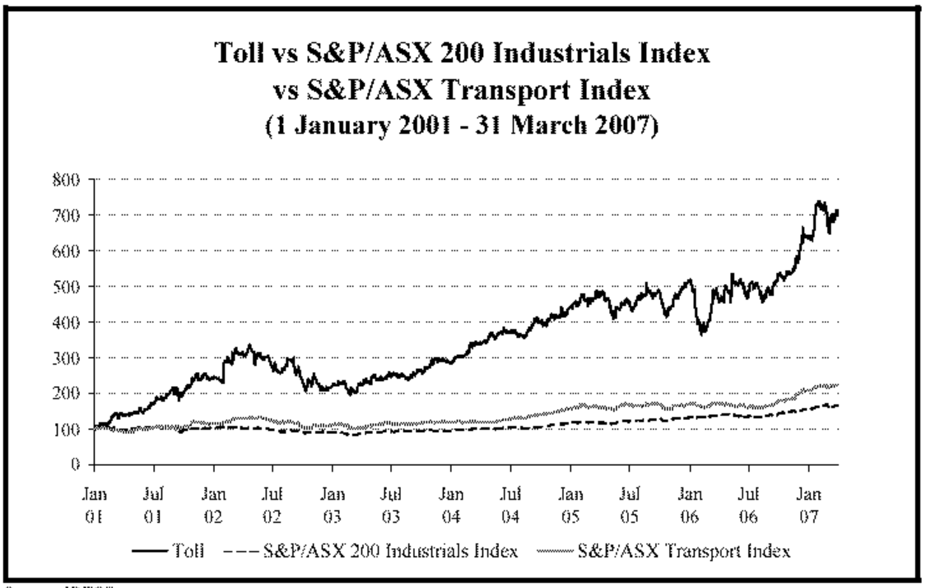
Source: IRESS

The Toll share price has increased significantly over the past six years, reflecting the strong growth in earnings over this period. The Toll share price declined in the 2002 calendar year, moving from $9.52 on 19 April 2002 to $5.70 on 21 February 2003 as a consequence of earnings performance below market expectations and a general fall in the overall sharemarket. For the following three years, the Toll share price performed strongly increasing to $14.90 on 30 December 2005 reflecting Toll's organic growth and successful strategic acquisitions. Upon announcement of the Patrick takeover on 22 August 2005, Toll's share price increased from $13.58 to a high of $14.95 and closed at $14.67. The prolonged nature of the takeover and the ACCC review of the transaction contributed to considerable volatility in the Toll share price up to 13 March 2006 when the ACCC announced that it would not oppose the takeover subject to undertakings from Toll.

From the middle of March 2006 to the announcement of the proposed restructure on 13 December 2006, Toll's shares traded broadly in the range $12.91-18.69 (at a weighted average price of $14.62). Since announcement of the proposed restructure, Toll's share price has traded in the range of $17.95-21.46 (at a weighted average price of $19.85).

Toll is a reasonably liquid stock with no restrictions on free float. Average weekly volume over the 12 months prior to announcement of the proposed restructure represented approximately 2.0% of shares on issue or annual turnover of around 108.0% of total issued capital.

Toll is a major Australian listed company with a market capitalisation prior to announcement of the proposed restructure of $11.5 billion. It is listed in the S&P/ASX 50 and is a member of all major indices. The relative performance of Toll shares against the S&P/ASX 200 Transport Index and the S&P/ASX All Industrials Index since January 2001 is shown below:



Source: IRESS

Toll has outperformed the S&P/ASX Transport Index in the six years ended 31 December 2006, except in 2002 and the first half of the 2006. Toll currently represents approximately 26.1% of the S&P/ASX Transport Index followed by Qantas (20.7%), Macquarie Infrastructure Group (20.2%), Transurban (13.2%) and Macquarie Airports Group (11.5%). Toll has outperformed the S&P/ASX 200 Industrials Index.

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4 Background on Demergers

4.1 Rationale

A "demerger" or "spin-off" is generally defined as a pro-rata transfer of shares in a wholly owned subsidiary to shareholders. The broad principle underlying demergers is that sharemarkets generally do not reward corporate diversification unless there are substantial synergies available to a corporate holder of a diversified portfolio of assets or some other strategic rationale. Investors can achieve diversification themselves and it is generally accepted that investors prefer the investment flexibility resulting from the separation of assets into separate companies that have relatively focussed businesses. Consequently, demergers have typically been undertaken to create investment opportunities with a single geographic focus, a single industry focus or a single commodity focus.

A pure demerger involves the transfer to existing shareholders of 100% of the shares in the subsidiary and there is no dilution of equity or transfer of ownership from the current shareholders. There are a number of variants that are also loosely referred to as demergers including:

- a majority demerger, where the parent distributes the bulk of the subsidiary's shares to existing shareholders and either retains the remaining shares for a period or sells them immediately through an initial public offering ("IPO") or other sale process;
- an equity carve-out, where the parent company sells a portion of a subsidiary's shares though an IPO. The carved-out subsidiary has its own board, management and financial statements while the parent company provides strategic direction and central resources; and
- a divestiture IPO, where 100% of the shares in the subsidiary are sold to the public.

The use of demergers as a method of divesting a subsidiary has become a common feature of equity markets in recent years. Recent examples of demergers in Australia include:

Selected Demergers in Australia

Date	Parent	Business/ Market focus	Demerged entity	Business/ Market focus	% demerged
Jun 1998	Coca-Cola Amatil Limited	Beverages/Asia Pacific	Coca Cola Beverages plc	Beverages/Europe	100.0%
Oct 1998	Delta Gold Limited	Gold	Zimbabwe Platinum Mines Limited	Platinum	49.0%
Feb 2000	Origin Energy Limited	Energy	Boral Limited	Building Materials	100.0%
Apr 2000	Amcor Limited	Packaging	PaperlinX Limited	Paper	82.0%
Oct 2000	The Broken Hill Proprietary Company Limited	Resources	OneSteel Limited	Steel	100.0%
Jul 2002	BHP Billiton Limited	Resources	BHP Steel Limited	Steel	94.0%
Dec 2002	WMC Limited (renamed Alumina Limited)	Alumina	WMC Resources Limited	Resources	100.0%
Mar 2003	CSR Limited	Building materials, aluminium, sugar	Rinker Group Limited	Heavy building materials	100.0%
Oct 2003	AMP Limited	Life insurance, wealth management/Australia, New Zealand	HHG plc	Life insurance, wealth management/United Kingdom, Europe	85.0%
Nov 2005	Mayne Group Limited (renamed Symbion Health Limited)	Healthcare	Mayne Pharma Limited	Pharmaceuticals	100.0%
Nov 2006	Tower Limited	Multi-line insurance (New Zealand)	Tower Australia Group Limited	Life insurance (Australia)	100.0%

Source: IRESS

In addition, there has been a number of divestiture IPOs in Australia:

Selected Divestiture IPOs in Australia

Date	Parent	Business/Market focus	Demerged entity	Business/ Market focus	% demerged
Oct 1997	Lang Corporation Limited	Transport logistics, investment	TDG Logistics Limited	Logistics	80.0%
Oct 1997	Boral Limited	Building materials, energy	Envestra Limited	Gas pipelines	80.0%
Nov 1998	Mayne Nickless Limited	Logistics, healthcare	Cable & Wireless Optus Limited	Telecommunications	47.5%
Jun 1999	PBL Limited	Media and entertainment	ecorp Limited	Internet	20.0%
Jun 2000	AGL	Energy	Australian Pipeline Trust	Gas pipelines	70.0%
Mar 2001	Village Roadshow Limited	Media and entertainment	Austereo Limited	Radio	55.0%
Aug 2001	Futuris Corporation Limited	Rural and automotive systems	Australian Agricultural Company Limited	Agriculture	60.0%
Oct 2003	Foster's Group Limited	Alcoholic beverages	Australian Leisure & Hospitality Group Limited	Hotels, liquor and gaming, property	100.0%
Oct 2005	Alinta Limited	Gas utilities	Alinta Infrastructure Holdings Limited	Gas pipelines and power stations	80.0%
Dec 2005	Burns, Philp & Company Limited	Food manufacture	Goodman Fielder Limited	Basic foods	80.0%
Jul 2006	Macquarie Infrastructure Group	Transportation infrastructure	Sydney Roads Group	Toll roads (Australia)	100.0%

Source: IRESS

The benefits typically cited for demergers largely reflect the focus of the demerged entity. However, there are a number of disadvantages and potential risks associated with demergers:

Benefits and Disadvantages/Risks of Demergers

Benefits	Disadvantages/Risks
▪ transparency	▪ loss of synergies
▪ investor attraction and interest	▪ transaction costs
▪ enhanced flexibility to shareholders	▪ duplication of corporate costs
▪ clarity in capital allocation	▪ increased financing costs
▪ flexibility in raising capital	▪ loss of diversification
▪ better targeted incentives and management focus	▪ reduced liquidity and rating in key indices
▪ independence and strategic flexibility to undertake growth initiatives	

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4.2 Market Evidence

There is little hard evidence as to whether or not demergers have actually been successful in enhancing shareholder value, largely because it is not possible to reliably measure what the share prices would have been had the demergers not occurred. Some of the evidence and views which have emerged are summarised below:

- several studies[12] have found that there was a positive impact on the share price (of around 3-6%) at the time of the announcement. A similar rise occurred where there was a targeted share or equity carve-out. One study has shown that, in some circumstances, there is no decline even if the demerger is ultimately withdrawn[13];
- several studies[14] have also found significantly positive abnormal returns over an extended period (of up to three years) following the demerger for the demerged company, the parent and the demerged company/parent combination. Although, one study[15] found that long term value creation only exists for the demerged subsidiary not the parent;
- some of the reasons found to be associated with positive abnormal returns have included:
  - corporate restructuring activity[16]. Both the demerged subsidiary and the parent experience an unusually high incidence of takeovers in comparison to their control group comparable companies. The abnormal performance is limited to companies involved in takeover activity. The findings suggest that demergers provide a low-cost method of transferring control of corporate assets to bidders who are able to create greater value;
  - mitigation of information asymmetry[17]. The hypothesis was that value would be enhanced if the demerged subsidiary is able to convey more information about its operating efficiency and future prospects when it is a separate entity than when it is part of a combined unit. The findings were that firms that engage in demergers have higher levels of information asymmetry compared to their industry and size matched counterparts and the information problems decrease significantly after the demerger as analyst scrutiny increases. The relationship is more pronounced for those companies that demerge related subsidiaries;
  - increased focus[18] translating into better sharemarket and operating performance. The abnormal returns for focus-increasing demergers are significantly larger than the corresponding abnormal returns for the non-focus-increasing demergers. A focus-increasing demerger reduces the diversity of assets under management and thereby increases the efficiency of management. However, an analysis of non-focus increasing demergers showed that companies are likely to undertake these demergers to separate underperforming subsidiaries from their parents with efficiency not being a major motivating factor. Indeed, positive returns after the demerger have been found to be due to pre-announcement sharemarket weakness;

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[12] See for example: P.L. Anslinger, S.J. Klepper and S. Subramaniam, "Breaking up is good to do", The McKinsey Quarterly, 1999 Number 1; Thomas Kirchmaier, "The Performance Effects of European Restructures", Centre for Economic Performance, London School of Economics and Political Science, May 2003; UBS Investment Research, "Q-Series: Spin-offs and restructures", UBS Limited, 14 April 2005.

[13] K. Alli, G. Ramirez and K. Yung, "Withdrawn Spin-offs: An Empirical Analysis", The Journal of Financial Research, Winter 2001.

[14] See for example: J. Wyatt, "Why Spinoffs Work for Investors", Fortune, October 16 1995, p72; P.J. Cusatis, J.A. Miles and J.R. Woolridge, "Restructuring Through Spin-outs, The Stock Market Evidence", Journal of Financial Economics, Volume 33 No. 3, June 1993, T.A. John, "Optimality of Spin-outs and Allocation of Debt" Journal of Financial and Quantitative Analysis, 1993.

[15] Thomas Kirchmaier, "The Performance Effects of European Restructures", Centre for Economic Performance, London School of Economics and Political Science, May 2003.

[16] P.J. Cusatis, J.A. Miles and J.R. Woolridge, "Restructuring Through Spin-outs, The Stock Market Evidence", Journal of Financial Economics, Volume 33 No. 3, June 1993.

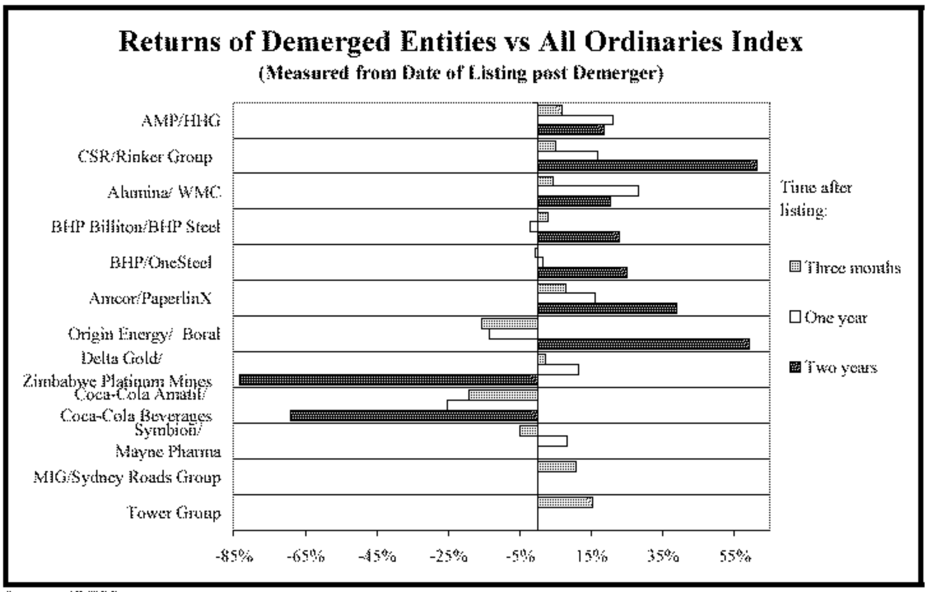
[17] S. Krishnaswami and V Subramaniam, "Information asymmetry, valuation and the corporate spin-out decision" Journal of Financial Economics, Volume 53, No. 1, July 1999.

[18] See for example: H. Desai and P.C. Jain, "Firm performance and focus: long-run stock market performance following spin-outs", Journal of Financial Economics, Volume 54, No. 1, October 1999 and L. Daley, V. Mehrotra and R. Sivarenmar, "Corporate Focus and Value Creation: Evidence from Spinoffs", Journal of Financial Economics, Volume 45, 1997.

- improved financing decisions[19]. Conglomerates tend to divide resources evenly between divisions thus investing too little in strong industries and too much in weaker industries. The study showed that capital expenditure showed greater sensitivity to changes in growth opportunities after a division became independent; and

- one analyst report[20] found that following a demerger, where the resulting entities are relatively similar in size, both entities generally underperform the market for a period of approximately six months. In the long term however, both stocks tend to outperform the market (implying that the market awaits a reporting period before committing to the new entities). In comparison, where the subsidiary is much smaller than the parent, the demerged entity is typically a strong outperformer while the parent moves with the market.

While an admittedly imperfect basis of analysis and somewhat crude (given the wide range of factors that influence share prices), studies of the relative performance of some of the Australian companies that undertook demergers would support this thesis, particularly looking at performance one to two years after the demerger. The following graph summarises the relative share price performance, in percentage terms, of the hypothetical combined sharemarket value of the parent company and the demerged entity three months, one year and two years after the date the demerged entity was listed on the ASX:



Source: IRESS

Note: (1) Symbion/Mayne Pharma commenced trading separately on 21 November 2005. Mayne Pharma was acquired by Hospira Inc on 22 January 2007.

(2) Macquarie Infrastructure Group ("MIG")/Sydney Roads Group commenced trading separately on the 31 July 2006. On 14 December 2006 Transurban Group announced a takeover offer for Sydney Roads Group which was recommended by Sydney Roads Group on 18 January 2007.

(3) Tower Limited/Tower Australia Group Limited commenced trading on 21 November 2006.

The above analysis indicates that there has been mixed combined performance of demerged entities immediately following a demerger, with evidence of both outperformance and underperformance to the general market. However, the evidence suggests that more recently demerged entities have outperformed the market within two years of listing. Evidence of significant underperformance can be explained by industry or operational features of either or both entities (e.g. Delta Gold/ Zimbabwe Platinum Mines were affected by the political unrest and economic uncertainty in Zimbabwe and decline in the gold price and Coca-Cola Amatil/Coca-Cola

[19] R. Gertner, E. Powers and D. Scharfstein, "Learning About Internal Capital Markets From Corporate Spinoffs", November 2000.

[20] Macquarie Research Equities, "Australian Gas Light: Acquisitions, restructures and au revoirs", 1 November 2005.

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Beverages were impacted by the poor performance of Coca Cola Amatil's Philippines business, which accounted for almost half of total earnings). Further, it should be noted that seven of the above demerged entities (Sydney Roads Group, Mayne Pharma, Rinker, Coca-Cola Beverages, Delta Gold, Zimbabwe Platinum Mines and WMC Resources) were subject to corporate activity within 3-4 years of their respective demerger transactions.

On the other hand, some studies have found that demergers may negatively impact value and that conglomerates have outperformed the market over some periods[21]. Conglomerate structures do have benefits including financial size and strength, better liquidity and higher index rating, lower earnings volatility and risk (if business units are not correlated in terms of economic cyclicality), greater depth of management and lower cost of capital (depending on other factors).

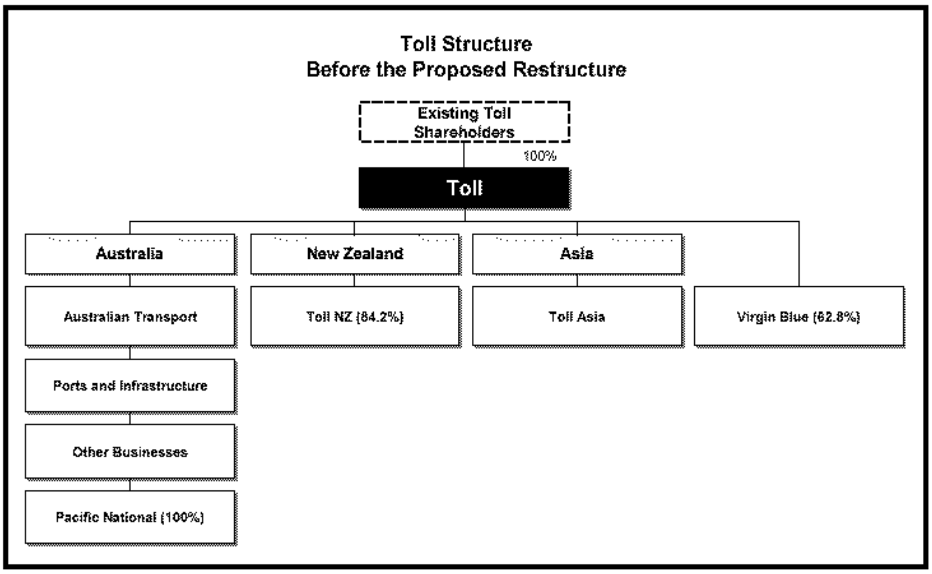
While the balance of evidence does favour demergers as adding value, the alternate views underline the fact that there is no universal structure for businesses. There are successful and unsuccessful conglomerates. While some demergers create substantial value, others do not. In the end, the success of demergers depends on the specific circumstances of each case.

[21] Boston Consulting Group, "Conglomerates Reports", 2002. However, this study was based on share price performance up to 2000 and several of the conglomerates in the sample (e.g. Marconi, Vivendi Universal, Tyco) would now show a very different picture.

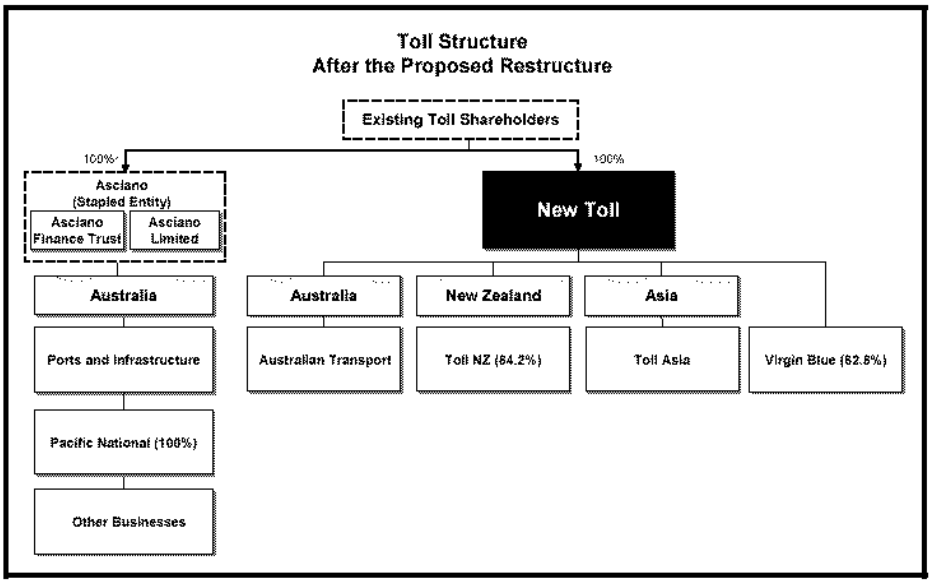
5 Impact of the Proposed Restructure

5.1 Impact on Capital Structure and Ownership

The capital structure and ownership of Toll prior to the proposed restructure is shown below:



The effect of the proposed restructure on the capital structure and ownership is shown below:



Upon implementation of the proposed restructure each of the entities will have approximately 634.5 million shares or stapled securities on issue (excluding the $150 million placement by Asciano). New Toll will also have 2.5 million Toll RPS on issue. The relative ownership interest held by each Toll shareholder (other than ineligible overseas shareholders) in New Toll will be equal to their ownership interest in Toll immediately prior to implementation of the proposed restructure. The ownership interest of each Toll shareholder in Asciano will be diluted marginally by the placement of $150 million to be undertaken by Asciano after the proposed restructure.

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The separated entities will be arm's length parties and deal with each other on full commercial terms. There will be no cross-shareholdings between New Toll and Asciano and there will be no common directors and management.

5.2 New Toll

5.2.1 Operations and Strategy

New Toll will comprise the current Australian, New Zealand and Asian logistics businesses of Toll (including some assets acquired as part of the Patrick takeover) and the 62.8% shareholding in Virgin Blue. Its operations will include:

- road and sea freight forwarding;
- general road delivery and haulage transport;
- third party logistics;
- time sensitive distribution, including courier services; and
- shipping operation and management.

New Toll will focus on organic and strategic growth opportunities across Australia, New Zealand and Asia. New Toll will maintain its focus on an integrated logistics model, targeting operational expansion, more efficient services through appropriate information technology integration and an increased market share of Asian, Australian, New Zealand and global trade. New Toll will continue to have access to and maintain relationships with Asciano's assets through arms-length commercial arrangements.

The logistics operations will be largely unchanged by the proposed restructure. However, it will need to manage its corporate and capital structure independent of the larger Toll group and manage the commercial relationship with Asciano.

5.2.2 Earnings and Dividends

The historical and forecast pro forma financial performance of New Toll for the year ended 30 June 2006 and year ending 30 June 2007 is summarised below:

New Toll – Pro Forma Financial Performance ($ millions)		
	Year end 30 June	
	2006 historical	2007 forecast
Total revenue		
Toll Australia and head office	3,875	4,283
Toll NZ	625	658
Toll Asia	470	465
Virgin Blue	1,869	2,150
Total revenue	**6,839**	**7,556**
EBITDA		
Toll Australia and head office	342	422
Toll NZ	107	99
Toll Asia	57	62
Virgin Blue	260	408
EBITDA	**766**	**991**
EBIT before additional depreciation and amortisation arising from acquisition accounting	**537**	**709**
EBIT	**529**	**666**
Equity accounted share of profits of associates	15	19
Operating profit before interest and tax	**544**	**685**
Net interest expense		(33)
Income tax expense		(189)
Profit after tax		**463**
Outside equity interests		(85)
Profit after tax attributable to New Toll shareholders		**378**
Non-recurring items (profit on restructure)		1,004
Profit after tax and non-recurring items		**1,382**
Capital expenditure		
Toll Australia and head office	*145*	*115*
Toll NZ	*82*	*41*
Toll Asia	*14*	*6*
Virgin Blue	*232*	*267*
Total capital expenditure	***473***	***429***
Statistics		
Total revenue growth	*na*	*10.5%*
EBITDA growth	*na*	*29.4%*
EBIT[22] growth	*na*	*32.0%*
EBITDA margin	*11.2%*	*13.1%*
EBIT[22] margin	*7.9%*	*9.4%*
Diluted earnings per share before non-recurring items[22]	*na*	*63.9c*
Interest cover	*na*	*30.0x*

Source: Restructure Scheme Book and Grant Samuel analysis

22 Before additional depreciation and amortisation arising from acquisition accounting for Patrick and SembLog.

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To establish Asciano as a separate group of companies, a number of share and asset transfers have, or will be implemented before the date of implementation of the proposed restructure. The pro forma operating results are prepared on a consolidated basis, and therefore include 100% of the results of Virgin Blue, Toll NZ and other businesses in which New Toll does not own 100% of equity. The minority interests in New Toll's net profit after tax are set out separately in the table above.

The pro forma financial performance for New Toll for the 2006 financial year represents a full twelve months of trading for the businesses and assets that will remain with New Toll post the restructure, including a full twelve months result for SembLog and ex-Patrick businesses. It eliminates:

- the results of Pacific National and other businesses and assets to be divested to Asciano; and
- the results of Patrick's Bass Strait Shipping and Tasmanian Freight Forwarding businesses for the 2006 financial year, as these businesses have been divested in accordance with the ACCC undertakings in respect to the acquisition of Patrick.

The historical pro forma results do not include any synergies and reduction in costs and do not reflect a full year of additional depreciation and amortisation resulting from the acquisition of Patrick and SembLog. Therefore, the 2006 financial year pro forma results include a full year of operating EBIT but only two months of the additional depreciation and amortisation charges arising from the accounting of Toll's acquisition of Patrick and SembLog.

The pro forma forecast financial information for New Toll has been prepared on the following basis:

- assumes that the proposed restructure was completed on 1 July 2006;
- reflects six month actual results to 31 December 2006 and six month forecasted results to 30 June 2007;
- assumes the capital structure of New Toll as presented in the pro forma statement of financial position in Section 5.2.3 of this report;
- includes the costs of New Toll operating as an independent entity;
- excludes the corporate costs relating to executives transferring to Asciano from Toll;
- includes the expected synergies from the Patrick and SembLog acquisitions in the 2007 financial year retained by New Toll;
- includes additional depreciation and amortisation charges arising from the accounting for the acquisition of Patrick and SembLog of $43 million per annum (represents an allocation of these costs for the businesses that will remain with New Toll following the proposed restructure); and
- includes allowances for expected restructure transaction costs of approximately $87 million before tax ($60 million after tax) which will be incurred by New Toll in the 2007 financial year.

The forecast capital expenditure of New Toll in the 2007 financial year primarily relates to Virgin Blue and reflects the purchase of two new owned aircraft for $116 million and pre-delivery payments for new aircraft of $43 million.

Detailed pro forma financial information for New Toll is set out in Section 8.7 of the Restructure Scheme Book. Pro forma financial information has been prepared by Toll and reviewed by the Investigating Accountant, KPMG, and its report is set out in Section 15 of the Restructure Scheme Book.

Following the proposed restructure, New Toll will retain the group's surplus franking credit balance of approximately $120 million. New Toll expects to pay fully franked dividends and anticipates that its dividend policy will remain unchanged to that of Toll prior to the proposed restructure. This has resulted in a dividend payout ratio of approximately 40% over the past four years except for the 2006 financial year in which the payout ratio increased in consideration of the Patrick and SembLog acquisitions. Dividends are expected to be paid twice annually and New Toll's first dividend is expected to be payable for the period ending 30 June 2007. However, New Toll's future dividend policy will be at the discretion of the board.

5.2.3 Financial Position

The pro forma balance sheet of New Toll at 31 December 2006 is summarised below:

New Toll – Pro Forma Financial Position ($ millions)	As at 31 December 2006
Debtors	810
Inventories	44
Creditors and provisions	(1,259)
Current tax liabilities (net)	(40)
Net working capital	**(445)**
Property, plant and equipment (net)	2,594
Investments accounted for using the equity method	278
Assets held for sale (net)	15
Intangibles (net)	224
Goodwill	1,751
Deferred tax liabilities (net)	(87)
Other assets (net)	30
Total funds employed	**4,360**
Cash	1,447
Interest bearing liabilities	(1,862)
Toll RPS	(249)
Net borrowings	**(664)**
Net assets	**3,696**
Outside equity interests	(351)
Equity attributable to New Toll shareholders	**3,345**
Statistics	
Shares on issue at year end (million)[23]	*632*
Net assets per share	*$5.85*
NTA per share	*$2.72*
Gearing	*15.2%*

Source: Restructure Scheme Book and Grant Samuel analysis

The pro forma balance sheet of New Toll:

- assumes the proposed restructure was completed on 31 December 2006;
- reflects the proposed debt structure of New Toll following the proposed restructure. Approximately $4.2 billion (substantially all) of Toll's debt prior to the proposed restructure is being transferred to Asciano and refinanced;

[23] Per share calculations are shown on an undiluted basis (i.e. undiluted for options on issue).

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- reflects the divestment of the port and Pacific National assets to Asciano at their fair value (which results in a profit on divestment of approximately $1.0 billion after transaction costs);
- assumes that the sale of Patrick's Bass Strait Shipping and Tasmanian Freight Forwarding businesses had been completed and that the cash had been received; and
- assumes that the sale of the Victorian track by Pacific National to the Victorian Government for book value of $130 million has been completed.

A detailed pro forma balance sheet (including a description of the underlying assumptions and adjustments made) is set out in Section 8.7 of the Restructure Scheme Book. The pro forma balance sheet has been prepared by Toll and reviewed by the Investigating Accountant, KPMG, and its report is set out in Section 15 of the Restructure Scheme Book.

New Toll will have net borrowings of approximately $664 million (including Toll RPS) based on the pro forma balance sheet.

5.2.4 Directors and Management

New Toll's board will comprise the existing directors of Toll, except for Mark Rowsthorn. Paul Little will remain as Managing Director and John Moule will continue as Chairman. One or more new directors may be added to the board following implementation of the proposed restructure.

Toll's existing senior management is to remain in place except for Mark Rowsthorn who is to be appointed chief executive officer of Asciano. Paul Little will continue as Managing Director and Neil Chatfield will continue as Chief Financial Officer. The existing operational and strategy team is to remain in place. Further details of the senior management team are set out in Section 8.6 of the Restructure Scheme Book.

5.3 Asciano

5.3.1 Operations and Strategy

Asciano's operations will comprise:

- bulk ports and stevedoring operations (including a 50% interest in Toll Owens);
- container terminals and ports services (including PortLink logistical services);
- Pacific National intermodal, bulk services and other operations;
- automotive vehicle supply chain services through an 80% interest in Patrick's Autocare joint venture; and
- property development and ports facilities through a 50% interest in the AAT joint venture.

Asciano will have a mandate to focus on port and rail assets in Australia and New Zealand as well as investments domestically or internationally in broader infrastructure assets such as airports and toll roads.

Asciano plans to improve its services through automation and technology integration within its ports and infrastructure units and to pursue further investment opportunities. Asciano intends to expand and position its operations to benefit from potential growth in large customer contracts, bulk markets and global trade. Asciano will also develop organically its rail services and networks.

Asciano will be a listed stapled infrastructure entity consisting of Asciano Limited and Asciano Finance Trust. It will be internally managed and will not have a major or cornerstone shareholder. As a stapled entity, distributions by Asciano will comprise tax deferred and taxable components. The tax deferred amount of any distribution is not included in a securityholder's assessable income. The taxable component comprises franked dividends.

The operations and strategy of the underlying business in Asciano will be largely unchanged by the proposed restructure. However, it will need to manage its corporate and more highly geared capital structure independent of the larger Toll group and manage the commercial relationship with New Toll.

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5.3.2 Earnings and Dividends

The historical and forecast pro forma financial performance of Asciano for the year ended 30 June 2006 and years ending 30 June 2007 and 30 June 2008 are summarised below:

Asciano – Pro Forma Financial Performance ($ millions)	Year end 30 June		
	2006 historical	2007 forecast	2008 forecast
Total revenue			
Ports and head office	1,025	1,060	1,156
Pacific National	1,476	1,528	1,706
Total revenue	**2,501**	**2,588**	**2,862**
EBITDA			
Ports and head office	240	299	341
Pacific National	271	295	371
EBITDA	**511**	**594**	**712**
EBIT before depreciation and amortisation arising from acquisition accounting	**352**	**419**	**509**
EBIT	**344**	**333**	**423**
Equity accounted share of profits of associates	11	9	9
Operating profit before interest and tax	**355**	**342**	**432**
Net interest expense		(312)	(325)
Income tax expense		(9)	(32)
Profit after tax		**21**	**75**
Outside equity interests		(4)	(4)
Distributable income attributable to Asciano stapled securityholders		**17**	**71**
Capital expenditure			
Ports and head office	*208*	*121*	*233*
Pacific National	*178*	*152*	*177*
Total capital expenditure	***386***	***273***	***410***
Statistics			
Total revenue growth	*na*	*3.5%*	*10.6%*
EBITDA growth	*na*	*16.2%*	*19.9%*
EBIT[24] growth	*na*	*19.0%*	*21.5%*
EBITDA margin	*20.4%*	*23.0%*	*24.9%*
EBIT[24] margin	*14.1%*	*16.2%*	*17.8%*
Diluted earnings per share[24]	*na*	*11.8c*	*20.0c*
Interest cover	*1.6x[25]*	*1.9x*	*2.2x*

Source: Restructure Scheme Book and Grant Samuel analysis

The pro forma historical statement of financial performance reflects twelve months of trading to 30 June 2006 for all business and assets to be divested by Toll to Asciano. It does not include any synergies and reductions in costs and does not reflect a full year of additional depreciation and amortisation resulting from the acquisition of Patrick.

The pro forma forecast financial information for Asciano has been prepared on the following basis:

[24] Before additional depreciation and amortisation arising from acquisition accounting for Patrick. Assumes there are 657 million Asciano shares on issue following the $150 million equity capital raising, and that there are no Asciano options on issue.

[25] Based on EBITDA for the 2006 financial year and forecast net interest for the 2007 financial year.

- assumes that the proposed restructure was completed on 1 July 2006;
- reflects six month actual results to 31 December 2006 and six month forecasted results to 30 June 2007, and twelve months forecast results to 30 June 2008;
- includes the expected ongoing head office costs of Asciano operating as an independent entity;
- assumes annualised synergies of $20 million from the Patrick acquisition in the 2007 and 2008 financial years (although these are not expected to be fully realised in the year ending 30 June 2007), in addition to corporate cost savings already realised; and
- excludes allowances for expected restructure transaction costs which will be incurred by New Toll except for debt establishment fees associated with the new borrowing facilities.

It is forecast that the pro forma EBIT of Asciano in the 2007 financial year will be lower than the pro forma 2006 financial year EBIT. This is attributable to the fact that the 2006 financial year includes a full year of operating EBIT but only two months of the additional depreciation and amortisation charges arising from the accounting of Toll's acquisition of Patrick, whereas the forecast for the 2008 financial year includes a full year of depreciation and amortisation totalling $86 million.

Asciano is expected to significantly increase its level of capital expenditure to $410 million in the 2008 financial year, of which $233 million relates to the ports business. This forecast primarily reflects the expansion of Berth 10 at Fisherman's Island, new cranes at East Swanson Dock and commencement of the roll out of the AutoStrad® technology to Port Botany and East Swanson Dock. The forecast capital expenditure of Pacific National in the 2007 and 2008 financial years primarily relates to the ongoing upgrading and expansion in capacity of the intermodal fleet.

Detailed pro forma financial information for Asciano is set out in Section 7.12 of the Restructure Scheme Book. Pro forma financial information has been prepared by Toll and reviewed by the Investigating Accountant, KPMG, and its report is set out in Section 15 of the Restructure Scheme Book.

Following the proposed restructure, Asciano will have no franking credit balance and no carry forward income tax or capital losses. Distributions will comprise tax deferred and taxable components. Initially, distributions are expected to be predominantly tax deferred. It is expected that the taxable component of distributions will be fully franked dividends as almost all of Asciano's taxable income will be generated in Australia.

The level of distributions will be determined at the discretion of the board of Asciano. Distributions are expected to be paid twice annually for periods ending 31 December and 30 June. Toll management forecasts that Asciano will pay a taxable distribution of $0.09 per security and a tax deferred distribution of $0.37 per security in the 2008 financial year (total of $0.46 per security).

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5.3.3 Financial Position

The pro forma balance sheet of Asciano at 31 December 2006 is summarised below:

Asciano – Pro Forma Financial Position ($ millions)	
	As at 31 December 2006
Debtors (net)	435
Inventories	49
Creditors and provisions	(593)
Net working capital	**(109)**
Property, plant and equipment (net)	2,315
Investments accounted for using the equity method	10
Goodwill	4,176
Intangibles (net)	643
Other assets (net)	133
Total funds employed	**7,167**
Cash	268
Interest bearing liabilities	(4,463)
Net borrowings	**(4,200)**
Net assets	**2,968**
Outside equity interests	(27)
Equity attributable to Asciano stapled securityholders	**2,941**
Statistics	
Securities on issue at year end (million)	*647*[26]
Net assets per security	*$4.59*
NTA per security	*($2.86)*
Gearing	*58.6%*

Source: Restructure Scheme Book and Grant Samuel analysis

The pro forma statement of financial position of Asciano:

- assumes the proposed restructure was completed on 31 December 2006;
- includes the consolidated assets and liabilities of both Asciano Limited and Asciano Finance Trust;
- reflects the transfer of net debt of $4.2 billion for Toll to Asciano;
- reflects the $150 million of cash proceeds from the equity capital raising by Asciano;
- includes debt establishment fees of approximately $40 million are paid by Asciano, capitalised against interest bearing liabilities and amortised in line with the life of the related debt instruments which range from three to five years;
- reflects the acquisition of all the infrastructure assets and liabilities from Toll at their current carrying value, with the exception that only 50% of the goodwill of Pacific National can be recognised by Asciano pursuant to accounting principles; and
- assumes that the sale of the Victorian tracks by Pacific National to the Victorian Government for book value of $130 million has been completed.

A detailed pro forma balance sheet (including a description of the underlying assumptions and adjustments made) is set out in Section 7.12 of the Restructure Scheme Book. The pro

[26] Per security calculations assume an additional 15 million stapled securities on issue following the $150 million capital raising.

forma balance sheet has been prepared by Toll and reviewed by the Investigating Accountant, KPMG, and its report is set out in Section 15 of the Restructure Scheme Book.

Substantially all of Toll's existing debt (which is being refinanced) will be retained within Asciano. Asciano will have net borrowings of approximately $4.2 billion, based on the pro forma balance sheet. In addition, Asciano will have in place a capital expenditure facility of $550 million and a working capital facility of $150 million.

5.3.4 Directors and Management

The Board of Asciano Limited and Asciano Finance Limited will comprise executive director Mark Rowsthorn (Managing Director / Chief Executive Officer) and non executive directors Tim Poole (Chairman), Peter George and Chris Barlow. Tim Poole and Chris Barlow will become directors after 15 June 2007 with Saul Cannon (who will become Group General Counsel) acting as a director until that time.

The senior management team for Asciano will comprise Mark Rowsthorn as Managing Director/Chief Executive Officer, Don Telford as Head of Operations (the current Chief Executive Officer of Pacific National) and Austen Perrin (the current Chief Financial Officer of Pacific National). Further details of the senior management team are set out in Section 7.10 of the Restructure Scheme Book.

5.4 Impact on Key Investment Parameters

The proposed restructure will create two smaller but still substantial entities. The table below sets out the financial parameters of the two entities compared to the pro forma financial parameters of Toll prior to the proposed restructure:

Impact of Proposed Restructure on Pro Forma Financial Parameters ($ millions)

	Year ended 30 June 2006		
	Toll pro forma	**New Toll pro forma**	**Asciano pro forma**
Financial Performance[27]			
Revenue	9,340	6,839	2,501
EBITDA[28]	1,270	766	511
EBIT[29]	865	537	352
Financial Position[30]			
Total assets	14,648	7,268	8,024
Net borrowings	5,188	664	4,200
Net assets	6,288	3,696	2,968

Source: Restructure Scheme Book and Grant Samuel analysis

The pro forma financial performance for Toll on a standalone basis (set out above) has been prepared by Grant Samuel from information contained in the Restructure Scheme Book on the following basis:

- includes full year results for Patrick and SembLog; and
- excludes and the results of Patrick's Bass Strait Shipping and Tasmanian Freight Forwarding businesses which have been sold in accordance with ACCC undertakings in respect of the Patrick acquisition.

27 Year ended 30 June 2006.

28 Excluding share of net profits of associates accounted for using the equity method.

29 Excluding share of net profits of associates accounted for using the equity method, and before additional depreciation and amortisation arising from acquisition accounting of the Patrick and SembLog acquisitions.

30 As at 31 December 2006.

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6 Evaluation of the Proposed Restructure

6.1 Rationale for Restructure

Toll's acquisition of Patrick in July 2006 and SembLog in May 2006 reflected its strategy to establish a leading integrated logistics business providing customers with a seamless order to delivery service that spans the Asia Pacific region. Since completing these acquisitions Toll has taken a number of steps to develop the business and implement its strategy including:

- consolidating its Australian transport operations with the international freight forwarding of operations of Patrick. This has allowed Toll to gain a better understanding of the flow of volume through the container terminals;
- reducing the bottleneck between the road and rail activities around the port assets. The general stevedoring operations of Patrick have been integrated with Toll's port side operations and the links between PortLink and Pacific National have been improved; and
- continuing the improvement in Pacific National's operations under 100% ownership. These began with the initial acquisition in 2002 of 50% of Pacific National with Patrick. Acquiring 100% ownership has enabled further operational improvements to be realised because of the unified strategic direction and management. Since the initial acquisition, Toll has grown to become the major intermodal customer of Pacific National.

Toll's business has now evolved to a point where Toll believes there are a number of issues to address so that the business is placed in a position to pursue its next stage of growth. The main emerging issues that Toll will need to address in the short to medium term are:

- the high capital requirements of the port and rail assets, which could potentially constrain the capital available for the logistics business;
- the continued high levels of investment in the port and rail assets changing the underlying investment mix of assets and reducing the overall return on capital;
- potential growth constraints from regulatory issues in Australia for Toll's current vertically integrated business; and
- reconciling the growth opportunities of its individual businesses with its overall strategy. The pursuit of growth opportunities for the infrastructure assets, such as diversification into different infrastructure asset classes in Australia or overseas, may, in some instances, not be consistent with Toll's pan-Asian growth strategy.

In addition, Toll regards the required sale of Pacific National as sub optimal. While it may receive fair value in any sale, the introduction of a 50% partner may bring issues of diverging agendas and strategic direction. The difficulties between Toll and Patrick over the Pacific National joint venture provide ample evidence of the potential for problems.

The proposed restructure is aimed at addressing these issues and it allows 100% of Pacific National to be retained for the benefit of shareholders.

6.2 Basis of Restructure

Toll shareholders are splitting their current investment into two parts, a shareholding in New Toll and a separate investment in Asciano.

The ownership interest held by each Toll shareholder (other than ineligible overseas shareholders) in New Toll will be equal to their ownership interest in Toll immediately prior to implementation of the proposed restructure. The ownership interest in Asciano will be diluted by the $150 million capital raising to be undertaken post the restructure but this should not have any material effect on economic interests.

Accordingly, for practical purposes the effective economic interest of Toll shareholders in the underlying businesses is essentially unchanged. The transaction is a "clean" split in so far as there is:

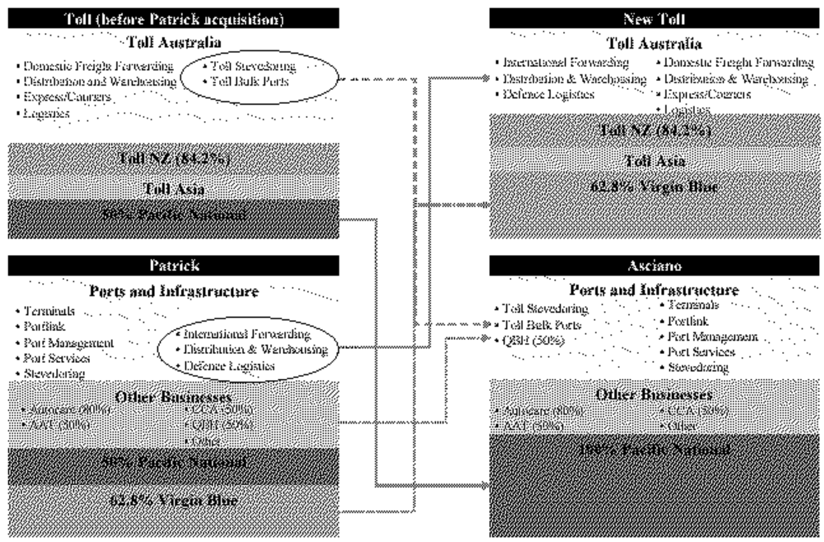
- no purchase or sale of equity in either New Toll or Asciano to third parties (other than the $150 million capital raising by Asciano, which will be on arm's length terms);
- no value transfers between the separated entities as:
  - ongoing arrangements between the entities are on arm's length commercial terms;
  - New Toll will not retain a shareholding in Asciano; and
  - Asciano will be managed internally;
- no value leakage to third parties from either entity (e.g. in the form of management fees); and
- no adverse tax consequences for the separated entities. There will be some minor CGT and income tax consequences but the impact on the vast majority of Toll shareholders will be minimal (refer to Section 6.5 of the report).

New Toll and Asciano will be independent entities and focused on different segments of the freight and logistics industry. New Toll will maintain its focus on an integrated logistics model across Asia, Australia and New Zealand utilising rail, road and shipping services. Asciano will have a mandate to focus on port and rail assets in Australia and New Zealand as well as investments domestically or internationally in broader infrastructure assets such as airports and toll roads. As a stapled structure, it will seek to deliver attractive cash distributions consisting of taxable income (in the form of dividends) and tax deferred components.

Following the acquisitions of Patrick and SembLog, Toll has integrated the operations and restructured the business to achieve synergies and improve the service offering to customers. While the proposed restructure splits the business between the two entities, the operations and strategy of the underlying businesses are largely unchanged by the proposed restructure.

The following diagram illustrates the restructuring undertaken by Toll by comparing its operations before the Patrick acquisition with the assets to be included in New Toll and Asciano:

Toll and Patrick assets compared to New Toll and Asciano



Note: Excludes assets divested by Toll post Patrick acquisition

Direct operational contact points between the businesses are mainly in relation to rail haulage. New Toll and Pacific National (within Asciano) will enter into line haulage contracts on arm's length commercial terms. Linkages between Asciano's ports business and New Toll are less

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direct. The main customers of the ports business are the global international shipping lines which are utilised by logistics providers including Toll.

The split of assets between the entities is understandable given the ownership interests in certain assets and the differences in risk/return profiles between the "asset light" logistics business and the "asset heavy" port and infrastructure businesses. The rail, road and ferry operations within Toll NZ could also be sensibly split between New Toll and Asciano (with the rail assets sitting within Asciano). However, Toll holds 84.2% of Toll NZ and restructuring its assets could not be achieved without 100% ownership. Virgin Blue's potential to form part of an airfreight strategy by Toll makes its inclusion in New Toll logical.

6.3 Benefits

6.3.1 Retaining 100% of Pacific National

The structural separation of the port and rail assets from the logistics business of Toll under the proposed restructure allows 100% of Pacific National to be retained. Without this structural separation, Toll would have been required to complete the sale of 50% of Pacific National pursuant to the ACCC undertakings in relation to the Patrick takeover.

Toll has continued the operational improvements being achieved at Pacific National since it acquired 100% ownership. With 100% ownership Toll has been able to refocus management and has had greater flexibility in optimising its performance to provide better levels of service for customers. Disposing of 50% of Pacific National may therefore not have maximised value for shareholders. Consequently, retaining 100% of Pacific National is a clear benefit of the proposed restructure.

6.3.2 Increased Dividends and Distributions

If the proposed restructure is implemented, Toll shareholders will become shareholders in New Toll and stapled securityholders in Asciano. Dividends and distributions paid will depend on the performance of each entity.

The dividend policy of New Toll is expected to remain unchanged from that of Toll prior to the restructure. This resulted in a pay out ratio of approximately 40% over the past five years except for the year ended 30 June 2006 in which the dividend was increased to reflect the Patrick and SembLog acquisitions. Asciano is expected to pay out 100% of its free cash flow after meeting debt obligations and net capital expenditure requirements. As a consequence of the relative earnings of New Toll and Asciano, Toll shareholders will benefit from a significant increase in distributions per share.

Distributions by Asciano will comprise a tax deferred component and taxable income, with the mix expected to be 80% tax deferred and 20% unfranked dividend in the medium term. The post tax position of individual securityholders will vary depending on their marginal tax rate and their ability to utilise the tax deferred component of any distribution.

6.3.3 Growth Opportunities

The proposed restructure provides Asciano and New Toll with an enhanced ability to pursue growth opportunities independently, whether by investment in technology, capacity expansions or acquisitions.

As an independent entity with an infrastructure focus, Asciano will have more flexibility to pursue acquisitions, joint ventures, alliances or other transactions in the transport (or even broader) infrastructure sector in Australia or overseas. These growth opportunities may not have fitted comfortably with the broader Toll group strategy which is built around a pan-Asian logistics capability. Accordingly, the proposed restructure expands the range of growth opportunities available to Asciano.

New Toll will be able to continue to pursue the organic and strategic acquisition strategy that Toll has pursued in the logistics sector in Australia, New Zealand and across Asia. Moreover, the structural separation of the two entities eases the potential constraints on growth in Australia from competition regulation that may be faced by the current vertically integrated Toll group.

Following the proposed restructure, Asciano and New Toll will be free to pursue growth opportunities independently and in a manner that best suits the strategic, operational and financial needs of each entity. Toll will be able to actively pursue its pan-Asian growth strategy, whilst Asciano will have greater flexibility to expand its infrastructure portfolio.

6.3.4 Financial Flexibility and Efficiency

The proposed restructure allows New Toll and Asciano to fund their existing operations and growth opportunities independently and in a manner that best suits the operational and financial characteristics of each entity.

The composition of assets within Asciano allows a capital structure that is quite different from that appropriate for New Toll:

- Asciano's port and rail assets can be expected to produce relatively steady cash flow growth. Both are common user facilities facing limited competition (whereas there is intense competitive between users). The exposure is more to the trends in the overall volume of traded goods;
- Pacific National's rail business benefits from medium to long term, contracts with its major customers. Although its bulk commodity volumes are exposed to cycles (such as grain and consumer goods), Pacific National is well positioned to capture the expected shift in freight movements from road to rail; and
- the ports business is one of only two national port operators in the Australian market. The principal customers of the ports business are the major global shipping lines and it has experienced low levels of customer churn. It is expected to experience stable volume growth from growing export/import and global trade markets.

Consequently, Asciano can sustain a higher level of gearing than Toll in its current form. The pro forma gearing of Asciano is:

Asciano – Pro Forma Gearing Analysis[31]

Metric	2006 historical	2007 forecast	2008 forecast
Book gearing[32] (as at 31 December 2006)	58.6%	n.a.	n.a.
Leverage ratio[33]	8.2x	7.1x	5.9x
Interest cover[34] (year ending 30 June)	1.6x	1.9x	2.2x

Source: Grant Samuel analysis

[31] Asciano gearing analysis has been calculated by reference to the historical pro forma financial performance for the year ended 30 June 2006, the forecast pro forma financial performance for the years ending 30 June 2007 and 30 June 2008 and the pro forma financial position at 31 December 2006.

[32] Book gearing is net borrowings divided by shareholders' funds plus net borrowings. This measure is dependent on balance sheet asset valuations for each entity (e.g. whether carried at historical cost or recent valuation) and should be treated with caution.

[33] Leverage ratio is net borrowings divided by EBITDA and provides a measure of the level of debt supported by earnings. It is based on the pro forma financial position at 31 December 2006 and the historical pro forma EBITDA for the year ended 30 June 2006 and forecast pro forma EBITDA for the years ending 30 June 2007 and 2008.

[34] Interest cover is EBITDA divided by net interest. 2006 interest cover is calculated using EBITDA for the 2006 financial year and forecast net interest for the 2007 financial year.

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This level of gearing is relatively high but is broadly consistent with that of other listed infrastructure entities. This high level of debt is designed to ensure an efficient capital structure and a low cost of capital, thus enabling Asciano to compete effectively for acquisitions.

By contrast, New Toll will have a conservative capital structure with substantial debt capacity to make investments or acquisitions without needing to issue additional equity capital. On a pro forma basis, New Toll will have consolidated external debt of approximately $1.9 billion, Toll RPS of $249 million and cash of approximately $1.5 billion (net debt of $664 million) compared to shareholders funds of approximately $3.6 billion. Excluding Virgin Blue (which is consolidated), net debt is approximately $473 million and represents approximately 0.9 times pro forma 2006 EBITDA for New Toll's logistics business.

Both companies will, therefore, have greater financial flexibility to exploit growth opportunities and manage their capital structure.

6.3.5 Takeover Potential

Takeovers are an important mechanism by which shareholders can realise value in excess of sharemarket prices as bidders will typically pay a premium to acquire control. Impediments to a takeover are generally negative for shareholders.

The proposed restructure involves no change in control as the same shareholders will own the separated entities in the same proportions (at least initially). However, it should increase the prospect of shareholders receiving a takeover offer and maximise the price of each entity in the event of a takeover or other change of control transaction:

- immediately prior to the proposed restructure announcement, Toll was capitalised at approximately $11.5 billion. The size of the company may have limited the number of buyers for the whole company, albeit there have been a number of recent transactions of comparable size by trade and private equity buyers. Following the restructure, New Toll and Asciano will individually have lower market capitalisations. As such, they will be more easily digested by a wider range of potential acquirers;
- Toll's mix of businesses may not have appealed to a single bidder, adding complexity to any potential transaction (whether by involving joint bidders or the need to dispose of the "unwanted" businesses). New Toll and Asciano (as smaller, more focussed entities) are likely to appeal to a wider set of potential acquirers. In particular, there has been considerable interest in infrastructure assets over recent years and there has been a number acquisitions globally of port assets since Toll acquired Patrick; and
- there will be no cross-shareholdings between the entities which would act as an impediment to a takeover or other change of control transaction.

6.3.6 Management and Board Focus

The restructure will result in the creation of two companies with separate boards and senior management teams focussed on their respective businesses. The board and management of each entity will be able to focus on their respective strategic objectives, make decisions appropriate to each business' risk/return profile and address specific operational issues in a timely manner.

The enhanced transparency and scrutiny should increase the incentives for the boards and management of the two entities to improve performance. Moreover, the retention of 100% of Pacific National will allow management to continue their focus on improving its performance. Each entity will be forced to fund future growth from its own resources, providing additional discipline on capital and operating expenditure. The proposed restructure will make it easier to more closely link the remuneration of management to the performance of businesses over which management has direct control.

In theory, similar management focus and alignment should be able to be achieved within the current Toll structure. While the evidence is inherently anecdotal, Grant Samuel considers that previous demerger transactions indicate these types of benefits derived from improved board and management focus can be real.

6.3.7 Shareholder Flexibility

Immediately following the proposed restructure, Toll shareholders will retain their existing economic exposure to all of Toll's assets by holding both Asciano stapled securities and New Toll shares. Initially at least, shareholders' interests will simply be split into two. The proposed restructure will provide shareholders with flexibility in managing their investment exposure. At present, Toll shareholders must choose to either have an exposure to both the port and rail businesses and the logistics businesses in proportions determined by Toll or no exposure at all. After the restructure is implemented shareholders will be free to choose their own proportionate investments.

The risk/return profile of the port and rail businesses of Asciano are quite different to the risk/return profile of the businesses of New Toll. Asciano will have a mandate to focus on investment in port and rail assets in Australia and New Zealand as well as investments domestically or internationally in broader infrastructure assets such as airports and toll roads. Its business generates a stable and predictable cash income stream based on steady volume growth and medium to long term contracts with major shipping lines. Asciano will seek to provide stable cash yields and cash flow growth with distributions comprising tax deferred and taxable components. In comparison, New Toll's business is focussed on organic and strategic acquisition growth in Australia, New Zealand and across Asia and is exposed to greater earnings volatility through its investment in Virgin Blue. New Toll will seek to provide earnings and capital growth to investors.

Given the differences in their investment characteristics, it is likely that Asciano and New Toll will appeal to different sets of investors. Following the restructure, shareholders will have the choice of investing in an infrastructure owning business and a logistics business in whatever proportions they wish rather than having that choice imposed on them by Toll. Shareholders will be able to shift their relative exposures to the strong cash flow, low risk infrastructure businesses with tax attractive distributions or the higher growth profile of New Toll, as they see fit. This should be attractive to investors who wish to invest in specific infrastructure sectors, and may attract investors who would not choose to invest in Toll in its current form.

However, the split into two businesses will not suit all shareholders. Some may have a view that an integrated logistics model provides benefits and makes Toll a more attractive investment opportunity through its larger scale and mix of low risk businesses and strategic growth options.

6.3.8 Market Value

One of the benefits typically associated with a demerger is an enhanced market valuation of the demerged entity flowing from greater transparency about the demerged entities' operations, strategy and future prospects than when it is part of a larger group. This benefit is more pronounced where the demerged entity is a small part of a larger group or operates in an industry sector to which the market applies different valuation parameters to that of the larger group.

In the case of Toll this benefit is arguably less clear. Prior to the proposed restructure, Toll was capitalised at approximately $11.5 billion and is ranked amongst the top 50 companies listed on the ASX. It receives close scrutiny from investment analysts and fund managers. There is also a significant level of disclosure in relation to Toll and its underlying businesses:

- Toll discloses summarised financial information (revenue, EBITDA and EBIT) on divisional performance;

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- Virgin Blue (in which Toll holds a 62.8% interest) is currently capitalised at approximately $2.8 billion and receives close scrutiny from the investment community;
- the formerly listed Patrick was closely followed by analysts and disclosed financial information on a divisional basis; and
- the documentation released by Patrick and Toll in relation to the Patrick takeover provided a substantial amount of information on their operations.

Although analysis of Toll's financial performance is somewhat complicated by the recent acquisitions of Patrick and SembLog, this is a temporary rather than permanent issue that should not cause Toll to be rated incorrectly by the market. Toll would have reported for the first time the full year contributions from Patrick and SembLog in its results for the year ending 30 June 2007. Moreover, the port, rail and logistics assets of Toll tend to be valued by the market on the same basis. Brokers typically apply a "sum of the parts" approach to valuing Toll utilising EBITDA or EBIT multiples.

On the other hand, there is some potential for the separate entities to be rated more highly by the market following the proposed restructure (i.e. the aggregate market capitalisations of the separate entities may exceed the pre-announcement market capitalisation of Toll):

- as separately listed entities, New Toll and Asciano will have a higher level of visibility to the investment community;
- the potential value of Toll's pan-Asian growth strategy will be more transparent; and
- the marginal (i.e. price setting) investors in both entities should be those investors that value the respective businesses most highly;
- Asciano's more efficient capital structure should lower its cost of capital; and
- as a stapled entity focussed on providing investors stable cash distributions, Asciano is likely to be compared against "pure" infrastructure entities. It should be favourably compared by the sharemarket against other infrastructure entities as it will be internally managed (i.e. no value leakage to third parties) and it will provide tax deferred income.

Asciano's port and rail assets have attributes that make them attractive to infrastructure investors even though they may not be "pure" infrastructure assets. Its port assets are essentially common user terminals and operate in a duopoly market with high barriers to entry (although there is the possibility for the entry of a third port operator as some port authorities seek to expand terminal space). Port container volumes have exhibited strong growth although there can be short term volatility. Pacific National is the major operator along the east west rail route. However, it is more an operating business as opposed to a "pure" infrastructure asset such as airports and toll roads. It operates rolling stock and owns a number of terminals but does not own the "below rail" track. Its earnings are exposed to volatility through exposure to bulk commodities such as grain. In addition, the port and rail assets may not exhibit the same level of leverage to fixed costs as exhibited by airports and toll roads.

Notwithstanding these differences, Asciano's stapled structure and focus on providing cash distributions means that it will inevitably be compared to listed infrastructure vehicles. The implied valuation parameters for a number of listed transport infrastructure vehicles are summarised below:

Share Market Ratings of Selected Listed Transport Infrastructure Entities [35]

Entity	Asset sector	Market Capitalisation (millions)	EBITDA Multiple[36] (times)			Distribution Yield[37] (%)		
			Historical	Forecast Year 1	Forecast Year 2	Historical	Forecast Year 1	Forecast Year 2
Macquarie Infrastructure Group	Toll roads	A$10,011	13.6	11.0	11.8	5.5	5.2	5.3
Macquarie Airports	Airports	A$6,857	nm	nm	nm	6.3	6.5	6.8
Transurban	Toll roads	A$6,797	34.3	27.8	23.1	6.5	7.0	7.4
Babcock & Brown Infrastructure	Utilities, ports and rail	A$3,339	22.6	14.7	8.7	7.1	7.7	8.2
Auckland International Airport	Airports	NZ$2,515	13.3	12.6	11.8	4.0	4.0	4.2
ConnectEast	Toll roads	A$1,871	nc	nc	nc	4.3	4.3	4.3
Sydney Roads Group	Toll roads	A$1,083	18.9	19.7	18.4	nc	6.8	7.1
Australian Infrastructure Fund	Airports, ports, rail and toll roads	A$1,034	9.3	8.9	9.3	5.3	5.6	6.0
Minimum			*9.3*	*8.9*	*8.7*	*4.0*	*4.0*	*4.2*
Maximum			*34.3*	*27.8*	*23.1*	*7.1*	*7.7*	*8.2*
Median			*16.3*	*13.6*	*11.8*	*5.5*	*6.1*	*6.4*

Source: Grant Samuel analysis[38]

This analysis is based on share prices as at 30 March 2007 (with the exception of Sydney Roads Group and Transurban) and therefore does not reflect a premium for control. The share prices for Sydney Roads Group and Transurban are the closing prices as at 12 December 2006, the last trading day prior to the announcement of the takeover offer by Transurban for Sydney Roads Group.

None of the infrastructure entities are directly comparable to Asciano:

- the majority of the entities have interests in airports and toll roads in Australia and overseas with ownership interests in underlying assets varying across the entities. A number of the entities hold minority interests in underlying assets (e.g. AIF, Macquarie Infrastructure Group, Macquarie Airports);
- a number of toll roads owned by Transurban and Macquarie Infrastructure Group are in the process of ramping up to full operation while Sydney Roads Group's toll roads are mature assets;
- following the demerger of Macquarie Infrastructure Group and Sydney Roads Group, MIG has undergone significant changes to its capital structure and investments. Historical earnings multiples may not be comparable with forecast multiples;
- Macquarie Airports derives most of its income from minority interests in airport investments which are equity accounted and its earnings multiples have been excluded from this analysis;
- ConnectEast is currently constructing its single investment toll road. No consensus earnings have been forecast until completion in late 2008 and although distributions are being paid to securityholders;

35 All entities have a 30 June year end except for Macquarie Airports which has a 31 December year end. The data represented for each entity is the most recent annual historical result, plus the subsequent two year forecasts.

36 Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by EBITDA. EBITDA is earnings before net interest, tax, depreciation, amortisation, investment income, and significant items.

37 Represents cash distribution per share (i.e. ignoring any tax benefits derived by investors) divided by the security price.

38 Grant Samuel analysis based on data obtained from IRESS, company announcements and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

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- Babcock & Brown Infrastructure ("BBI") owns port assets (the Dalrymple Bay Coal Terminal in Queensland and ports in the United Kingdom and Europe through PD Ports) and 51% of Westnet Rail in Western Australia. However, approximately 60% of its earnings are forecast to be derived from energy transmission and distribution assets on completion of the acquisition of NorthWestern Corporation in the United States;
- Australian Infrastructure Fund ("AIF") is more a passive investor in infrastructure assets with over 80% of its investments in airports in Australia and overseas;
- a number of the entities (e.g. BBI, Macquarie Infrastructure Group, Macquarie Airports, AIF) have external parties providing operation, management and administrative services to the entity (often related) resulting in substantial fees to third parties;
- all entities except AIF and Auckland International Airport are stapled entities involving a combination of one or more trust units, company shares and loan notes stapled to trade as a single entity. The stapled structures are aimed at optimising after tax cash returns for investors by providing a combination of capital and income returns; and
- Macquarie Airports, BBI and Auckland International Airport have founding or cornerstone investors (Macquarie Bank holds 17.5% of Macquarie Airports, Babcock & Brown Group holds 8.9% of BBI and Auckland City Council and Manuka City Council hold 12.7% and 9.6% of Auckland International Airport respectively).

In comparison, Asciano will be internally managed with no cornerstone investor. It will actively manage and operate its assets and will own 100% of its underlying port and rail assets, which are located in Australia.

The data presented indicates that listed infrastructure entities broadly trade at prospective cash distribution yields of around 6 - 7%. A case can be made that Asciano should trade at lower yields because of the expected growth in income from both the ports and the rail business over time.

Distributions by Asciano in the short to medium term are expected to be 80% tax deferred and 20% unfranked dividend. However, it should be noted that the tax characteristics of distributions vary widely between the listed entities. Some pay franked dividends and others have substantial tax deferred components (e.g. distributions from BBI and ConnectEast are 100% tax deferred). Although yields can be adjusted for franking (to obtain a gross yield), there is no precise adjustment to capture the value of tax deferral which depends on an individual investor's tax position, the time horizon for the tax deferral and other factors. Accordingly, caution must be exercised in comparing distribution yields on either a net or gross basis.

The implied earnings multiples for selected listed port and rail companies is shown in the following table:

Share Market Ratings of Selected Port and Rail Companies										
Company	Market Capitalisation (millions)	EBITDA Multiple (times)			EBIT Multiple[39] (times)			Price Earnings Multiple[40] (times)		
		Historical	Forecast Yr 1	Forecast Yr 2	Historical	Forecast Yr 1	Forecast Yr 2	Historical	Forecast Yr 1	Forecast Yr 2
Ports										
New Zealand										
Port of Tauranga Ltd	NZ$818	15.0	12.8	12.6	18.1	14.9	15.4	27.7	22.9	23.7
Lyttelton Port Co Ltd	NZ$225	10.4	11.0	9.9	15.1	16.9	15.0	22.4	27.5	25.7
Other International										
China Merchants	HK$78,580	25.5	20.1	15.7	27.3	21.8	17.3	32.7	29.0	23.0
COSCO Corporation	S$6,399	19.0	13.3	10.3	23.0	15.7	12.1	33.9	22.5	17.5
Forth Ports plc	£946	20.1	19.2	18.1	25.7	26.1	24.4	34.2	43.4	39.9
Rail										
Burlington Northern Santa Fe	US$28,871	7.4	6.7	6.2	9.8	8.9	8.0	15.6	14.0	12.6
Union Pacific	US$27,541	8.0	6.9	6.2	11.4	9.5	8.4	17.3	14.4	12.6
Canadian National	C$25,970	9.2	8.1	7.4	11.4	9.8	8.8	14.3	13.6	11.9
Norfolk Southern Corporation	US$21,135	7.4	7.2	6.7	9.5	9.1	8.2	14.5	13.5	12.5
CSX Corporation	US$17,494	8.8	7.3	6.6	13.2	10.3	9.8	19.9	16.0	15.3
Canadian Pacific Railway Ltd	C$10,578	8.4	7.7	7.1	11.9	10.8	9.9	13.1	15.0	13.7
Kansas City Southern	US$2,823.	9.4	8.3	7.4	13.9	12.7	10.9	31.3	19.4	15.1

Source: Grant Samuel analysis

These multiples are based on share prices as at 30 March 2007 and therefore do not reflect a premium for control.

The implied earnings multiples provide limited guidance in relation to Asciano's port and rail assets. There are limited listed port companies and their implied earnings multiples are influenced by a range of factors including capacity constraints, the level of non-stevedoring businesses and the level of undeveloped property assets. There are no listed rail companies in Australia. Data is presented for rail companies based in the United States and Canada. These rail companies have significantly larger operations than Pacific National, operate in different market and regulatory environments and some have material passenger operations. Accordingly, their implied earnings multiples are of limited relevance for Pacific National other than to indicate that they are relatively low (generally below 8 times prospective EBITDA).

Based on the pro forma forecast earnings for the year ending 30 June 2007, approximately 60% of New Toll's consolidated EBITDA is from its logistics business with the remaining 40% from Virgin Blue. The following table sets out the implied earnings multiples for a broad range listed transport and logistics companies that might be considered comparable to New Toll:

39 EBIT is earnings before net interest, tax, investment income, equity accounted share of profits of associates and joint venture entities and significant items.

40 Represents market capitalisation divided by net profit after tax (before amortisation of intangibles and significant items).

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Share Market Ratings of Selected Transport and Logistics Companies

Company	Market Capitalisation (millions)	EBITDA Multiple (times) Historical	EBITDA Multiple (times) Forecast Yr 1	EBITDA Multiple (times) Forecast Yr 2	EBIT Multiple (times) Historical	EBIT Multiple (times) Forecast Yr 1	EBIT Multiple (times) Forecast Yr 2	Price Earnings Multiple (times) Historical	Price Earnings Multiple (times) Forecast Yr 1	Price Earnings Multiple (times) Forecast Yr 2
Australia and NZ										
K&S Corporation	A$265	12.3	10.3	9.7	16.2	13.0	11.4	20.5	17.7	15.0
Mainfreight	NZ$721	12.2	10.8	10.0	14.7	13.4	11.8	23.0	21.0	17.6
Freightways	NZ$559	7.8	7.0	6.3	12.7	12.0	10.8	17.0	15.6	14.7
US Freight Forwarders										
Expeditors Int.	US$9,241	20.7	19.1	15.9	22.6	19.1	15.9	37.9	32.4	26.9
CH Robinson	US$8,637	18.3	15.7	13.4	19.3	16.8	14.5	32.0	28.2	24.6
UTI Worldwide	US$2,508	12.6	10.6	8.8	15.9	13.3	11.1	23.0	20.7	16.9
EGL	US$1,212	9.6	8.2	6.8	12.9	10.6	8.8	21.8	18.0	15.6
European Freight Forwarders										
Kuehne & Nagel	CHF12,167	13.7	11.8	10.5	19.5	15.5	14.0	26.4	22.5	20.7
DSV A/S	DK19,707	18.8	13.8	11.4	22.2	16.7	13.6	28.2	23.2	17.0
Panalpina	CHF5,123	15.2	12.9	11.4	18.3	15.0	12.9	28.1	22.8	19.6
Asia										
Nippon Express	¥785,039	7.0	6.6	6.7	18.9	18.3	17.4	44.1	21.7	23.9
US and European Transport and Logistics										
Geodis	€1,242	7.0	7.0	6.0	14.9	11.7	10.0	38.1	24.1	18.4
Stef-Tfe	€704	8.8	7.4	6.6	15.9	13.3	11.5	20.2	17.8	15.5
Norbert Dentressangle	€685	5.4	5.4	5.1	9.9	11.2	10.5	10.6	14.8	13.5
Wincanton plc	£448	7.5	6.8	6.5	13.6	12.4	11.8	19.1	18.9	18.0
TDG plc	£241	7.3	6.5	6.3	13.9	13.4	12.5	20.2	22.9	20.7
Thiel Logistik AG	€320	7.4	7.8	7.1	17.2	17.6	14.7	nc	45.7	17.8
Christian Salvesen	£156	4.5	4.6	4.2	9.9	11.6	10.2	13.4	19.7	13.8

Source: Grant Samuel analysis

These multiples are based on share prices as at 30 March 2007 and therefore do not reflect a premium for control.

The data indicates that global transport and logistics companies trade on a wide range of earnings multiples. The listed Australian or New Zealand logistics companies are not directly comparable to New Toll in terms of scale and breadth of operations. The larger United States listed freight forwarders generally trade at higher multiples than the European listed transport and logistics companies. New Toll operates across all aspects of the transport and logistics supply chain including freight forwarding, express freight and logistics and general freight. Expeditors International, UTI Worldwide, EGL and Kuehne & Nagel derive between 25 to 55% of their revenues from the Asian region. CH Robinson, DSV and Geodis have a small but growing presence in Asia.

Although the evidence does not provide a clear set of parameters for a trading multiple for New Toll's logistics business, 13-15 times forecast EBIT and price earnings multiple of around 18-20 times would appear to be sustainable (assuming no material change in overall market conditions).

New Toll's market rating will be influenced by Virgin Blue. Given that Virgin Blue represents approximately 40% of pro forma forecast 2007 EBITDA (on a consolidated basis) its more volatile earnings stream it may dilute New Toll's market rating. Any adverse movements in Virgin Blue's share price would be expected to flow through to New Toll's share price.

The actual trading price of New Toll shares and Asciano stapled securities is uncertain and will depend on a range of factors at the time of listing including:

- equity market conditions;
- economic conditions;
- interest rates;
- factors specific to each company including:
  - operating performance;
  - the ability to successfully achieve expansion and to identify and pursue acquisitions;
  - market perceptions about earnings prospects;
  - the effectiveness in communication by the entity of its strategy and prospects to analysts, institutional investors and other market participants; and
  - differentiating factors between the entities and their peers.

Nevertheless, based on the available information, Grant Samuel believes it is not unreasonable to expect that the shares of New Toll and stapled securities of Asciano would trade a higher aggregate value than Toll shares did prior to the announcement of the proposed restructure.

In the month prior to the announcement of the proposed restructure, Toll shares traded between $15.53 and $18.69 at a volume weighted average price of $16.86. Toll shares closed at $18.25 the day prior to announcement. Toll shares increased significantly leading up to the announcement, which was made following media speculation of a restructure on 12 December 2006. Grant Samuel has used a range of $17.00 to $18.00 to represent a pre-announcement price for Toll shares. Virgin Blue's share price closed at $2.15 prior to the announcement. Its share price increased substantially towards the end of November 2006, which may have reflected market expectations of an improved outlook.

For the purposes of the analysis, Grant Samuel has notionally allocated the $17.00 and $18.00 pre-announcement price for Toll as follows:

Pre-Announcement Price Allocation (Notional) ($)

	Pre-announcement price = $17.00		Pre-announcement price =$18.00	
	Case A	**Case B**	**Case C**	**Case D**
New Toll	10.00	10.50	10.50	11.00
Consisting of:				
Virgin Blue at $2.15 per share (stated on a per Toll share basis)	*2.24*	*2.24*	*2.24*	*2.24*
Logistics	*7.76*	*8.26*	*8.26*	*8.76*
Asciano	7.00	6.50	7.50	7.00

These allocations are subjective but are considered reasonable for the purposes of analysis. Based on these allocations the implied trading multiples are as follows:

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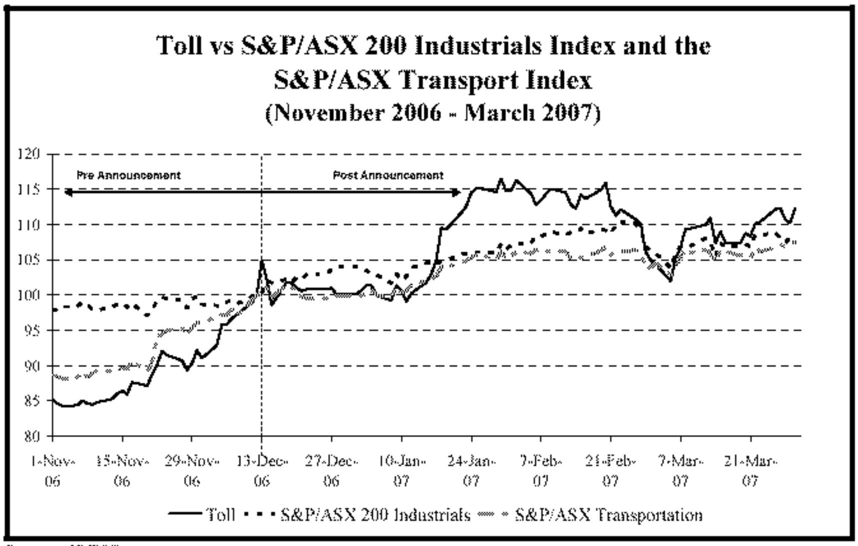
New Toll and Asciano – Implied Trading Multiples					
		Pre-announcement price =$17.00		Pre-announcement price =$18.00	
	Parameter	**Case A**	**Case B**	**Case C**	**Case D**
New Toll – Logistics					
2007 EBITDA multiple[41]	$580 million	9.3x	9.9x	9.9x	10.4x
2007 EBIT multiple	$404 million	13.4x	14.2x	14.2x	15.0x
New Toll					
2007 price earnings multiple[42]	62.0 cents per share	16.1x	16.9x	16.9x	17.7x
Asciano					
2007 EBITDA multiple	$594 million	14.5x	14.0x	15.1x	14.5x
2008 EBITDA multiple[48]	$712 million	12.1x	11.7x	12.6x	12.1x
2008 distribution yield	46.0 cents per security	6.6%	7.1%	6.1%	6.6%

While the analysis is necessarily limited in scope, these implied ratings would suggest that in both cases there is clear potential for the entities to be rated more highly. Accordingly, it is reasonable to expect that the combined price of New Toll and Asciano will exceed the pre-announcement price of $17.00 to $18.00 per share.

The Toll share price has increased materially following the announcement of the proposed restructure on 13 December 2006:



Source: IRESS

Toll's market capitalisation has increased by approximately $1.5 billion. This increase occurred principally after mid January 2007 when Toll made a further market presentation on the proposed restructure on 16 January 2007. In addition, there may have been some initial market uncertainty over whether the ACCC would waive the undertakings given by Toll including the undertaking to sell 50% of Pacific National. The volume weighted average price of Toll from 13 December 2006 to 30 March 2007 of $19.85 represents an

41 EBITDA and EBIT exclude associate net profits after tax and Virgin Blue. EBIT is before depreciation and amortisation arising from acquisition accounting.

42 Earnings per share before non-recurring items and depreciation and amortisation arising from acquisition accounting

8.8% premium to the closing share price on 12 December 2006 (the date before the announcement of the proposed restructure). The closing price on 30 March 2007 was $20.50, a premium of 12.3%.

It is not possible to isolate the different factors that may have contributed to this rise such as:

- the generally improved outlook for Toll and the lift in earnings for Virgin Blue announced at the same time as the proposed restructure; and
- long term benefits of the restructure such as capital efficiency, enhanced ability to pursue growth opportunities and retaining 100% of Pacific National.

Nevertheless, the post announcement share price increase can be argued to be some evidence of the market's endorsement of the benefits of the proposed restructure and the potential for higher overall valuations.

However, it should be noted that, as with most demergers, there is a risk of a period of relative share price weakness in the short term until the registers for each entity reach some degree of equilibrium and because the incremental costs of the demerger will be incurred immediately while many of the benefits will take some time to translate into improved earnings and cash flow.

6.4 Costs, Disadvantages and Risks

6.4.1 Potential for Loss of Synergies

The proposed restructure may result in the loss of synergies and operational benefits that arise from the port and rail businesses of Asciano being part of the larger Toll group. In particular, Toll expected to achieve over $60 million (pre-tax) in gross annual cost savings and operational efficiencies from a vertically integrated logistics platform within three years of completing the acquisition of Patrick.

Savings of approximately $60 million per annum are now largely in place through the integration of general port operations, international forwarding and logistics activities, together with administrative functions. Toll has also restructured the former Patrick owned assets to optimise the operational linkages between the port and rail assets of Toll primarily through improved provision of information.

Toll considers that the anticipated synergies from the Patrick acquisition are still likely to be achieved following the proposed restructure as many of the operational improvements have been implemented and will be maintained post the proposed restructure. In addition, a number of these savings resulted from businesses that sit wholly within New Toll or Asciano and therefore should be able to be retained.

However, there is a risk that separation of the port and rail assets into a separate entity may impact on the ability to continue to achieve these synergies. Further, significant upfront transaction costs of $87 million (before tax) and incremental ongoing costs estimated by Toll at $6 million per annum will offset the synergies to some extent

6.4.2 Potential for Negative Impact on Business Strategy

Toll's strategy to provide customers with an integrated and efficient logistics solution was the strategic rationale for the Patrick acquisition. The structural separation of New Toll and Asciano may appear to be a reversal of Toll's strategy. However, establishing seamless and efficient access between the port and rail assets and other elements of the logistics supply chain was the most important element for Toll in improving logistics solutions for customers. Ownership of port and rail assets has allowed this to be largely achieved. For example, since acquiring 50% ownership of Pacific National in 2002, the business has been substantially restructured and given a greater commercial focus which has led to

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operational improvements. Integration of Patrick's general stevedoring operations with Toll's port side operations and improving the links between PortLink and Pacific National have generated efficiencies. This "re-engineering" has been enhanced under Toll's 100% ownership. However, it is these improvements rather than ownership per se that has been the key benefit.

Now that ownership has allowed efficiency gains and commercial focus to be achieved, Toll believes that ongoing ownership is not critical:

- ownership does not allow Toll to utilise the rail and port assets to favour its own operations and to gain a competitive advantage over other logistics providers. The ACCC undertakings sought to address these concerns and Toll's competitive behaviour is subject to continuing ACCC oversight;
- each of the entities will have similar commercial imperatives in terms of providing competitive and efficient services. The businesses of New Toll will be an important customer for Asciano, being the largest intermodal customer of Pacific National. New Toll's significant container traffic volumes are delivered by the main shipping lines through the ports of Asciano and its competitor and New Toll has the ability to shift volumes between ports to utilise the most efficient services;
- there will be contractual arrangements between the entities on arm's length terms; and
- the business mix within each entity reflects the grouping of logistics capabilities to deliver efficient services. For example, the international freight forwarding operations of Patrick are within New Toll and Toll's port side operations are within Asciano. Asciano is not simply the previous Patrick operations.

These commercial linkages and imperatives provide a strong basis for New Toll to be able to continue to access efficient port and rail services on an ongoing basis. On the other hand, separation does create risks. Each entity will have a different business mix and will not be part of a logistics conglomerate. New Toll and Asciano will each have a narrower and separate focus on their respective assets. Despite the apparent commercial imperatives and contractual arrangements, the pursuit by Asciano of its own strategy independent of New Toll may lead to the development of its business in a manner that potentially diverges from the interests of New Toll, particularly if Asciano is acquired by a third party.

6.4.3 Index Weighting and Impact on Liquidity

Toll currently has a market capitalisation of approximately $13.0 billion (compared to $11.5 billion at announcement) and is included in all the major S&P/ASX market indices. The proposed restructure will result in Toll being split into two smaller entities. The reduction in size may potentially reduce liquidity and therefore reduce the attractiveness of New Toll and Asciano for some investors. In recent years, it appears that companies with larger market capitalisations have attracted greater investor interest reflecting, at least in part, the deep and liquid market for their shares and their relative importance to the performance of the market in general.

While New Toll and Asciano will have smaller market capitalisations than Toll, it should be recognised that:

- both New Toll and Asciano will be substantial companies in their own right;
- New Toll will be the largest listed logistics company in Australia, whilst Asciano will be one of the larger listed transport infrastructure entities by market capitalisation but with unique port and rail assets;
- both New Toll and Asciano are expected to be in the top 50 companies on the ASX and be included in all the leading domestic indices (including the S&P/ASX 200 which is the key index for institutional investment purposes). However, as they will be towards the bottom end of the S&P/ASX 50, there is an increased risk of one or other or both falling out of the top 50 stocks;

- index based investors are likely to continue to need to hold both New Toll shares and Asciano stapled securities; and
- both New Toll and Asciano would largely retain, at least initially, Toll's relatively open and diverse share register, which should promote deep and liquid markets for their shares.

The impact of the proposed restructure on the liquidity of securities in the separate entities, and the consequent impact on investor interest, is difficult to predict with any confidence. Index related selling and the consequent impact on demand for shares in the short term is typically more pronounced when companies move in or out of the S&P/ASX 200 Index. However, in Grant Samuel's view the adverse effect on investor interest of lower liquidity (if any) is unlikely to be significant.

There is a risk of a period of relative share price weakness in the short term until the share registers eventually reach some degree of equilibrium and because the one-off costs and incremental ongoing costs will be incurred immediately while many of the benefits will take some time to translate into earnings. This may be exacerbated to the extent Mark Rowsthorn and Paul Little sell down their shares in New Toll and stapled securities in Asciano respectively in significant tranches in accordance with ACCC requirements.

6.4.4 Loss of Diversification

The proposed restructure will result in the loss of the benefits of diversification inherent in Toll's current mix of businesses. The rail and port businesses of Asciano have quite different risk/return profiles from the logistics businesses of New Toll, although both entities will have significant growth prospects.

However, shareholders will be able to replicate this diversification in their portfolio by retaining an investment in both New Toll and Asciano. In fact, it is a benefit of the proposed restructure that shareholders will have an enhanced ability to choose the extent of diversification inherent in their portfolio by changing their shareholdings in New Toll and Asciano as required.

The smaller size of New Toll and Asciano as independent entities will make them less able to readily absorb the financial and business impact of any significant adverse events as they will have greater relative impact:

- the loss of key customer contracts. A number of Asciano's businesses are dependent on a small number of contracts. For example, the terminals business generates more than 50% of its revenue from three customers. Accordingly, the loss of any key customer contract is likely to have a significantly greater detrimental effect on the performance of Asciano;
- a substantial increase in fuel prices. Fuel is the most significant cost of most of the businesses of New Toll. Where possible, New Toll will have hedging strategies in place to manage fluctuations in fuel costs; and
- a downturn in the financial performance of Virgin Blue. Virgin Blue will represent a greater share of the consolidated earnings of New Toll than of Toll, and therefore the financial results will be more impacted by Virgin Blue's performance.

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The impact of these events would be less material to the larger Toll group. At the same time, the absolute effects would be the same, and New Toll has a conservative financial structure. Further, both New Toll and Asciano will both be substantial companies. Therefore, any increased vulnerability to adverse events should not be material. Nevertheless, the reduced size of Asciano and New Toll will arguably reduce their ability to make large acquisitions and investments relative to the current Toll. As long as performance of each stand alone entity is strong, they should be able to raise any necessary equity and debt capital. Consequently, New Toll may need to be less ambitious in seeking large acquisitions (although very few companies will be out of reach).

6.4.5 Increased Financial Risk

Asciano will hold substantially all of Toll's existing debt (which is being refinanced as part of the proposed restructure) and will have higher financial gearing than Toll. Accordingly, the financial risk of Asciano will increase as a consequence of the proposed restructure and the impact of any adverse events will be amplified. However, the increase in financial risk should be considered against the characteristics of Asciano's businesses which:

- are largely underpinned by medium to long term contracts with customers;
- typically hold market leading positions within their field;
- operate in highly consolidated markets, with few major competitors;
- are expected to benefit from continued strength in the domestic economy and the strong global export demand for Australian commodities; and
- primarily have low volatility in revenues and can be expected to produce relatively stable, predictable cash flows which should be available to be applied to reduce gearing.

Asciano's pro forma level of gearing is not inconsistent with that of other listed infrastructure entities:

Asciano – Relative Gearing Analysis[43]

Entity	Year end 30 June 2006 Book Gearing (%)	Market Gearing[44] (%)	Leverage Ratio	Interest Cover
Macquarie Infrastructure Group	9.4	6.4	0.8x	2.0x
Transurban	58.5	32.0	11.5x	0.2x
Macquarie Airports[45]	70.5	53.3	nmf	nmf
Babcock & Brown Infrastructure	71.2	56.2	12.4x	1.0x
Auckland International Airport	32.2	26.0	3.7x	3.7x
Sydney Roads Group	58.8	39.9	6.4x	0.6x
Australian Infrastructure Fund	nc	nc	-0.8x	-6.7x
Minimum	*9.4%*	*6.4%*	*-0.8x*	*-6.7x*
Maximum	*71.2%*	*56.2%*	*28.7x*	*3.7x*
Asciano (pro forma)[46]	***58.6%***		***8.2x***	***1.6x[47]***

Source: Grant Samuel analysis

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43 Grant Samuel analysis based on data obtained from IRESS, company announcements and, in the absence of company published financial forecasts, brokers' reports. Entities selected for analysis are entities with activities predominantly involved in Australian and New Zealand transport infrastructure investment. The analysis has been calculated by reference to the financial position as at 31 December 2006 based on its prospectus and the last actual year financial performance unless otherwise noted.

44 Calculated using share prices at 30 March 2007

45 MAP has a 31 December financial year end and ratios are based on financial performance for the year ended 31 December 2006

46 Excludes equity accounted associates which have an immaterial effect on the gearing ratios of Asciano. Refer to the commentary on Asciano gearing analysis in Section 6.4.5 of this report.

47 Calculated using EBITDA for the 2006 financial year and forecast net interest for the 2007 financial year.

In comparison, New Toll will have a low level of net borrowings (approximately $0.7 billion on a consolidated basis) and, at least initially, will be less vulnerable from a financial risk perspective to the impact of any adverse business events.

6.4.6 Additional Administration Costs

The proposed restructure will result in the loss of the financial benefits that result from operating the two businesses within a single corporate group. These benefits derive from operating a single corporate head office and the provision of a number of functions centrally on behalf of all Toll group businesses.

The two businesses currently share corporate overheads including the board of directors, the Managing Director and Chief Financial Officer's office and regulatory reporting requirements. Further, functions such as accounting, treasury, taxation, legal, company secretarial, insurance, human resources (including payroll), business development, procurement, information technology and property administration have been provided centrally and, as appropriate, allocated to the businesses.

Following the proposed restructure, Asciano will have to establish its own corporate functions Toll has estimated the incremental administration costs to be incurred by Asciano to be approximately $6 million per annum. These costs include:

- costs associated with having a separate listing for Asciano on the ASX (including listing fees and costs associated with maintaining a share register), annual reports (preparation, audit review and printing), shareholder communications, legal and regulatory compliance costs and a board of directors and secretarial costs; and
- central administrative costs including the senior management, accounting, treasury, legal and taxation and other general services.

There is a risk that the establishment of these capabilities may be more costly or difficult than anticipated.

6.4.7 Impact on Funding Costs

At present, the underlying businesses of Toll are financed from its overall financing program with the exception of Virgin Blue, which manages its own financing program.

As separate entities, New Toll and Asciano will have to raise their own finance to fund growth and development and without the financial support or credit profile associated with being part of the larger Toll group, may incur higher borrowing costs. However, both entities will be significant in their own right, with substantial assets and earnings. Unless there is a substantial downturn in financial performance, it is reasonable to expect that access to, and cost of, finance should not be substantially worse than Toll's and should improve as they establish independent credit histories.

Furthermore, Toll is currently putting in place debt facilities of $5.2 billion for Asciano as part of the proposed restructure. The debt facilities will comprise a $4.5 billion term loan, a capital expenditure facility of $550 million and a working capital facility of $150 million. Part of the proceeds will be used to refinance a bridge loan of $3.8 billion used in the acquisition of Patrick. Indicative pricing for the new debt facilities is above Toll's current funding costs. However, Toll's current funding costs reflect favourable margins that management considers would increase in the future. Toll estimates that the funding costs achieved under the refinancing will be approximately 10-20 basis points above the costs that the larger Toll group would achieve longer term for the same amount of debt. This equates to approximately $10 million per annum which is reasonable in the context of the assets and earnings of Asciano but at the same time the new facilities provide greater flexibility for New Toll as it will be relatively undergeared (i.e. the majority of debt is now only secured over Asciano's assets rather than all of Toll).

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6.4.8 One-Off Transaction Costs

Toll has estimated that the total cash transaction costs of the proposed restructure will be approximately $87 million ($60 million after tax). These transaction costs include professional fees, stamp duty, insurance, the costs of establishing Asciano as a separate stapled entity and payments in lieu of certain executive options. Toll will fund all these costs, the majority of which will be written off directly against shareholders' funds in its balance sheet.

Of the cash costs, approximately $21 million before tax ($15 million after tax) are expected to have already been incurred at the time shareholders vote on the proposed restructure. Therefore, the additional cash transaction costs that will be incurred if the proposed restructure proceeds are approximately $66 million before tax ($45 million after tax). These costs, while significant, are not material by comparison with the expected earnings, assets and market capitalisation of New Toll. Total cash transaction costs represent less than 1% of Toll's current market capitalisation.

6.4.9 Ineligible Overseas Shareholders

Toll shareholders with registered addresses outside Australia, New Zealand, Singapore and selected institutional shareholders in the United Kingdom and shareholders in certain other jurisdictions will not be entitled to participate in the restructure. Stapled securities in Asciano to which Toll shareholders would otherwise have been entitled as part of the proposed restructure will be sold through a share sale facility on market following the listing of Asciano with the net sale proceeds returned to those shareholders.

Ineligible overseas shareholders will give up some of their economic interest in Toll and lose their exposure to the ports and rail businesses. They may also have to pay tax on any profit on that disposal (in their country of residence). However:

- their Asciano stapled securities will be sold for market value;
- they can acquire Asciano stapled securities through the ASX following the listing if they wish to retain an exposure; and
- shareholders representing around 0.5% of Toll's issued capital are expected to be impacted by these provisions.

6.5 Taxation Issues

6.5.1 Corporate Taxation

The proposed restructure is not expected to result in any capital gains tax or other tax related liability for New Toll or Asciano.

The capital gains tax consequences of the proposed restructure are set out in Division 125 of the Income Tax Assessment Act 1997 (Cth), which came into effect from 1 July 2002 ("the demerger provisions"). As a result of the demerger provisions, Toll expects that the transfer of certain businesses to Asciano Limited (the company forming part of the Asciano stapled entity) and the separation of its infrastructure assets from its logistics businesses will have no capital gains tax implications for the company.

Toll has no carried forward revenue losses and no capital losses.

Following the restructure, New Toll and Asciano Limited are to become head companies for two new consolidated groups under the Australian tax consolidation system.

6.5.2 Tax Consequences for Australian Resident Shareholders

Although the proposed restructure is not expected to give rise to adverse tax implications for the majority of Australian resident shareholders, there may be tax consequences for certain Australian shareholders. Australian shareholders account for the majority of Toll's issued capital and the majority by number of shareholders.

The proposed restructure is to be effected pursuant to two schemes of arrangement:

- the first scheme of arrangement will include the payment of a fully franked dividend and a capital return to Toll shareholders which will be compulsorily applied to subscribe for one unit in Asciano Finance Trust for every Toll share they hold;
- the second scheme of arrangement will include the payment of a demerger dividend and a capital return to Toll shareholders which will be compulsorily applied to subscribe for one share in Asciano Limited for every Toll share they hold.

The taxation implications for Toll shareholders are different for each scheme of arrangement. In addition, each share in Asciano and each unit in Asciano Finance Trust will be considered separately for income tax purposes.

First Scheme of Arrangement

Roll-over relief under the demerger provisions is not available for Toll shareholders in respect of the first scheme of arrangement. The tax implications are expected to be as follows:

- the \$0.45 per share capital return is a CGT event. The CGT cost base of each Toll share will be reduced by the amount of the capital return. Shareholders that have a cost base less than \$0.45 per share will realise a capital gain and have their cost base reduced to nil. Toll shareholders will realise a capital gain in respect of the capital return to the extent to which the capital return is greater than the cost base of the Toll share. This capital gain may be eligible for discount CGT treatment. Toll shareholders will not be able to realise a capital loss as a result of the capital return. This outcome is expected to apply to a small number of shareholders;
- Toll shareholders will receive a fully franked dividend of \$0.17 per share, which is compulsorily applied to subscribe for units in Asciano Finance Trust. The amount of the franked dividend received plus the franking credit will be included in the assessable income of Toll shareholders and will be subject to tax at their marginal tax rate;
- Toll shareholders who are individuals or complying superannuation entities should be entitled to a tax refund where the franking credit exceeds the amount of income tax otherwise payable by Toll shareholders. Individual shareholders that have a marginal tax rate above 30% will be required to pay tax. For shareholders on the top marginal tax rate (currently 45%), this is expected to be approximately \$0.04 per share. Toll shareholders who are companies will not be entitled to receive a tax refund of excess franking credits, however, they will be entitled to credit their franking account for the amount of the franking credits; and
- the units in Asciano Finance Trust acquired from the compulsory application of the capital return and franked dividend are a new asset for CGT purposes. The cost base will be \$0.62 per unit, equal to the aggregate amounts of the capital return and the franked dividend, plus any incidental costs of acquisition.

Second Scheme of Arrangement

The demerger provisions will apply to the second scheme of arrangement. Therefore, Australian resident Toll shareholders will be able to defer the capital gains tax consequences of the CGT events relating to the capital reduction.

For a shareholder who elects to obtain relief pursuant to the demerger provisions, the tax consequences of the second scheme of arrangement are expected to be as follows:

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- the cash amount to be notionally distributed to Toll shareholders will comprise a capital reduction of $3.75 per share. Any capital gain that may otherwise have arisen in relation to the capital reduction will be disregarded;
- Toll shareholders will be entitled to receive a dividend of $1.40 per share which will be applied to the acquisition of shares in Asciano Limited. The demerger dividend will not be assessable income, and will not be included in the taxable income of Toll shareholders. No franking credits are attached to the demerger dividend;
- Toll shareholders will be required to apportion the existing cost base of their Toll shares over both their Asciano Limited shares and their Toll shares. The cost base of the Toll shares will be apportioned between the cost base of the New Toll shares and Asciano Limited shares on the basis of anticipated or actual market values immediately following the proposed restructure. Toll shareholders must reduce the cost base of their Toll shares to reflect the first capital return before allocating the remaining cost base over their Asciano Limited shares and their Toll shares. Toll is seeking a class ruling from the ATO to confirm the allocation of the CGT cost base by Toll shareholders ; and
- the CGT status of the shareholder's Asciano Limited shares acquired under the proposed restructure will be the same as the status of the shareholder's Toll shares. If the Toll shares were pre-CGT shares (that is, they had been acquired before 20 September 1985 and were therefore not subject to capital gains tax), the New Toll shares and Asciano Limited shares will be treated as pre-CGT shares.

For a shareholder who does not elect to obtain demerger relief pursuant to the demerger provisions, the CGT consequences of the proposed restructure are expected to be as follows:

- the shareholder will realise a capital gain to the extent that the capital reduction notionally distributed ($3.75 per share) is greater than the cost base of the Toll shares held by the shareholder (as adjusted by the first capital return). Any capital gain may be eligible for the CGT discount concession;
- the cost base of the New Toll shares and Asciano Limited shares held by the shareholder immediately after the proposed restructure will be allocated in the same manner as for shareholders who elect to use demerger relief; and
- the Asciano Limited shares issued to the shareholder will be acquired at the date the share is issued under the second scheme of arrangement. Therefore, they will be post-CGT shares (i.e. acquired on or after 20 September 1985) regardless of the CGT status of the shareholder's Toll shares.

6.5.3 Tax Impact on Non-Australian Resident Shareholders

Grant Samuel understands that Toll shareholders who are not residents of Australia should be able to participate in the schemes of arrangement on the same basis as all other Toll shareholders. However, they will not receive stapled securities in Asciano, and will have the stapled securities to which they are entitled sold under the schemes and the proceeds of sale remitted to them.

The non-Australian taxation implications for other non-Australian resident shareholders will depend on the country of domicile of the shareholder. Non-Australian residents should seek their own taxation advice in relation to the taxation impact of the proposed restructure.

6.5.4 Disclaimer

The analysis set out above outlines the major tax consequences of the proposed restructure and should be viewed as indicative only. It does not purport to represent formal tax advice regarding the taxation consequences of the proposed restructure for shareholders. Further details on the taxation consequences of the proposed restructure for Australian resident shareholders are set out in the Restructure Scheme Book. In any event, the tax consequences for shareholders will depend upon their individual circumstances. If in any doubt, shareholders should consult their own professional adviser.

6.6 Alternatives Considered

The board and management of Toll have considered a number of alternatives to the proposed restructure to improve shareholder value, including:

- a joint venture arrangement in respect of Pacific National and the ports assets; and
- securitisation of the port assets through sale and leaseback arrangements.

Each of the alternative strategies considered has attractions and drawbacks. The alternatives would provide cash to expand the logistics business but have drawbacks such as adverse tax consequences for Toll or Toll shareholders, continued regulatory constraints on growth particularly in Australia, potential restrictions on operating flexibility and may not have realised full value for the assets. None of the alternatives would have allowed shareholders to retain 100% of Pacific National. On balance, the Toll board considers that the proposed restructure achieves the best outcome for shareholders in the current circumstances.

6.7 Conclusion

In Grant Samuel's opinion, the proposed restructure is, on balance, in the best interests of Toll shareholders. Toll shareholders are ultimately likely to be better off if the restructure is implemented than if it is not, notwithstanding the costs, disadvantages and risks.

In essence, Toll shareholders are splitting their current investment into two parts, one in New Toll and a separate investment in Asciano. There will be no change in the underlying economic interests of shareholders except for the minor dilutionary impact from the $150 million capital raising to be undertaken by Asciano after the restructure.

Since the acquisition of SembLog in May 2006 and Patrick in July 2006, Toll has consolidated its Australian transport operations with those of Patrick, restructured the ports businesses, continued the operational improvements at Pacific National and optimised operational linkages between the port, rail and logistics assets. The estimated annual cost savings of approximately $60 million from the acquisitions are largely in place.

However, for Toll to pursue its next phase of growth it will need to address various emerging issues that, over time, have the potential to constrain Toll's growth including:

- the high capital requirements of the port and rail assets, which could potentially constrain the capital available for the logistics business (excluding Virgin Blue);
- the continued high levels of investment in the port and rail assets changing the underlying investment mix of assets and reducing the overall return on capital over time;
- potential growth constraints from regulatory issues in Australia for Toll's current vertically integrated business; and
- reconciling the growth opportunities of individual businesses with its overall strategy. The pursuit of appropriate growth opportunities for the infrastructure assets, such as diversification into different infrastructure asset classes in Australia or overseas, may, in some instances, not be consistent with Toll's pan-Asian logistics strategy.

In addition, Toll believes the required sale of 50% of Pacific National is sub optimal in terms of future management of the business. The proposed restructure seeks to address these issues.

The main benefits expected from the proposed restructure are:

- shareholders retain 100% ownership of Pacific National and benefit from strategic flexibility, expected improvement in its earnings and an ability to extract synergies between the businesses in the Asciano portfolio;

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- higher combined dividends and distributions. Asciano will seek to pay out all free cash flow after debt and net capital expenditure requirements to investors (with approximately 80% of distributions expected to be tax deferred in the forecast period);
- financial flexibility to establish appropriate capital structures having regard to the characteristics of each business. Asciano can sustain a higher gearing level given the cash flow characteristics of the port and rail assets;
- the enhanced ability of each entity to pursue growth opportunities without the potential constraints from competing capital demands and from regulatory limitations within Australia; and
- a potentially higher aggregate share market valuation as investors apply different valuation metrics to each entity.

The proposed restructure provides a number of other benefits including enhanced prospects of a takeover for each entity through which shareholders could realise a premium for control, greater management and board focus on each business, and increased flexibility for investors to determine the extent to which they retain or assume exposure to each of New Toll and Asciano.

Arguably these benefits (other than retaining 100% ownership of Pacific National) are not individually compelling but, collectively, they are meaningful. Retaining 100% ownership of Pacific National is a benefit that would not be achieved without the proposed restructure. Several benefits would only be expected to impact shareholder value in the longer term. The post announcement increase in Toll's share price by 12.3% appears to confirm the perceived benefits of the proposed restructure (although it is not possible to isolate the impact from the improved outlook for Toll and performance of Virgin Blue).

At the same time it should be recognised that the structural separation of New Toll and Asciano creates some risk that the benefits achieved by integrating the operations following the Patrick acquisition may be eroded over time. As a separate entity, Asciano will have its own objectives and strategy (such as entering new infrastructure asset sectors). These may diverge over time from the commercial objectives of New Toll but this risk is balanced to some extent by the ongoing commercial interdependence of Asciano and New Toll.

The other costs, disadvantages and risks of the proposed restructure include the smaller size of each entity, the greater proportion of New Toll represented by Virgin Blue, the one-off costs associated with the transaction and the incremental ongoing costs of having two separate listed entities. However, none of these are major drawbacks.

The evaluation of the proposed restructure is essentially subjective as the benefits are not easily quantifiable or testable. The benefits, are at least to some extent, a matter of investor perception and the proposed restructure is not a guarantee of future absolute performance. The issue is whether performance is likely to be better relative to what it would have been in the absence of the proposed restructure. In Grant Samuel's view, having regard to the nature of the proposed restructure, shareholders are likely to be better off if the proposed restructure proceeds notwithstanding the costs, disadvantages and risks.

6.8 Shareholder Decisions

The decision of each shareholder whether to vote in favour of the proposed restructure is a matter for individual shareholders based on each shareholder's views as to value and future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. Shareholders who are in doubt as to what action they should take in relation to the proposed restructure should consult their own professional adviser.

Any decision to continue to hold shares in New Toll or stapled securities in Asciano is a separate investment decision upon which Grant Samuel does not offer an opinion. Shareholders should consult their own professional adviser in this regard.

7 Impact on Creditors

Under the proposed restructure, Toll is to be split into two independent companies. Creditors of Toll (and its subsidiaries) will become creditors of either New Toll or Asciano (and its subsidiaries). Asciano will retain the majority of Toll's external borrowings (which is being refinanced), whilst New Toll will have net debt of $0.7 billion. Committed offers have been received for new debt facilities totalling $5.2 billion for Asciano.

To effect the proposed restructure, two capital reductions totalling $2.6 billion and two special dividends totalling $1.1 billion will be notionally paid to Toll shareholders but will be applied on behalf of shareholders to the purchase of shares and units in Asciano. There will be a reduction in Toll's shareholders' funds of approximately $2.6 billion as a result of the capital reductions and other impacts of the proposed restructure and future earnings will be reduced by removal of the contribution from the ports and rail businesses of Asciano.

By definition, any reduction in the equity base of a company disadvantages creditors as it reduces the company's capacity to meet the claims of creditors. However, in Grant Samuel's view, existing Toll creditors will not be materially prejudiced by the proposed restructure for the following reasons:

- Toll operates under a Deed of Cross Guarantee pursuant to which creditors of subsidiary companies in Toll have recourse to the assets of other companies in Toll. Accordingly, virtually all creditors of Toll are dependent on the financial well-being of Toll as a whole rather than the financial position of the individual companies with which they trade. Under the proposed restructure, responsibility for liabilities associated with the infrastructure assets and entities will be assumed by Asciano, and Toll will be relieved of its responsibilities. New Toll and Asciano will indemnify each other in respect of any claims in relation to existing liabilities. Therefore the risks to existing creditors will not change as a result of the proposed restructure;
- New Toll and Asciano will remain substantial companies in their own right:

Impact of Proposed Restructure on Pro Forma Financial Parameters

	Year ended 30 June 2006		
	Toll pro forma	**New Toll pro forma**	**Asciano pro forma**
Financial Performance			
Revenue	9,340	6,839	2,501
EBITDA	1,270	766	511
EBIT[48]	865	537	352
EBITDA plus equity accounted associates	1,304	781	522
EBIT plus equity accounted associates	899	552	363
Financial Position ($ million)[49]			
Total assets	14,648	7,268	8,024
Net borrowings	5,188	664	4,200
Net assets	6,288	3,696	2,968
Gearing Metrics			
Book gearing	45.2%	15.2%	58.6%
Leverage ratio	4.1x	0.9x	8.2x
Interest cover		23.2x	1.6x
Gearing Metrics (incl. equity accounted associates)			
Leverage ratio	4.0x	0.8x	8.0x
Interest cover		23.7x	1.7x

Source: Restructure Scheme Book and Grant Samuel analysis[50]

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48 Excluding additional depreciation and amortisation from acquisition accounting for the Patrick and SembLog acquisitions.

49 Based on pro forma balance sheets as at 31 December 2006.

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New Toll will initially have a low level of gearing of 15.2%. By contrast, Asciano will be relatively highly geared at 58.6% but only to levels broadly comparable to gearing levels in the infrastructure sector (see Section 6.4.5 of this report). This level of gearing will enable Asciano to optimise its cost of capital and allow it to take advantage of its markets where revenue drivers are growing rapidly and are a derivative of GDP;

- Asciano will have new finance facilities totalling \$5.2 billion, comprising two drawdown facilities of \$2.25 billion of 3 and 5 years, a capital expenditure facility of \$550 million and a working capital facility of \$150 million. The providers of these facilities have made their own judgements as to the financial risk of Asciano in full knowledge of its position. These funding commitments by third party lenders suggest that the financial gearing of Asciano is reasonable;
- most trade creditors are short term in nature (i.e. repayable within, say, 60 days at any point in time) and they will therefore have the opportunity to reassess for themselves whether or not they wish to continue to grant credit to either New Toll or Asciano;
- there is no net cash outflow (except for the costs associated with the transaction) from the Toll group as a consequence of the proposed restructure (as the capital reductions and demerger dividends are reinvested). Further, Asciano will raise \$150 million following the proposed restructure; and
- the directors of Toll have stated that in their opinion the proposed restructure will not affect Toll's ability to pay creditors or meet debts as and when they fall due.

Grant Samuel makes no warranty, express or implied, as to the potential recoverability of existing or contingent debts owed by Toll as at the date of this report or at any subsequent time. Future creditors must rely on their own investigations of the financial positions of New Toll and Asciano.

[50] Gearing analysis calculated by reference to the pro forma financial performance of New Toll and Asciano for the year ended 30 June 2006, the pro forma financial position at 31 December 2006 and pro forma forecast net interest for the 2007 financial year.

8 Qualifications, Declarations and Consents

8.1 Qualifications

The Grant Samuel group of companies provide corporate advisory services (in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally), property advisory services and manages property funds. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 370 public independent expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Stephen Wilson MCom (Hons) CA (NZ) SF Fin, Atagün Bensan BSc (Hons) LLB, Hannah Crawford BCom LLB CA F Fin and Cameron Stewart BComLLB. Each has a significant number of years of experience in relevant corporate advisory matters. Anne Foster BSc assisted in the preparation of parts of this report. Each of the above persons is an authorised representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

8.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether the proposed restructure is in the best interests of shareholders and whether the capital reductions are materially prejudicial to Toll creditors. Grant Samuel expressly disclaims any liability to any Toll shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

This report has been prepared by Grant Samuel with care and diligence and the statements and opinions given by Grant Samuel in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Grant Samuel or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Grant Samuel from liability arising from an opinion expressed recklessly or in bad faith.

Grant Samuel has had no involvement in the preparation of the Restructure Scheme Book issued by Toll and has not verified or approved any of the contents of the Restructure Scheme Book. Grant Samuel does not accept any responsibility for the contents of the Restructure Scheme Book (except for this report).

8.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Toll that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the proposed restructure. Grant Samuel advises that:

- Grant Samuel prepared an independent expert's report for Virgin Blue dated 25 February 2005 in relation to the takeover offer by Patrick; and
- two Grant Samuel group executives hold in aggregate less than 5,500 shares in Virgin Blue and one Grant Samuel group executive holds a parcel of less than 500 shares in Toll.

Grant Samuel had no part in the formulation of the proposed restructure. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of $750,000 for the preparation of this report. This fee is not contingent on the outcome of the proposed restructure. Grant Samuel's out-of-pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

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Grant Samuel considers itself to be independent in terms of Practice Note 42 issued by the ASIC (previously known as Australian Securities Commission) on 8 December 1993.

8.4 Declarations

Toll has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability finally determined by the courts to be primarily caused by any conduct involving negligence or wilful misconduct by Grant Samuel. Toll has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Where Grant Samuel or its employees and officers are found to have been negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action. Any claims by Toll are limited to an amount equal to three times the fees paid to Grant Samuel.

Advance drafts of this report were provided to Toll and its advisers. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

8.5 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Restructure Scheme Book to be sent to shareholders of Toll. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

8.6 Other

The accompanying letter dated 18 April 2007 forms part of this report.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

GRANT SAMUEL & ASSOCIATES PTY LIMITED
18 April 2007

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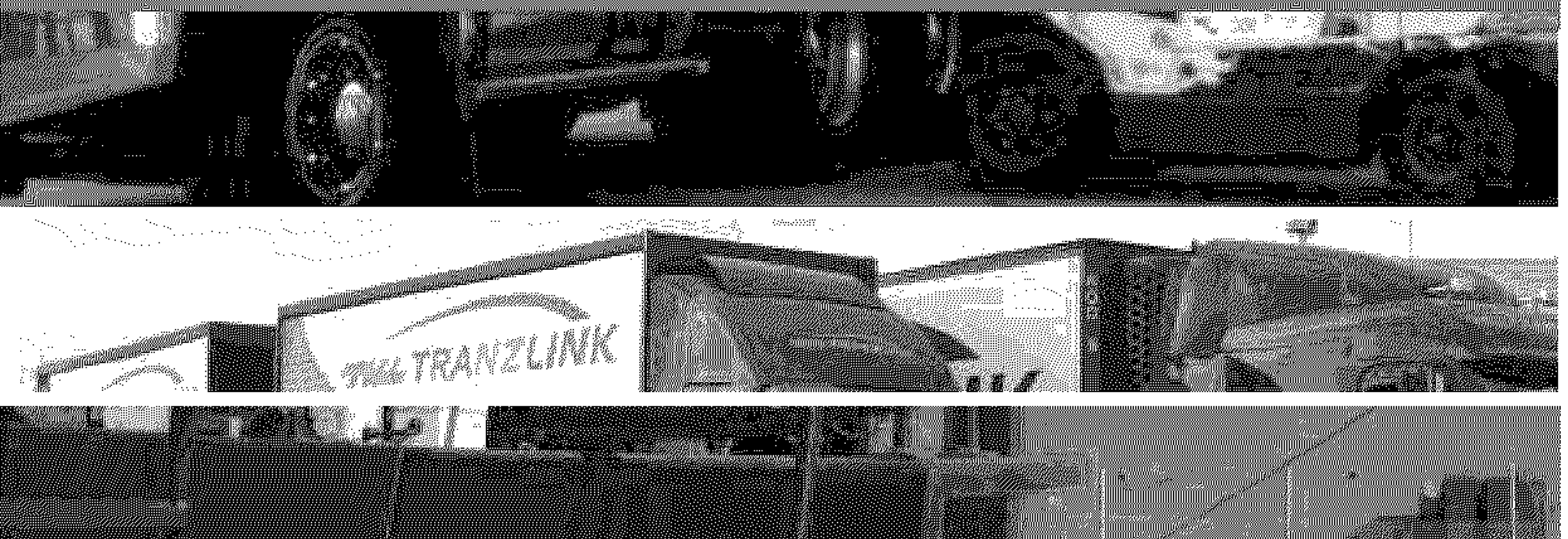
Glossary



3PL means 3rd Party Logistics

AASB means the Australian Accounting Standards Board

AAT means Australian Amalgamated Terminals Pty Ltd ABN 13 098 458 229, a joint venture with DPW

ACCC means the Australian Competition and Consumer Commission

AFSL means Australian Financial Services License

AIFRS means the Australian equivalents to International Financial Reporting Standards as issued by the AASB

Asciano is the name used to describe the entity comprising Asciano Limited and the Asciano Finance Trust

Asciano Board means the Boards of Directors of Asciano Limited and Asciano Finance Limited

Asciano Directors means the directors of both Asciano Limited and Asciano Finance Limited as at the date of lodgement of this Scheme Book for registration by ASIC, or from time to time, as the context requires

Asciano Group means Asciano and the Subsidiaries of Asciano Limited

Asciano Finance Limited means Asciano Finance Limited ABN 90 123 180 450

Asciano Finance Trust or Trust means the Asciano Finance Trust ARSN 124 102 807

Asciano Limited means Asciano Limited ABN 26 123 652 862

Asciano Shares means fully paid ordinary shares in the capital of Asciano Limited

Asciano Units means fully paid ordinary units in the Asciano Finance Trust

ASIC means the Australian Securities and Investments Commission

ASTC means 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 Settlement Rules means the operating rules of ASTC, except to the extent of any relief given by ASTC

ASX means ASX Limited ABN 98 008 624 691 or the market operated by it as the context requires

ATO means the Australian Taxation Office

Bulk and General Ports has the meaning given in Section 7.6

Bulk Services has the meaning given in Section 7.7.1

Business Day has the meaning given in the Listing Rules

CAGR means Compound Annual Growth Rate

Capex means capital expenditure

Capital Reductions means the reductions of the share capital amount of Toll by the First Capital Reduction Amount and the Second Capital Reduction Amount each to be applied equally against each Toll Share on issue as at the Record Date

Capital Reduction Resolutions means the ordinary resolutions to approve the Capital Reductions to be considered by Shareholders at the General Meeting

CGT means Capital Gains Tax

CHESS means the Clearing House Electronic Subregister System, operated by ASTC

Class Order means the granting of relief from corporations or financial services regulations by ASIC

Close of Registers means 7pm on 26 May 2007 being the date on which the Share Register and the register of RPS Holders is closed for the purposes of determining the ability of Shareholders to vote at the Meetings

Constitution means one or both of the constitutions of Asciano Limited and the Asciano Finance Trust (as the case requires)

Container Ports Group has the meaning given in Section 7.5

Container Terminals means Asciano's container terminal division described in Section 7.5.1

Continuing Toll Executives has the meaning given in Section 11.4

Contract Logistics has the meaning given in Section 8.4.1

Corporations Act means the Corporations Act 2001 (Cth)

Corporations Regulations means the Corporations Regulations 2001 (Cth)

Court means the Supreme Court of Victoria

Directors' Deeds Resolution means the resolution required by section 208 of the Corporations Act as set out in item 10 of the Notice of Meeting set out in Section 18 of this Scheme Book

Distributions means distributions to Securityholders, including distributions made to Unitholders and dividends paid to Shareholders

DPW has the meaning given in Section 7.2.5

DRP means Asciano's proposed Distribution Reinvestment Plan, outlined in Section 12.8.6

East-West Corridor has the meaning given in Section 7.3.3

EBIT means Earnings Before Interest and Tax

EBITA means Earnings Before Interest, Tax and Amortisation

EBITDA means Earnings Before Interest, Tax, Depreciation and Amortisation

Effective Date means the date on which the office copy of the Court order approving the Scheme pursuant to section 411(4)(b) of the Corporations Act is lodged with ASIC and the Schemes become binding on Toll and Toll Shareholders

EPS means earnings per security

ESOP means Toll's employee share ownership plan

EV means economic value

Executive Service Deeds means the executive service deeds described in Section 11.4 of this Scheme Book

Executive Services Resolutions means the resolutions required by Listing Rule 10.19 and section 200E of the Corporations Act and the Listing Rules in relation to the Executive Service Deeds

FATA means the Foreign Acquisitions and Takeovers Act 1975 (Cth)

Financial Assistance Resolution means the resolution required by section 260B(2) of the Corporations Act in relation to the financing of Asciano described in Section 11.3

First Capital Reduction Amount means a reduction of the share capital of Toll by a total amount of $289,172,700

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First Reduction Amount means the First Special Dividend and the First Capital Reduction Amount

First Scheme Meeting means the scheme meeting of Toll Shareholders ordered by the Court to consider the Unit Scheme

First Special Dividend means a fully franked dividend of a total amount of $109,243,020

GDP means gross domestic product

General Meeting means the general meeting of Shareholders convened to consider the Restructure Resolutions, the Placement Resolution and the Executive Services Resolutions set out in the notice of general meeting in Section 18 of this Scheme Book

Grant Samuel & Associates means Grant Samuel & Associates Pty Limited ABN 28 050 036 372

GST means goods and services tax

Implementation Date means the date on which the Special Dividends are paid, the Capital Reductions occur and the Asciano Shares and the Asciano Units are issued to Toll Shareholders

Independent Expert's Report means the report of Grant Samuel & Associates in Section 16 of this Scheme Book

Ineligible Overseas Shareholder means a Toll Shareholder whose address on the Toll Share Register on the Record Date is in any jurisdiction other than Australia and its external territories, Singapore and New Zealand

Infrastructure Assets means the infrastructure assets described in Sections 7.5 to 7.8

Intermodal has the meaning given in Section 7.7.2

Investigating Accountant's Report means the report of KPMG Transaction Services (Australia) Pty Limited in Section 15 of this Scheme Book

JV means Joint Venture

Kalmar Industries refers to the other participating party engaged in the Patrick Technology Systems joint venture with Container Terminals (see Section 7.5.1.5)

Listing Date means the first date on which Asciano is admitted to the official list of ASX

Listing Rules means the official listing rules of ASX, as amended or replaced from time to time, except to the extent of any express written waiver granted by ASX

Mt means mega tonnes

Market Capitalisation means the share price multiplied by the number of shares on issue

Meetings means the General Meeting and the Scheme Meetings collectively and Meeting means any of them as the context requires

NPAT means net profit after tax

Operations Services has the meaning given in Section 7.7.3

Options means options over unissued Toll Shares

Organisation has the meaning given in Section 2.7

Pacific National means Pacific National Pty Ltd ACN 098 060 550

Patrick AutoCare has the meaning given in Section 7.8.1

Patrick Corporation means Patrick Corporation Limited ACN 008 660 124

Patrick Group means Patrick Corporation and its subsidiaries

PIML or **Permanent Investment Management Limited** means Permanent Investment Management Limited ABN 45 003 278 831

Placement means the placement of new Stapled Securities to raise approximately A$150 million as described in Section 6.5

Placement Resolution means the resolution required under Listing Rule 10.1 and Chapter 2E of the Corporations Act in connection with the participation by Mostia Dion Nominees Pty Ltd in the Placement

Placement Securities means the Stapled Securities issued under the Placement

PNQ means Pacific National (Queensland) Pty Ltd ABN 98 107 180 183

PortLink has the meaning given in Section 7.5.2

Port Services has the meaning given in Section 7.5.3

PrixCar means PrixCar Services Pty Ltd ACN 007 063 505

Record Date means 7:00 pm on the fifth Business Day after the Effective Date

Responsible Entity means PIML or such other entity as is appointed the Responsible Entity of the Trust, as the case may be

Restructure means the process of creating the two separately listed companies, Toll and Asciano, from the existing Toll corporate structure, as set out in Section 4.1.2 of this Scheme Book

Restructure Deed means the deed between Toll and Asciano described in Section 11.1 of this Scheme Book

Restructure Proposal means the proposal by Toll to implement the Restructure

Restructure Resolutions means the Capital Reduction Resolutions and the Financial Assistance Resolution

ROIC means Return On Invested Capital

RPS means Reset Preference Shares in the capital of Toll

RPS Holder means the holder of RPS

RPS Terms means the terms of issue of the RPS as set out in Appendix A to the Prospectus issued by Toll and dated 2 October 2003

S&P/ASX 50 means the Standard & Poor's/ASX index of the top 50 Australian listed stocks by Market Capitalisation

Sale Agent means the nominee appointed by Toll as contemplated by clause 5 of the Share Scheme to sell or facilitate the transfer of the Stapled Securities attributable to Ineligible Overseas Shareholders and to facilitate the Sale Facility, as explained in Section 6.4, under the terms of the Schemes, being UBS AG, Australia Branch

Sale Facility means the facility available to Toll Shareholders to be managed by the Sale Agent, as set out in Section 6.4

Scheme Book means this book which includes the Schemes, the explanatory statement and the notices of meetings and the Explanatory Memorandum

Schemes means the schemes of arrangement under Part 5.1 of the Corporations Act between Toll and Toll Shareholders, as described in this Scheme Book subject to any alterations or conditions made or required by the Court pursuant to section 411 of the Corporations Act being the Unit Scheme and the Share Scheme

Scheme Meetings means scheme meetings of Toll Shareholders ordered by the Court to be held to consider the resolutions set out in the notice of scheme meetings set out in Section 18 of this Scheme Book and to be held at 11am on 28 May 2007 or as soon thereafter as the General Meeting has concluded or been adjourned

Second Capital Reduction Amount means a reduction of the share capital of Toll by a total amount of $2,409,772,500

Second Reduction Amount means the Second Special Dividend and the Second Capital Reduction Amount

Second Scheme Meeting means the scheme meeting of Toll Shareholders ordered by the Court to consider the Share Scheme

Second Special Dividend means an unfranked dividend of a total amount of $899,648,400

Securityholder means a registered holder of Stapled Securities

SembCorp Logistics means SembCorp Logistics Ltd, Singapore registration number 197100166M

SEOP means Toll's senior executive option and rights plan

Shareholder means a Toll Shareholder or a RPS Holder

Share Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between Toll and the Toll Shareholders as set out in Part B of Section 13 of this Scheme Book

SOPS means Singapore Offshore Petroleum Services

Special Dividends means the First Special Dividend and the Second Special Dividend

Stapled Security means an Asciano Share and an Asciano Unit which, by virtue of their terms of issue will, immediately after issue, become 'stapled' and may be only dealt with together

Starter's Kit Assets means the combination of assets and rights relating to the operation of rail services on the East-West Corridor as described in clause 8 of the Undertakings

Subsidiary means in respect of a person any entity whose financial results are consolidated with the financial results of that person for the purposes of preparing the financial statements of that person in accordance with the applicable accounting standards and includes an entity which is a subsidiary of the person as defined in section 9 of the Corporations Act

Tax Group means Toll tax consolidated group

Tax Law means the Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1997, as amended

TCL means Trust Company Limited ABN 59 004 027 749

TEU means Twenty-foot Equivalent Unit

The Asciano Executives has the meaning given in Section 11.4

Toll means Toll Holdings Limited ACN 006 592 089

Toll Autologistics Business means Toll's vehicle transport and logistics business in Australia for domestically manufactured and imported vehicles

Toll Board means the board of Toll Directors as at the date of this Scheme Book

Toll Directors means the directors of Toll as at the date of lodgement of this Scheme Book for registration by ASIC

Toll Group means Toll and its Subsidiaries

Toll North means Toll North Pty Ltd ABN 28 009 683 452

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

Toll Shareholder means a registered holder of Toll Shares

Toll Share Register means the register of Toll Shareholders maintained under section 169 of the Corporations Act

Toll Share Registry means Computershare Investor Services Pty Limited ABN 48 078 279 277

Trust Constitution means the constitution of the Asciano Finance Trust

UBS means UBS AG, Australia Branch ABN 47 088 129 613 AFSL 231087

Undertakings means the undertakings given by Toll to the ACCC in accordance with s87B of the Trade Practices Act 1974 (Cth) dated 11 March 2006 as varied from time to time including by the Variation

Unit Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between Toll and the Toll Shareholders as set out in Part A of Section 13 of this Scheme Book

Unitholder means a holder of Asciano Units

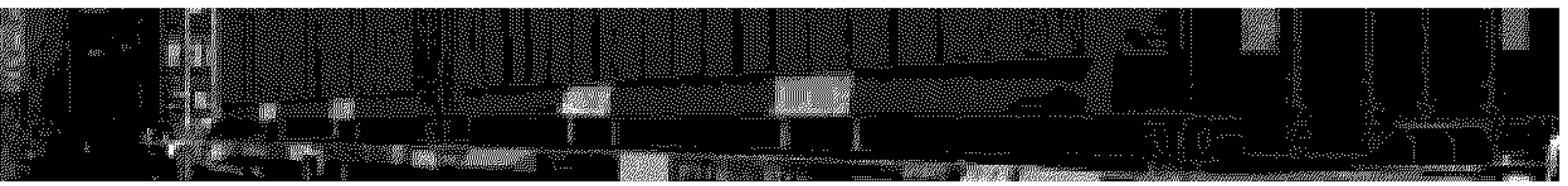
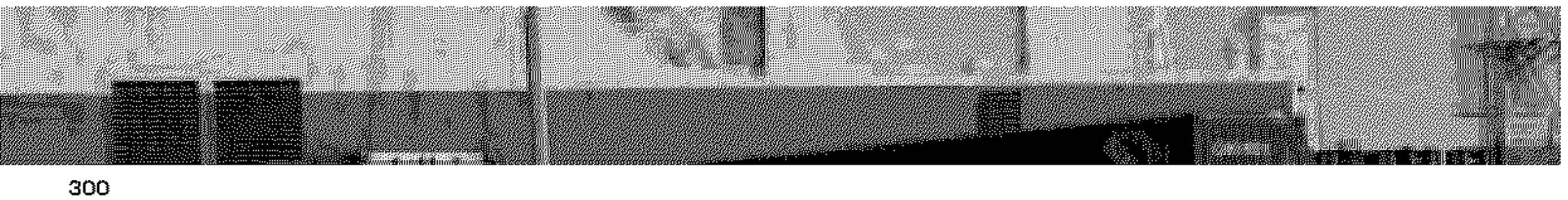
Variation means the fifth variation to the Undertakings accepted by the ACCC on 18 April 2007

Virgin Blue means Virgin Blue Holdings Limited ACN 100 686 226

VWAP means Volume Weighted Average Price

Terms used in this Scheme Book may differ from similarly titled terms used by other entities.

18
Notices of Meeting

Notice of General Meeting

TOLL HOLDINGS LIMITED ABN 25 006 592 089

Notice is hereby given that a General Meeting of members of Toll Holdings Limited ('the Company') will be held in the Savoy Ballroom at the Grand Hyatt Melbourne, 123 Collins Street, Melbourne, Victoria on 28 May 2007 at 11:00 am (AEST).

BUSINESS

Capital Reduction Resolutions

Item 1 – First Capital Reduction

To consider and, if thought fit, pass the following resolution:

> 'That, for the purposes of section 256B of the Corporations Act, subject to and conditional upon the Scheme of Arrangement set out in Part A of section 13 of the Scheme Book ('Unit Scheme') and referred to in the Explanatory Memorandum accompanying the Notice of Meeting proposing this resolution ('Explanatory Memorandum') becoming effective in accordance with section 411(10) of the Corporations Act, the Company's share capital be reduced on the Implementation Date (within the meaning of the Schemes) by an aggregate sum of $289,172,700, with the reduction being effected and satisfied by appropriating that aggregate sum among members registered on the Company's register of members as the holders of ordinary shares at the Record Date (within the meaning of the Schemes) in proportion to the number of ordinary shares then held by them respectively so that the resultant individual appropriation of each such number is applied in accordance with the Unit Scheme.'

Item 2 – Second Capital Reduction

To consider and, if thought fit, pass the following resolution:

> 'That, for the purposes of section 256B of the Corporations Act, subject to and conditional upon the Scheme of Arrangement set out in Part B of section 13 of Scheme Book and referred to in the Explanatory Memorandum accompanying the Notice of Meeting proposing this resolution ('Share Scheme') becoming effective in accordance with section 411(10) of the Corporations Act, the Company's share capital be reduced on the Implementation Date (within the meaning of the Schemes) by an aggregate sum of $2,409,772,500 with the reduction being effected and satisfied by appropriating that aggregate sum among members registered on the Company's register of members as the holders of ordinary shares at the Record Date (within the meaning of the Schemes) in proportion to the number of ordinary shares then held by them respectively so that the resultant individual appropriation of each such number is applied in accordance with the Share Scheme.'

Financial Assistance Resolution

Item 3 – Approval of provision of financial assistance

To consider and, if thought fit, pass the following resolution as a special resolution:

> 'That, for the purposes of section 260B(2) of the Corporations Act, and for all other purposes, approval is given by the Company for each Relevant Company (as defined in the Explanatory Memorandum accompanying the Notice of Meeting proposing this resolution) to provide financial assistance by granting the Guarantees and Securities (as defined in the Explanatory Memorandum) in the manner contemplated by the Explanatory Memorandum.'

Placement Resolution

Item 4 – Issue of Stapled Securities to Mostia Dion Nominees Pty Ltd

To consider and, if thought fit, to pass the following resolution:

> 'That for the purposes of section 208 of the Corporations Act, and ASX Listing Rule 10.11, the Company approves the issue to Mostia Dion Nominees Pty Ltd as trustee for The Mark Rowsthorn Family Trust of that number of Stapled Securities (at an issue price to be determined in the manner set out in the Explanatory Memorandum accompanying the Notice of Meeting proposing this resolution) having an aggregate issue price of $50 million.'

Executive Services Resolutions

Item 5 – Approval of benefits payable on termination under an executive service deed to Toll Executive Paul Little

To consider and, if thought fit, to pass the following resolution:

> 'That, for the purposes of ASX Listing Rule 10.19 and section 200E of the Corporations Act, the Company approves the benefits which may become payable to Paul Little on termination of employment under the terms of an executive service deed entered into in April 2007 between the Company and Paul Little as described in the Explanatory Memorandum accompanying the Notice of Meeting proposing this resolution.'

Item 6 – Approval of benefits payable on termination under executive service deeds to Toll Executives – Neil Chatfield, John Ludeke, Stephen Stanley and Bernard McInerney ('the Toll Executives')

To consider and, if thought fit, to pass the following resolution:

'That, for the purposes of ASX Listing Rule 10.19 and section 200E of the Corporations Act, the Company approves the benefits which may become payable to the Toll Executives on termination of employment under the terms of executive service deeds entered into in April 2007 between the Company and the Toll Executives as described in the Explanatory Memorandum accompanying the Notice of Meeting proposing this resolution.'

Item 7 – Approval of benefits granted to directors of the Company and/or its subsidiaries on termination in certain circumstances

To consider and, if thought fit, to pass the following resolution:

'That, for the purposes of ASX Listing Rule 10.19 and section 200E of the Corporations Act, the Company approves the benefits which may be granted to Toll senior executives who are or have been directors of the Company and/or its subsidiaries on termination of employment by the Toll Directors exercising their discretion under the Senior Executive Option and Rights Plan to extend the expiry of share options in certain circumstances as described in the Explanatory Memorandum accompanying the Notice of Meeting proposing this resolution.'

Item 8 – Approval of benefits payable on termination under an executive service deed for Asciano Executive Mark Rowsthorn

To consider and, if thought fit, to pass the following resolution:

'That, for the purposes of ASX Listing Rule 10.19 and section 200E of the Corporations Act, the Company approves the benefits which may become payable to Mark Rowsthorn on termination of employment under the terms of an executive service deed entered into in April 2007 between Asciano Limited and Mark Rowsthorn as described in the Explanatory Memorandum accompanying the Notice of Meeting proposing this resolution.'

Item 9 – Approval of benefits payable on termination under an executive service deed for Asciano Executive Don Telford

To consider and, if thought fit, to pass the following resolution:

'That, for the purposes of ASX Listing Rule 10.19 and section 200E of the Corporations Act, the Company approves the benefits which may become payable to Don Telford on termination of employment under the terms of an executive service deed entered into in April 2007 between Asciano Limited and Don Telford as described in the Explanatory Memorandum accompanying the Notice of Meeting proposing this resolution.'

Item 10 – Approval of Deed of Indemnity, Insurance and Access and financial benefits thereunder, with each Director and future Director

To consider and, if thought fit, to pass the following resolution:

'That, for the purposes of section 208 of the Corporations Act and for all other purposes, the Company approves the entering into of a Deed of Indemnity, Insurance and Access with each present and future Director of the Company and each present and future Director of any subsidiary of the Company, and to provide the financial benefits required by the Deed of Indemnity, Insurance and Access as described in the Explanatory Memorandum accompanying the Notice of meeting proposing this resolution.'

PERSONS PRECLUDED FROM VOTING

- In respect of item 4, a vote must not be cast (in any capacity) by or on behalf of Mostia Dion Nominees Pty Ltd (as trustee for the Mark Rowsthorn Family Trust) or any associate of Mostia Dion Nominees Pty Ltd;
- In respect of item 5, a vote must not be cast (in any capacity) by or on behalf of Paul Little or any of his associates;
- In respect of item 6, a vote must not be cast (in any capacity) by Neil Chatfield, John Ludeke, Stephen Stanley, Bernard McInerney or each of their associates respectively;
- In respect of item 7, a vote must not be cast (in any capacity) by each Toll senior executive who is or has been a director of the Company and/or its subsidiaries or any of his or her respective associates;
- In respect of item 8, a vote must not be cast (in any capacity) by Mark Rowsthorn or any of his associates;
- In respect of item 9, a vote must not be cast (in any capacity) by Don Telford or any of his associates; and
- In respect of item 10, a vote must not be cast (in any capacity) by or on behalf of a Director or any associate of a Director.

However, the Company will not disregard a vote if:

- it is cast by such a person as proxy appointed in writing that specifies how the proxy is to vote and; or
- it is not cast on behalf of a person who is otherwise precluded from voting on the relevant resolution.

By Order of the Board

B McInerney
Company Secretary

Dated this 12 April 2007

SEE IMPORTANT NOTES OVERLEAF

IMPORTANT NOTES

DEFINITIONS

Terms defined in, or definitions incorporated by reference in, the Explanatory Memorandum accompanying this Notice of Meeting have the same meaning when used in this Notice of Meeting.

VOTING ENTITLEMENTS

The shareholding of each shareholder for the purposes of ascertaining voting entitlements for the General Meeting will be as it appears in the Share Register at 7.00pm (AEST) on 26 May 2007.

RPS Holders may attend the General Meeting but, in accordance with the terms of issue of the RPS, are not entitled to speak or vote at the meeting other than in relation to the Capital Reduction Resolutions.

PROXIES

A member who is entitled to attend and cast a vote at the General Meeting has the right to appoint a proxy (an individual or a body corporate) who need not be a member of the Company. If a member is entitled to cast two or more votes they may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes. If a member appoints two proxies, neither may vote on a show of hands.

For the appointment of a proxy to be effective, the Proxy Form, together with any authority under which the Proxy Form was executed or a certified copy of that authority, must be deposited at the Share Registry of the Company, Computershare Investor Services Pty Limited, located at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067 or at the Company's Registered Office, Level 8, 380 St Kilda Road, Melbourne, Victoria, 3004, or returned in the enclosed Reply Paid envelope to GPO Box 242, Melbourne, Victoria 3001, or sent by facsimile to Computershare on (03) 9473 2555 or to the Company on (03) 9694 2880 by 11:00 am (AEST) on 26 May 2007.

Shareholders desiring to lodge electronic proxies on-line, may do so by first registering on the Company's website at www.tollgroup.com and clicking on 'Shareholder Information' and then 'GM Proxy Voting'. The deadline for the lodgement of electronic proxies on-line is also 11:00 am (AEST) on 26 May 2007.

Corporate representative

If a representative of either a corporate member or a proxy which is a body corporate is to attend the meeting pursuant to section 250D of the Corporations Act, a certificate of appointment of the representative must be produced prior to admission to the meeting.

18. Notices of Meeting

EXPLANATORY MEMORANDUM FOR SHAREHOLDERS

TOLL HOLDINGS LIMITED ABN 25 006 592 089

Introduction

This Explanatory Memorandum provides information for shareholders in respect of Items 1 to 10 to be considered at the General Meeting of the Company to be held in the Savoy Ballroom at the Grand Hyatt Melbourne, 123 Collins Street, Melbourne, Victoria on 28 May 2007 at 11:00 am (AEST).

Capitalised terms used in this Explanatory Memorandum and not otherwise defined have the same meaning as that given to them in Section 17 (Glossary) of the Scheme Book dated 12 April 2007, a copy of which has been provided to Shareholders simultaneously with this Explanatory Memorandum ('**Scheme Book**').

Items 1 & 2 – Capital Reduction Resolutions

The Capital Reduction Resolutions are being put to Toll Shareholders and RPS Holders to obtain approval under section 256C of the Corporations Act to two equal reductions in the Company's share capital under section 256B of the Corporations Act, of amounts of $289,172,700 and $2,409,772,500 respectively, such amounts to be applied equally to all Toll Shares on issue as at the Record Date. The reductions are to be effected and satisfied by appropriating such sums to or for the benefit of Toll Shareholders at the Record Date which will be applied in accordance with the Schemes.

The Capital Reduction Resolutions are being proposed in connection with the Schemes and the Schemes are conditional on, amongst other things, the passing of the Capital Reduction Resolutions.

The impact, financial and otherwise, on the Company and Toll Shareholders if the Capital Reduction Resolutions are passed, together with all other factors which are material to the making of a decision by Toll Shareholders whether to approve the Capital Reduction Resolutions, is set out in the Scheme Book in relation to the Schemes.

If the Capital Reduction Resolutions are passed by the requisite majority of Toll Shareholders and RPS Holders present and voting at the General Meeting (whether in person or by proxy), they will take effect provided the Schemes are approved by the requisite majority of Toll Shareholders and by the Court and all other conditions relating to the Schemes are satisfied.

The Toll Directors believe that, taking into account all relevant matters, the Restructure Proposal (which includes the Capital Reductions and the Schemes) is in the best interest of Shareholders and the Company, and will not materially prejudice the interest of the creditors of the Company.

Item 3 – Financial Assistance Resolution

Banking facilities for the Asciano Group totalling A$5.2 billion will be put in place prior to the Implementation Date (the '**Asciano Facilities**'). The Asciano Facilities will be provided by the financiers to the Responsible Entity of the Asciano Finance Trust (the '**Borrower**'). The proceeds of drawdowns under the Asciano Facilities will be on-lent by the Borrower to Asciano Limited. Asciano Limited will use those moneys for the purpose of, among other things, repaying the debts assumed by it under the Restructure Deed, funding the ongoing capital expenditure requirements of the Asciano Group and for general corporate purposes.

A summary of the Asciano Facilities is set out in Section 11.4 of the Scheme Book.

It is a condition of the provision of the Asciano Facilities that the following guarantees and securities are granted to support/secure the repayment of the Asciano Facilities:

Guarantees

A guarantee and indemnity from Asciano Limited and its wholly owned Subsidiaries who, together with Asciano Limited, hold not less than 90% of the total assets of the Asciano Group and account for not less than 90% of EBITDA of the Asciano Group (collectively the '**Guarantees**').

Security

(i) Fixed and floating charges over all the assets and undertaking of:
   A. Asciano Holdings (Properties) Pty Ltd;
   B. Asciano Holdings (General & Bulk) Pty Ltd;
   C. Asciano Holdings (Rail) Pty Ltd; and
   D. Asciano Holdings (Containers) Pty Ltd;

(ii) fixed and floating charges over all the assets and undertaking of the Borrower and Asciano Limited;

(iii) an equitable share mortgage from Asciano Holdings (Properties) Pty Ltd in relation to its shares in Asciano Properties Pty Ltd;

(iv) an equitable share mortgage from Asciano Holdings (General & Bulk) Pty Ltd with respect to its shares in Asciano (General & Bulk) Pty Ltd;

(v) an equitable share mortgage from Asciano Holdings (Rail) Pty Ltd with respect to its shares in Toll Rail Holdings Pty Ltd; and

(vi) an equitable share mortgage from Asciano Holdings (Containers) Pty Ltd with respect to its shares in Equitius Pty Ltd,

(collectively the '**Securities**').

Financial Assistance – Relevant Provisions of Corporations Act

Financial Assistance by Company

Section 260A of the Corporations Act provides that a company may financially assist a person to acquire shares (or units of shares) in the company or a holding company of the company if, among other things, the assistance is approved by shareholders of the company under section 260B(1) of the Corporations Act.

Approval by Listed Domestic Corporation

Section 260B(2) of the Corporations Act provides that if a company that is giving financial assistance will be a subsidiary of a listed domestic corporation immediately after the acquisition of shares referred to in section 260A occurs, the financial assistance must also be approved by a special resolution passed at a general meeting of that listed domestic corporation.

Requirement for this Explanatory Memorandum

Section 260B(4) of the Corporations Act requires that a company that calls a meeting for the purpose of, among other things, section 260B(2) of the Act must include in the notice of the meeting a statement setting out all the information known to the company that is material to the decision on how to vote on the resolution.

Nature of Financial Assistance in the context of the Restructure

Financial Assistance by Companies

As set out above, various companies will give the Securities and Guarantees to secure/support the repayment of the Asciano Facilities by the Borrower. The provision of those Guarantees and Securities is a condition of the provision of the Asciano Facilities.

The granting of those Guarantees and Securities by some or all of those companies (the '**Relevant Companies**') may constitute the provision of financial assistance to a person (Asciano Limited) to acquire shares in that company or a holding company of that company (in the context of the shares to be acquired by Asciano Limited as part of the Restructure). Accordingly, the approval of the shareholders of those Relevant Companies will be sought under section 260B(1) of the Corporations Act to the provision of that financial assistance prior to the financial assistance being given. If that approval is not obtained, the financial assistance will not be given.

Approval by the Company (as Listed Domestic Corporation)

The Asciano Facilities will not be able to be drawn down by the Borrower until the date on which Asciano Limited acquires the Infrastructure Assets. However, the Guarantees and Securities will (assuming that the shareholders of the Relevant Companies approve the provision of financial assistance by those companies) be granted by the Relevant Companies prior to the Restructure occurring and whilst those Relevant Companies are still wholly owned subsidiaries of the Company. Accordingly, the granting of the Guarantees and Securities by the Relevant Companies must also be approved by the Company under section 260B(2) of the Corporations Act.

Reasons for proposal to give financial assistance

As set out above, it is a condition precedent to the provision of the Asciano Facilities that the Guarantees and the Securities are granted. If the Guarantees and Securities are not granted by the relevant companies, Asciano Limited will not have available to it the necessary funding to enable it, among other things, to discharge the debts assumed, or to be assumed, by it under the Restructure Deed and/or to carry on its business after the Restructure and, as a consequence, the Restructure will not proceed.

Effect of proposed financial assistance for interests of the Company and its members

If the Borrower fails to perform its obligations under the facility agreement (which will set out the detailed terms and conditions on which the Asciano Facilities are to be provided) (the '**Facility Agreement**'), or an Event of Default (as that term will be defined in the Facility Agreement) occurs:

(a) the Relevant Companies may be called upon to perform the Borrower's obligations under the Facility Agreement (including by requiring the Relevant Companies (or any of them) to repay in full the Asciano Facilities); and

(b) the security trustee acting for the financiers may enforce the Securities, sell the assets the subject of the Securities and apply the proceeds to repay the Asciano Facilities.

Accordingly, the enforcement of the Guarantees and Securities would adversely affect the assets and financial position of the Relevant Companies. The effect on the interests of the shareholders of the Relevant Companies of such action is that the shareholders may rank behind the financiers with respect to the moneys owed under the Asciano Facilities.

However, the Directors have formed the view that the granting of the Guarantees and Securities by the Relevant Companies (and the associated provision of financial assistance) is in the best interests of the Relevant Companies because:

(a) the granting of the Guarantees and Securities by each Relevant Company is in accordance with the constitution of that Relevant Company;

(b) as a result of the provision of the Guarantees and Securities (but subject to satisfaction of the other relevant conditions precedent), the Asciano Facilities will be made available to the Borrower (and the Asciano Group generally);

(c) each Relevant Company is solvent and was or will become solvent at the time the Guarantees and Securities to which it is a party is/are granted and the provision of the financial assistance will not materially prejudice the ability of the Relevant Companies to pay their creditors; and

(d) the Relevant Companies are not prevented from granting the Guarantees and Securities by sections 208 or 209 of the Corporations Act (which sections relate to the provision by a company of financial benefits to related parties of public companies).

Item 4 – Placement Resolution

It is proposed that as part of the Placement described in section 6.5 of the Scheme Book, Mostia Dion Nominees Pty Ltd ('**Mostia Dion Nominees**') as trustee for The Mark Rowsthorn Family Trust will subscribe for Stapled Securities having an aggregate subscription price of $50 million. Mark Rowsthorn is a director of Mostia Dion Nominees and a beneficiary of The Mark Rowsthorn Family Trust.

Mark Rowsthorn is a director of the Company and both Asciano Limited and Asciano Finance Limited (which is proposed to become the Responsible Entity of the Asciano Finance Trust). As a consequence, Mostia Dion Nominees is a related party of the Company.

Section 208 of the Corporations Act provides that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company must obtain the approval of the public company's members unless the giving of the benefit falls within an exception under the Corporations Act.

'Financial Benefit' is widely defined and includes issuing securities to a related party. By allowing Mostia Dion Nominees to participate in the Placement (which will be a private placement, not available to the general public) it is arguable that the Company, which will be the holding company of Asciano Limited and the Asciano Finance Trust at the time the Placement Securities are agreed to be issued, is conferring a financial benefit on Mostia Dion Nominees within the meaning of section 208 of the Corporations Act. The Toll Directors have concluded that it is at least arguable that the exceptions to section 208 in sections 210 to 216 of the Corporations Act do not apply. Shareholder approval for the participation by Mostia Dion Nominees in the Placement is, accordingly, being sought under section 208(1)(a)(i) of the Corporations Act.

In addition, ASX Listing Rule 10.11 provides that an entity must not issue or agree to issue equity securities (which includes Stapled Securities) to a related party without the approval of holders of ordinary shares. ASX has granted Asciano a waiver of Listing Rule 10.11, the effect of which is to permit Asciano to issue Stapled Securities under the Placement to Mostia Dion Nominees provided that Toll Shareholders approve the issue.

As set out in Section 6.4 of the Scheme Book, Asciano will undertake the Placement to raise $150 million. Funds raised from the Placement will be used for working capital requirements of Asciano Limited. Participants in the Placement will be Mostia Dion Nominees and Australian institutional investors. UBS (the '**Placement Agent**') will solicit orders for the Placement Securities after close of business on 12 June 2007. The subscription price for the Placement Securities will be determined by the Board of Asciano (with the exception of Mark Rowsthorn in abstention) in consultation with the Placement Agent following the solicitation of those orders (see below). The Placement Securities will be issued on the Implementation Date (anticipated to be 28 May 2007) after the Schemes and Capital Reductions have been implemented, but in any event not more than 1 month after the date of the General Meeting.

Mostia Dion Nominees has confirmed that it will subscribe for one third of the Placement Securities. As the issue price of the Placement Securities has not yet been determined, it is not possible to be certain how many Stapled Securities will be issued under the Placement. It has been assumed in the pro forma forecast income statements for Asciano (contained in section 7.12.4 of the Scheme Book) that the issue price of the Stapled Securities under the Placement will be $10.00. On this basis, Mostia Dion Nominees will receive approximately 5 million Stapled Securities. However, UBS have advised the Toll Directors that an indicative price range for the Stapled Securities is $9.00-11:00. If the issue price under the Placement is the lower end of the indicative price range, Mostia Dion Nominees will receive approximately 4.5 million Stapled Securities under the Placement. At the upper end of the indicative price range, Mostia Dion Nominees will receive approximately 5.5 million Stapled Securities.

Mostia Dion Nominees' participation in the Placement will otherwise be on the same terms as all other participants in the Placement.

The Stapled Securities which Mostia Dion Nominees will receive under the Placement are in addition to the Stapled Securities which Mark Rowsthorn will receive pro rata under the Schemes (refer to section 12.5.1(b) of the Scheme Book).

All Toll Directors, with the exception of Mark Rowsthorn in abstention, recommend that Toll Shareholders vote in favour of Item 4 for the reasons that:

(a) The participation of Mostia Dion Nominees in the Placement will further align the interests of Mark Rowsthorn as CEO with the interests of Securityholders. The Toll Directors (other than Mark Rowsthorn) are of the view that such an alignment by way of equity holding has been a significant factor in the success of the Company and should also contribute to the success of Asciano;

(b) As a condition for the acceptance of the Variation (see section 5.5.2 of the Scheme Book), the ACCC required Mark Rowsthorn to undertake to sell down his holding in the Company (see section 11.7). The Toll Directors (other than Mark Rowsthorn) are of the view that, in all of the circumstances and in light of the following paragraph, it is equitable that Mark Rowsthorn, through Mostia Dion Nominees, be permitted to participate in the Placement; and

(c) Mostia Dion Nominees will participate in the Placement on the same terms and conditions as other institutional investors and the issue price of the Placement Securities will be determined on an arms length basis.

Mark Rowsthorn makes no recommendation in light of his personal interest in this resolution. The other Toll Directors do not have an interest in the outcome of Item 4.

Item 5 – Approval of benefits payable on termination under an executive service deed for Toll Executive Paul Little

Background

This resolution seeks shareholder approval for certain termination payments which may become payable to Toll Executive Paul Little under the terms of an executive service deed, entered into in April 2007.

Shareholder approval was previously granted for the payment of certain termination payments under an executive services deed for Paul Little. The principal difference between the previously approved termination payments and the termination payments now presented is that there has been a change in the basis of remuneration for the purposes of calculating those termination payments from fixed remuneration plus short term incentive payments to fixed remuneration, short term incentive payments and a component of long term incentive payments where payment is made in lieu of notice.

Paul Little's executive service deed provides for certain payments ('**Termination Payments**') to be made to him if his executive service deed is terminated in certain circumstances. Details of the termination events and Termination Payments which may be made to Paul Little are set out below.

Shareholder approval is being sought for the Termination Payments under ASX Listing Rule 10.19 and section 200E of the Corporations Act. Section 200B of the Corporations Act requires a company to obtain shareholder approval before giving a benefit to a person (an '**officer**') in connection with the officer's retirement from a board or managerial office in the company. Shareholder approval is not required if the benefit falls within certain exceptions set out in the Corporations Act. The Termination Payments do not technically fall within any of the categories of exception set out in the Corporations Act.

The Toll Directors have formed the view that neither the circumstances in which the Termination Payments may fall to be made to Paul Little nor the amount of the Termination Payments are unusual for an executive of the calibre of Paul Little. The Toll Directors consider that it is in the best interests of the Company to agree to make the Termination Payments in order to be able to secure the services of Paul Little. The Toll Directors have therefore decided to seek shareholder approval to the Termination Payments. Where the Toll Directors make a recommendation in relation to Paul Little's executive service deed, Paul Little makes no recommendation in light of his personal interest in his executive service deed.

Set out below is the manner in which the amounts are to be calculated and any matter, event or circumstance that will, or is likely to, affect the calculation of the amounts. As the Termination Payments will be made (if at all) in the future by reference to the then applicable Total Employment Remuneration of Paul Little, it is not possible at the date of this Explanatory Memorandum to give the actual quantum of the Termination Payments.

ASX Listing Rule 10.19 requires an entity to ensure that no officer of the entity will be, or may be, entitled to termination benefits if the value of those benefits and the termination benefits that are or may become payable to all officers together exceed 5% of the equity interests of the entity as set out in the latest accounts given to ASX, unless shareholder approval is given. The value of the Termination Payments which may become payable to Paul Little cannot be calculated at this time and therefore, the Company is unable to determine at this time whether the 5% threshold set out in Listing Rule 10.19 will be breached. Notwithstanding this, the Company is seeking shareholder approval to remove any possibility of the provision of the Termination Payments offending this Listing Rule.

Remuneration structure

Under the terms of the executive service deed, Paul Little's remuneration will comprise annual fixed remuneration inclusive of superannuation and fringe benefits.

Paul Little will also be entitled to variable remuneration in the form of an annual short term incentive payment ('**STI Base**'). Paul Little's executive service deed contemplates that there may be a further 'STI Additional' payment payable if stretch performance STI criteria are agreed with the Toll Directors (other than Paul Little) and subsequently achieved by Paul Little. The actual amount of any STI payments in any year will be determined by the Toll Directors (other than Paul Little) by assessment of Paul Little's performance against financial and non-financial targets agreed by the Toll Directors (other than

Paul Little) in consultation with Paul Little at the start of each financial year.

Paul Little will also be entitled to long term incentives in the form of options granted annually under the Company's senior executive option plan.

Paul Little's '**Total Employment Remuneration**', constituted by his fixed remuneration and variable remuneration, being a short term incentive payment ('**STI Base**') and long a term incentive payment ('**LTI**'), will be reviewed by the Toll Directors (other than Paul Little) annually.

Termination events and calculation of payments

Set out below are the circumstances in which Paul Little's executive service deed may be terminated.

Resignation

Paul Little may resign on or after the second anniversary of the execution of the executive service deed by giving 12 months' written notice. In this case Paul Little will, provided he remains in the Company's employment for the full 12 months notice period, be paid on termination the value of an additional 6 months Total Employment Remuneration (the '**Additional Payment**').

Termination by notice from the Company

The Company may terminate Paul Little's employment at any time:

(a) by giving him 12 months' written notice, in which case Paul Little will, provided he remains in his employment for the full 12 month notice period, be paid the Additional Payment; or

(b) by paying him in lieu of notice the value of 18 months Total Employment Remuneration.

Ceasing employment during the notice period

If Paul Little gives notice of resignation or the Company gives notice of termination of employment and the Company during the notice period requires Paul Little to cease employment, the Company will pay Paul Little for the remainder of the notice period plus the Additional Payment.

For the purposes of any such payments the STI component of Total Employment Remuneration will be calculated as follows:

(a) in relation to the expired portion of the financial year in which termination occurs during which time Paul Little performs his normal duties – he will be entitled to receive that proportion of the relevant STI component in accordance with his actual performance as compared to the agreed performance hurdles for the relevant period; and

(b) in relation to all other STI payments – the STI component which will be payable is determined by reference to the extent to which Paul Little has achieved his performance measures for STI payments in the last 3 completed financial years prior to the date of termination.

Termination without notice, for cause

The Company may dismiss Paul Little without notice for serious or persistent misconduct or wilful neglect in discharge of his duties or other serious causes, in which case no notice payment will be made.

Board exercise of discretion to extend option rights of Toll Group entity directors when they are terminated in certain circumstances

If Paul Little's employment ceases for any reason other than resignation or summary dismissal, then the Toll Directors (other than Paul Little who will abstain from voting) will exercise their discretion under the Company's Senior Executive Option and Rights Plan to extend the expiry of any unvested share options which have previously been issued to Paul Little and remain unexercised as at the date of cessation of employment to a date 60 days after the applicable exercise date (or dates as the case may be) for those share options, such options to remain subject to satisfaction of their performance hurdles.

The value of this benefit which may become payable to Paul Little in connection with his retirement or removal from office will be equal to the value of the unvested options held by Paul Little and which remain unexercised at the date of cessation of employment.

If the resolution is not passed

If the resolution is not passed then those provisions of Paul Little's executive service deed which provide for the Termination Payments will not come into effect and the Toll Directors (other than Paul Little) will seek to negotiate alternative arrangements with Paul Little. There is no guarantee that the Toll Directors will be successful in such negotiations. If no alternative arrangements are agreed, then Paul Little may elect to terminate the executive service deed and Paul Little's employment with the Company will continue without an executive service deed, which will include a right to resign from his employment with the Company by giving reasonable written notice.

Directors' recommendation

All Toll Directors, with the exception of Paul Little in abstention, recommend that shareholders vote in favour of resolution 5. Paul Little makes no recommendation in light of his personal interest in this resolution.

Items 6 & 7 – Approval of benefits payable on termination under executive service deeds for Toll Executives – Neil Chatfield, John Ludeke, Stephen Stanley and Bernard McInerney ('the Toll Executives') and approval of benefits granted to directors of Toll and/or its subsidiaries on termination in certain circumstances

Background

This resolution seeks shareholder approval for certain termination payments which may become payable to the Toll Executives under the terms of executive service deeds, entered into in April 2007.

Each executive service deed provides for certain payments ('**Termination Payments**') to be made to the relevant Toll Executive if the Toll Executive's executive service deed is terminated in certain circumstances. Details of the termination events and Termination Payments which may be made to the Toll Executives are set out below.

Shareholder approval is being sought for the Termination Payments under ASX Listing Rule 10.19 and section 200E of the Corporations Act. Section 200B of the Corporations Act requires a company to obtain shareholder approval before giving a benefit to a person (an '**officer**') in connection with the officer's retirement from a board or managerial office in the company. Shareholder approval is not required if the benefit falls within certain exceptions set out in the Corporations Act. The Termination Payments do not technically fall within any of the categories of exception set out in the Corporations Act.

The Toll Directors have formed the view that neither the circumstances in which the Termination Payments may fall to be made to the Toll Executives nor the amount of the Termination Payments are unusual for executives of the calibre of the Toll Executives. The Toll Directors consider that it is in the best interests of the Company to agree to make the Termination Payments in order to be able to secure the services of the Toll Executives. The Toll Directors have therefore decided to seek shareholder approval to the Termination Payments. Where the Toll Directors make a recommendation in relation to Neil Chatfield's executive service deed, Neil Chatfield makes no recommendation in light of his personal interest in his executive service deed.

Set out below is the manner in which the amounts are to be calculated and any matter, event or circumstance that will, or is likely to, affect the calculation of the amounts. As the Termination Payments will be made (if at all) in the future by reference to the then applicable Total Employment Remuneration of the relevant Toll Executive, it is not possible at the date of this Explanatory Memorandum to give the actual quantum of the Termination Payments.

ASX Listing Rule 10.19 requires an entity to ensure that no officer of the entity will be, or may be, entitled to termination benefits if the value of those benefits and the termination benefits that are or may become payable to all officers together exceed 5% of the equity interests of the entity as set out in the latest accounts given to ASX, unless shareholder approval is given. The value of the Termination Payments which may become payable to the Toll Executives (and all other officers of the Company) cannot be calculated at this time and therefore, the Company is unable to determine at this time whether the 5% threshold set out in Listing Rule 10.19 will be breached. Notwithstanding this, the Company is seeking shareholder approval to remove any possibility of the provision of the Termination Payments offending this Listing Rule.

Remuneration structure

Executive remuneration is based on '**Total Employment Remuneration**', constituted by the Toll Executive's fixed remuneration and variable remuneration, being short term incentive payments ('**STIs**') and long term incentive payments ('**LTIs**'). These will be reviewed by the Toll Directors (other than Neil Chatfield in the case of his executive service deed) on an annual basis.

Termination events and calculation of payments

Set out below are the circumstances in which the Toll Executive's service deeds may be terminated.

- *Resignation*

The Toll Executives may resign from their employment with the Company by giving 6 months written notice.

- *Termination by notice from the Company*

The Company may terminate the Toll Executives' employment at any time:

(a) by giving them 18 months written notice; or

(b) by paying them the value of 18 months Total Employment Remuneration in lieu of notice.

Ceasing employment during the notice period

If a Toll Executive gives notice of resignation or the Company gives notice to a Toll Executive and the Company subsequently decides to make a payment in lieu of notice for the balance of the notice period, the Company will pay to the Toll Executive an amount equivalent to the Total Employment Remuneration of the Toll Executive for the balance of the applicable notice period.

For the purposes of any such payment, the STI component of Total Employment Remuneration will be calculated as follows:

(a) in relation to the expired portion of the financial year in which termination occurs, the Toll Executive will be entitled to receive that proportion of the relevant STI component in accordance with his actual performance as compared to the agreed performance hurdles for the relevant period; and

(b) in relation to all other STI payments – the STI component which will be payable is determined by reference to the extent to which the Toll Executive has achieved his performance measures for STI payments in the last 3 completed financial years prior to the date of termination.

Termination without notice, for cause

The Company may dismiss a Toll Executive without notice for serious or persistent misconduct or wilful neglect in discharge of his duties or other serious causes, in which case no notice payment will be made.

Board exercise of discretion to extend option rights of Toll Group entity executive directors when they are terminated in certain circumstances

In the event that a Toll senior executive (including the Toll Executives) who is or has been a Toll Group entity director ceases employment for a reason other than resignation or summary dismissal, then the Toll Directors (other than Neil Chatfield who will abstain from voting if he is the relevant Toll senior executive) will exercise their discretion under the Company's Senior Executive Option and Rights Plan to extend the expiry of any unvested share options which remain unexercised as at the date of cessation of employment to a date 60 days after the applicable exercise date (or dates as the case may be) for those share options, such options to remain subject to satisfaction of their performance hurdles.

The value of this benefit which may be granted to a Toll senior executive in connection with his retirement or removal from office will be equal to the value of the unvested options held by the Toll senior executive and which remain unexercised at the date of cessation of employment.

If either of resolution 6 or 7 is not passed

If either resolution 6 or 7 is not passed then those provisions of the Toll Executive's service deed which provide for the Termination Payments or the exercise of the discretion under the Company's Senior Executive Option and Rights Plan will not come into effect and the Toll Directors (other than Neil Chatfield in the case of his executive service deed) will seek to negotiate alternative arrangements with the Toll Executives. There is no guarantee that the Toll Directors will be successful in such negotiations. If no alternative arrangements are agreed, then a Toll Executive may elect to terminate the executive service deed and that Toll Executive's employment with the Company will continue on the terms of employment applicable before the entry into the executive service deed, which includes a right to resign from employment with the Company by giving reasonable written notice.

Directors' recommendation

All Toll Directors, with the exception of Neil Chatfield in abstention in relation to his executive service deed, recommend that shareholders vote in favour of resolution 6 and 7. Neil Chatfield makes no recommendation in relation to his executive service deed in light of his personal interest in this resolution.

Item 8 – Approval of benefits payable on termination under an executive service deed for Asciano Executive Mark Rowsthorn

Background

Asciano Limited has entered into an executive service deed with Mark Rowsthorn, who is currently the Executive Director Operations for the Company, for the position of Chief Executive Officer of Asciano. The executive service deed is conditional upon the Restructure being approved and implemented. In order to accept this position, Mark Rowsthorn's employment with the Company will be terminated, Mark Rowsthorn's accrued entitlements will be paid out by the Company, and the Company and Mark Rowsthorn will enter into a separation deed.

This resolution seeks shareholder approval for certain termination payments which may become payable to Mark Rowsthorn under the terms of the executive service deed entered into between Mark Rowsthorn and Asciano Limited in April 2007.

The terms of Mark Rowsthorn's executive service deed with respect to remuneration and benefits on termination to be provided to Mark Rowsthorn are identical to the equivalent terms of the executive service deed for Paul Little described above, except in the following respects:

- the executive services deed was entered into with Asciano Limited;
- Mark Rowsthorn's LTI will be an entitlement to share options under the Asciano senior executive option and rights plan ('**SEOP**') which is to be created following implementation of the Restructure Proposal. If no Asciano SEOP is in place in respect of a relevant period, Mark Rowsthorn will be entitled to payment of the agreed amount in respect of long term remuneration;
- if Mark Rowsthorn's employment ceases for any reason other than resignation or summary dismissal, or there is a mutually agreed planned retirement by Mark Rowsthorn involving the transfer of responsibilities to Mark Rowsthorn's successor, then the Asciano Directors (other than Mark Rowsthorn who will abstain from voting) will exercise their discretion under the Asciano SEOP to extend the expiry of any unvested share options which have previously been issued to Mark Rowsthorn and remain unexercised as at the date of cessation of employment to a date 60 days after

the applicable exercise date (or dates as the case may be) for those share options, such options to remain subject to satisfaction of their performance hurdles; and

- if Asciano Limited has no SEOP in place for a period, and Asciano Limited terminates Mark Rowsthorn's employment for any reason other than as a summary dismissal, or if there is a mutually agreed planned retirement by Mark Rowsthorn involving the transfer of responsibilities to Mark Rowsthorn's successor, Mark Rowsthorn will be entitled to receive any LTI remuneration which has accrued and is payable from the preceding financial year but has not been paid to Mark Rowsthorn prior to the termination for that period.

Long term incentives following termination, in addition to the equivalent termination benefits in the executive service deed for Paul Little described above

If Asciano has no senior executive option plan in place for a period, and Asciano terminates Mark Rowsthorn's employment for any reason other than as a summary dismissal, or if there is a mutually agreed planned retirement by Mark Rowsthorn involving the transfer of responsibilities to Mark Rowsthorn's successor, Mark Rowsthorn will be entitled to receive any LTI Remuneration which has accrued and is payable from the proceeding financial year but has not been provided to Mark Rowsthorn prior to the termination for that period.

The value of this benefit which may become payable to Mark Rowsthorn in connection with his retirement or removal from office will be equal to the value of the unvested options held by Mark Rowsthorn and which remain unexercised at the date of cessation of employment, or the cash equivalent.

If the resolution is not passed

If the resolution is not passed then those provisions of Mark Rowsthorn's executive service deed which provide for the Termination Payments will not come into effect and the Asciano Directors (other than Mark Rowsthorn) will seek to negotiate alternative arrangements with Mark Rowsthorn. There is no guarantee that the Asciano Directors will be successful in such negotiations. If no alternative arrangements are agreed, then Mark Rowsthorn may elect to terminate the executive service deed and Mark Rowsthorn's employment with Asciano Limited will continue on a monthly basis without an executive service deed which will include a right of Mark Rowsthorn to terminate his employment with Asciano Limited by giving one month's written notice.

Directors' recommendation

All Toll Directors, with the exception of Mark Rowsthorn in abstention, recommend that shareholders vote in favour of resolution 8. Mark Rowsthorn makes no recommendation in light of his personal interest in this resolution.

Item 9 – Approval of benefits payable on termination under an executive service deed for Asciano Executive Don Telford

Asciano has entered into an executive service deed with Don Telford, who is currently CEO of Pacific National Pty Limited, for the position of Chief Operating Officer of Asciano. The executive service deed is conditional upon the Restructure being approved and implemented. In order to accept this position, Don Telford will resign from his employment with the Company. Asciano Limited will in future be responsible for Don Telford's accrued employment entitlements from his employment with the Company, and the Company and Don Telford will enter into a separation deed on the termination of his employment with the Company.

This resolution seeks shareholder approval for certain termination payments which may become payable to Don Telford under the terms of the executive service deed entered into between Don Telford and Asciano Limited in April 2007.

The terms of Don Telford's executive service deed with respect to remuneration and benefits on termination to be provided to Don Telford are identical to the equivalent terms of the executive service deeds for Toll Executives described above, except that the executive service deed was entered into with Asciano Limited and Don Telford's LTI will be an entitlement to share options under the Asciano senior executive option and rights plan which is to be created following implementation of the Restructure Proposal.

If the resolution is not passed

If the resolution is not passed then those provisions of Don Telford's executive service deed which provide for the Termination Payments will not come into effect and the Asciano Directors will seek to negotiate alternative arrangements with Don Telford. There is no guarantee that the Asciano Directors will be successful in such negotiations. If no alternative arrangements are agreed, then Don Telford may elect to terminate the executive service deed and Don Telford's employment with Asciano Limited will continue on the terms of employment applicable before entry into the executive service deed, which includes a right of Don Telford to resign from his employment with Asciano Limited by giving reasonable written notice.

Directors' recommendation

All Toll Directors recommend that shareholders vote in favour of resolution 9.

Item 10 – Approval of Deed of Indemnity, Insurance and Access and financial benefits thereunder with each Director and future Director

Introduction

Shareholder approval is sought to facilitate the Company entering into a new Deed of Indemnity, Access and Insurance ('**New Deed**') with each current Director and with future Directors. These New Deeds will replace the separate Directors' Access and Insurance Deed and Directors' Indemnity Deed ('**Existing Deeds**') which shareholders approved at the Company's 1998 Annual General Meeting.

The legal requirements applying to such Deeds have changed significantly since 1998, both as regards what is now regulated and the basis on which shareholder approval is required.

In 1998 the main reason for shareholder approval to such Deeds was that, broadly, directors could not vote on a matter in which they had a material personal interest. Subsequent changes to the Corporations Act have provided exemptions such that directors can vote where they have a material personal interest relating to contracts that insure against liability or giving an indemnity against liability, where these are permitted under the Corporations Act.

Shareholder approval was not required in 1998 to the Existing Deeds under the related party benefit provisions of the Corporations Act, as both giving an indemnity and paying insurance premiums were at that time deemed to fall within the definition of remuneration, which was payable without shareholder approval if it was reasonable for the Company in its circumstances to pay or provide that remuneration to a director in the person's circumstances. This definition of remuneration no longer applies.

Similarly, in 1998 the Corporations Act did not provide for inspection of company books by a director, other than financial records. There is now specific provision for such inspection by current and past Directors. The Existing Deeds need to be amended accordingly.

Also, there have been other changes relating to the indemnity which can be provided to Directors. This is explained further below.

Background

The Company may under the Corporations Act indemnify Directors against certain liabilities incurred as an officer of the Company and against legal costs incurred in defending an action for such liabilities. It may also pay the premium for an insurance policy protecting directors against liability arising in certain circumstances. The Constitution of the Company makes similar provision, but it is not certain whether this can be enforced by a Director who has ceased to hold office.

It is proposed that the Company enter into a new Deed of Indemnity, Insurance and Access with each Director to fully document these and other matters. Details about the New Deed are referred to below.

The entry into each New Deed may involve the Company giving a 'financial benefit' to a 'related party' of the Company, as these terms are described below.

As it is a public company, under Chapter 2E of the Corporations Act the Company can only give such a financial benefit to a related party of the Company if the members of the Company have in a general meeting approved the giving of that financial benefit to the related party, or unless one of the exemptions stated in the Corporations Act applies.

The exemptions require that the benefits be reasonable in the circumstances of the Company. While the Directors believe this would be so, it is not possible to know with certainty that this is the case from a legal perspective. Therefore, for the avoidance of doubt, the Board has determined to seek member approval under section 208 of the Corporations Act to permit the Company to enter into the New Deeds and, thereby, give a financial benefit to each related party as outlined below.

Deed of Indemnity, Insurance and Access

The following is a summary of the key terms of the New Deed proposed to be entered into with each present and future Director of the Company.

Indemnity for liability, cost and expenses

To the maximum extent permitted by law, the Company will indemnify each Director against:

- liabilities incurred by the Director as an officer of the Company and each subsidiary; and
- legal costs and other costs and expenses arising from proceedings or investigations in such circumstances.

There is no time limit on the indemnity, which will continue after the Director has ceased to be a director of the Company or a Subsidiary. The Existing Deeds limit the indemnity to 10 years.

The Corporations Act prohibits the Company, or a related company, from giving an indemnity against the following liabilities of a Director:

- a liability owed to the Company or a related company;
- a liability for certain pecuniary penalty or compensation orders under the Corporations Act; and
- a liability owed to someone other than the Company or a related company and did not arise out of conduct in good faith.

There are further prohibitions in the Corporations Act against the indemnity applying to legal costs in defending an action for liability of a Director where the costs are incurred:

- where the person is found liable in circumstances noted above such that the indemnity would have been prohibited;
- defending or resisting criminal proceedings where the person is found guilty;
- unsuccessfully defending proceedings brought by ASIC or a liquidator; and
- unsuccessfully applying to the Court for relief under the Corporations Act.

Other indemnities and insurance

If the Director has the benefit of other insurances or indemnity where a claim could be made under the Company's indemnity, the Director is obliged to make a claim under the other insurance or indemnity. If the Company makes a payment in such circumstances, the Director must pay to the Company any proceeds from the other insurance or indemnity.

Directors' obligations

The Director must promptly notify the Company where a claim under the indemnity might arise. The Company can take over the running of any proceedings where the Director has made a claim under the Company's indemnity. The New Deed regulates how the running of such proceedings will occur, including how any settlement of the proceeding is to be managed.

Loans for legal costs

To the maximum extent permitted by law, the Company will pay or lend to the Director amounts necessary to pay legal costs incurred by the Director in defending an action for liability covered by the New Deed. The terms of the loan will be as reasonably determined by the Company and will include an agreed interest rate. If ultimately the legal costs would not be permitted by law to be subject of an indemnity by the Company to the Director, the Director must repay the loan or the legal costs to the Company.

Insurance

To the maximum extent permitted by law, the Company will use reasonable endeavours to obtain and maintain insurance cover for 7 years after the Director ceases to hold office. Such insurance will be against liability incurred by the Director as an officer of the Company or a subsidiary and for associated legal costs. Insurance will be on terms not materially less favourable to the Director than such terms as existed when the Director ceases to hold office and to the extent that such coverage is available in the market on terms which the Company reasonably considers are financially prudent and on terms not materially less favourable than such terms as existed when the Director retired.

The Company has purchased Directors & Officers/Company Reimbursement insurance for the benefit of its indemnified personnel and itself on terms permitted by section 199B of the Corporations Act. That insurance policy will indemnify the Company, subject to its terms, conditions and limits, in respect of some but not all of the obligations to be assumed by the Company under the New Deed. The terms of the policy are consistent with the requirements of the Corporations Act and with those generally offered by the market for this class of insurance.

Access to and ownership of Company records

The Corporations Act allows a Director to inspect books of the Company while holding office and for a period of 7 years thereafter. A Director is also allowed to inspect financial records whilst holding office. The right to inspect books is limited for the purposes of a legal proceeding to which the person is a party, or proposes in good faith to bring, or has reason to believe will be brought against them. These rights of inspection did not exist when the Existing Deeds were approved in 1988. Under the New Deed, the Director will agree to specified procedures for obtaining approval to access to Company records. Access will be permitted while the Director holds office and for seven years thereafter. The Company will be able to refuse approval to such access where it reasonably considers that approving access would waive or potentially waive or otherwise prejudice the Company's legal professional privilege in respect of the documents and where to do so would not be in the best interests of the Company. The Director also gives particular confidentiality undertakings to the Company in respect of documents for which access is approved.

The purpose for which the Director can seek access is broader than the Corporations Act right to inspect documents. It includes where there is an enquiry or investigation, such as by the Australian Securities and Investments Commission or other administrative organisations. Documents can in such circumstances also be disclosed to the legal or financial advisers of the Director, subject to obtaining suitable confidentiality undertakings from those persons.

In consideration for agreeing to such terms, the Company undertakes that while the Director holds office and for a period of 7 years thereafter, it will keep in secure custody at its registered office a complete set of Company records in chronological order. It will also provide, at the Company's cost, a copy of those records where they have been circulated to the Director for the purpose of meetings of the Board or a committee of the Board and will allow the Director to take copies of other documents at the Director's own expense.

Related parties

The Company proposes the New Deed be entered into with each present and future Director of the Company and each present and future Director of any subsidiary of the Company.

Each Director or future Director is, or would be, a related party of the Company pursuant to section 228(2)(a) of the Corporations Act.

Therefore, pursuant to section 208 of the Corporations Act, the members of the Company need to approve any financial benefits given to the Directors by the Company, unless an exemption applies, which as noted earlier is not certain in the present circumstances.

The nature of the financial benefits to related parties

Under section 229(1) of the Corporations Act, in determining whether a financial benefit is given:

(i) a broad interpretation must be given to financial benefits being given;

(ii) the economic and commercial substance of conduct is to prevail over its legal form; and

(iii) any consideration that is or may be given for the benefit is disregarded.

Pursuant to sub-sections 229(2) and (3) of the Corporations Act, 'giving a financial benefit' includes giving a financial benefit that does not involve paying money (for example by conferring a financial advantage) and also includes taking up or releasing an obligation of the related party.

The Company believes that the entry into the New Deed may provide a Director with the following financial benefits, as described earlier, for the purposes of section 208(1) of the Corporations Act:

(i) the indemnity;

(ii) the right to payment of or a loan for legal costs;

(iii) insurance cover; and

(iv) Company records being held in secure custody and chronological order, with copies of Board papers being provided free.

Directors' Recommendation and Interests

As each Director has a material personal interest in relation to the resolution proposed in Item 10, they do not consider it appropriate to make a recommendation about that resolution.

Each of the Directors has an interest in the outcome of the Resolution proposed in Item 10 as they will be provided with a financial benefit upon the Company entering into the New Deed.

Notice of First Court-Ordered Meeting

TOLL HOLDINGS LIMITED ABN 25 006 592 089

Notice is hereby given that a Meeting of ordinary shareholders in Toll Holdings Limited ('Toll') will be held in the Savoy Ballroom at the Grand Hyatt Melbourne, 123 Collins Street, Melbourne, Victoria on 28 May 2007 at 11:00am (AEST).

By an order of the Supreme Court of Victoria made on **20 April** 2007 pursuant to section 411(1) of the Corporations Act, a meeting of Toll Shareholders will be held in the Savoy Ballroom at the Grand Hyatt Melbourne, 123 Collins Street, Melbourne, Victoria on Monday, 28 May 2007 at **11:00am (AEST)** or as soon thereafter as the General Meeting has been concluded or adjourned.

The Court has also directed that John Moule act as chairman of the meeting or failing him, Ray Horsburgh, and has directed the chairman to report the result of the meeting to the Court.

Further information on the Scheme is set out in the Explanatory Statement and additional documents accompanying this Notice. Terms used in this notice have the same meaning as set out in the Glossary at Section 17 of the Scheme Book .

BUSINESS

To consider and, if thought fit, to pass the following resolution:

'That pursuant to, and in accordance with, section 411(4) of the Corporations Act, the Scheme of Arrangement proposed between the company and the holders of its ordinary shares as contained in and more particularly described in Part A of Section 13 of the Explanatory Statement accompanying the notice proposing this resolution is agreed (with or without modification as approved by the Supreme Court of Victoria).'

IMPORTANT NOTES

COURT APPROVAL

In accordance with section 411(4)(b) of the Corporations Act, in order to becomes effective the Scheme (with or without modification) must be approved by an order of the Court. If the resolution put to this meeting is passed by the requisite majority and the other conditions precedent to the scheme are satisfied, Toll intends to apply to the Court on **1 June** 2007 for approval of the Scheme.

VOTING ENTITLEMENTS

The shareholding of each shareholder for the purposes of ascertaining voting entitlements for the Meeting will be as it appears in the Share Register at 7.00pm (AEST) on 26 May 2007.

PROXIES

A member who is entitled to attend and cast a vote at the Meeting has the right to appoint a proxy (an individual or a body corporate) who need not be a member of the Company. If a member is entitled to cast two or more votes they may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes. If a member appoints two proxies, neither may vote on a show of hands.

For the appointment of a proxy to be effective, the Proxy Form, together with any authority under which the Proxy Form was executed or a certified copy of that authority, must be deposited at the Share Registry of the Company, Computershare Investor Services Pty Limited, located at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067 or at the Company's Registered Office, Level 8, 380 St Kilda Road, Melbourne, Victoria, 3004, or returned in the enclosed Reply Paid envelope to GPO Box 242, Melbourne, Victoria 3001, or sent by facsimile to Computershare on (03) 9473 2555 or to the Company on (03) 9694 2880 by 11:00am (AEST) on 26 May 2007.

Shareholders desiring to lodge electronic proxies on-line, may do so by first registering on the Company's website at www.tollgroup.com and clicking on 'Shareholder Information' and then 'GM Proxy Voting'. The deadline for the lodgement of electronic proxies on-line is also 11:00 am (AEST) on 26 May 2007.

Corporate representative

If a representative of either a corporate member or a proxy which is a body corporate is to attend the meeting pursuant to section 250D of the Corporations Act, a certificate of appointment of the representative must be produced prior to admission to the meeting.

18. Notices of Meeting

Notice of Second Court Ordered Meeting

TOLL HOLDINGS LIMITED ABN 25 006 592 089

Notice is hereby given that a Meeting of ordinary shareholders of Toll Holdings Limited ('Toll') will be held in the Savoy Ballroom at the Grand Hyatt Melbourne, 123 Collins Street, Melbourne, Victoria on 28 May 2007 at 11:00am (AEST).

By an order of the Supreme Court of Victoria made on **20 April** 2007 pursuant to section 411(1) of the Corporations Act, a meeting of Toll Shareholders will be held in the Savoy Ballroom at the Grand Hyatt Melbourne, 123 Collins Street, Melbourne, Victoria on Monday, 28 May 2007 at **11:00am (AEST)** or as soon thereafter as the First Court Ordered Meeting has been concluded or adjourned.

The Court has also directed that John Moule act as chairman of the meeting or failing him, Ray Horsburgh, and has directed the chairman to report the result of the meeting to the Court.

Further information on the Scheme is set out in the Explanatory Statement and additional documents accompanying this Notice. Terms used in this notice have the same meaning as set out in the Glossary at Section 17 of the Scheme Book.

BUSINESS

To consider and, if thought fit, to pass the following resolution:

'That pursuant to, and in accordance with, section 411(4) of the Corporations Act, the Scheme of Arrangement proposed between the company and the holders of its ordinary shares as contained in and more particularly described in Part B of Section 13 of the Explanatory Statement accompanying the notice proposing this resolution is agreed (with or without modification as approved by the Supreme Court of Victoria).'

IMPORTANT NOTES

COURT APPROVAL

In accordance with section 411(4)(b) of the Corporations Act, in order to becomes effective the Scheme (with or without modification) must be approved by an order of the Court. If the resolution put to this meeting is passed by the requisite majority and the other conditions precedent to the scheme are satisfied, Toll intends to apply to the Court on **1 June** 2007 for approval of the Scheme.

VOTING ENTITLEMENTS

The shareholding of each shareholder for the purposes of ascertaining voting entitlements for the Meeting will be as it appears in the Share Register at 7.00pm AEST on 26 May 2007.

PROXIES

A member who is entitled to attend and cast a vote at the Meeting has the right to appoint a proxy (an individual or a body corporate) who need not be a member of the Company. If a member is entitled to cast two or more votes they may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes. If a member appoints two proxies, neither may vote on a show of hands.

For the appointment of a proxy to be effective, the Proxy Form, together with any authority under which the Proxy Form was executed or a certified copy of that authority, must be deposited at the Share Registry of the Company, Computershare Investor Services Pty Limited, located at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067 or at the Company's Registered Office, Level 8, 380 St Kilda Road, Melbourne, Victoria, 3004, or returned in the enclosed Reply Paid envelope to GPO Box 242, Melbourne, Victoria 3001, or sent by facsimile to Computershare on (03) 9473 2555 or to the Company on (03) 9694 2880 by 11:00 am (AEST) on 26 May 2007.

Shareholders desiring to lodge electronic proxies on-line, may do so by first registering on the Company's website at www.tollgroup.com and clicking on 'Shareholder Information' and then 'GM Proxy Voting'. The deadline for the lodgement of electronic proxies on-line is also 11:00 am (AEST) on 26 May 2007.

Corporate representative

If a representative of either a corporate member or a proxy which is a body corporate is to attend the meeting pursuant to section 250D of the Corporations Act, a certificate of appointment of the representative must be produced prior to admission to the meeting.

Corporate Directory

Toll Directors

Chairman
John Moule

Managing Director
Paul Little

Executive Directors
Mark Rowsthorn
Neil Chatfield

Non-executive Directors
Ray Horsburgh
Harry Boon

Secretary
Bernard McInerney

Toll Holdings Limited

Registered Office in Australia
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Stock Exchange Listing
Toll Holdings Limited shares are listed on the Australian Stock Exchange

The home exchange is in Melbourne

Auditor
KPMG
147 Collins Street
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Investigating Accountant
KPMG Transaction Services (Australia) Pty Ltd
147 Collins Street
Melbourne, Victoria, 3000

Taxation Adviser
KPMG Tax
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Melbourne, Victoria, 3000

Legal Adviser
Clayton Utz
Solicitors & Attorneys
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Melbourne, Victoria, 3000

Financial Advisers
UBS AG, Australia Branch
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Independent Expert
Grant Samuel & Associates Pty Ltd
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Asciano Limited and Asciano Finance Limited

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