



NOTICE OF ANNUAL GENERAL MEETING

TOLL HOLDINGS LIMITED ABN 25 006 592 089

Incorporated in Victoria. Registered office: Level 8, 380 St Kilda Road, Melbourne, Victoria 3004

NOTICE OF ANNUAL GENERAL MEETING

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Notice is hereby given that the Annual General Meeting of members of Toll Holdings Limited will be held at Crown, Palladium C, 8 Whiteman Street, Southbank, Melbourne, Victoria on Thursday 26 October 2006 at 11am.

BUSINESS

Item 1 – Accounts and Reports

To receive and consider the financial statements of the Company and its controlled entities for the year ended 30 June 2006 and the related Directors' Report, Directors' Declaration and Auditors' Report.

Item 2 – Remuneration Report

To consider and, if thought fit, to pass the following resolution as a non-binding resolution:

'That the Remuneration Report be adopted.'

Item 3 – Re-election of Mr Mark Rowsthorn as a Director

To consider and, if thought fit, to pass the following resolution:

'That Mr Mark Rowsthorn, who retires by rotation in accordance with the Company's Constitution, be re-elected as a Director of the Company.'

Item 4 – Re-election of Mr Alastair Lucas as a Director

To consider and, if thought fit, to pass the following resolution:

'That Mr Alastair Lucas, who retires by rotation in accordance with the Company's Constitution, be re-elected as a Director of the Company.'

Item 5 – Increase in Directors' fees

To consider, and if thought fit, to pass the following resolution:

'That the total amount of Directors' fees to be paid to Non-Executive Directors for their services as Non-Executive Directors of the Company be increased from \$1,000,000 to a maximum aggregate amount of \$1,500,000 per annum, being an increase of \$500,000.'

Item 6 – Renewal of Proportional Takeover Approval Provisions

To consider and, if thought fit, to pass the following resolution as a special resolution:

'That the proportional takeover approval provisions contained in Article 8.13 of, and Schedule 2 to, the Constitution be renewed for a further 3 years from their date of expiry on 2 November 2006.'

Item 7 – Approval to issue of options under the Senior Executive Option Plan

To consider and, if thought fit, to pass the following resolution:

‘That the Company approves the issue of options under the Senior Executive Option Plan to executives of the Company as described in the Explanatory Memorandum accompanying the Notice convening this meeting for the purposes of exception 9 of ASX Listing Rule 7.2.’

Item 8 – Approval of grant of options to Mr Paul Little under the Senior Executive Option Plan

To consider and, if thought fit, to pass the following resolution:

‘That the Company approves the grant under the Senior Executive Option Plan of up to 2,000,000 options to Mr Paul Little over a three year period as described in the Explanatory Memorandum accompanying the Notice convening this meeting.’

Item 9 – Approval of grant of options to Mr Mark Rowsthorn under the Senior Executive Option Plan

To consider and, if thought fit, to pass the following resolution:

‘That the Company approves the grant under the Senior Executive Option Plan of up to 2,000,000 options to Mr Mark Rowsthorn over a three year period as described in the Explanatory Memorandum accompanying the Notice convening this meeting.’

Item 10 – Approval of grant of options to Mr Neil Chatfield under the Senior Executive Option Plan

To consider and, if thought fit, to pass the following resolution:

‘That the Company approves the grant under the Senior Executive Option Plan of up to 1,200,000 options to Mr Neil Chatfield over a three year period as described in the Explanatory Memorandum accompanying the Notice convening this meeting.’

Item 11 – Approval of financial assistance of wholly owned subsidiaries of the Company

To consider and, if thought fit, to pass the following resolution as a special resolution:

‘That, in accordance with the requirements of section 260A(1)(b) of the Corporations Act 2001, approval be given to Patrick Corporation Limited (‘Patrick’) and each wholly owned subsidiary of Patrick (or such of them as may be nominated by the Company from time to time) financially assisting the acquisition by the Company of shares in Patrick by giving a guarantee of, and providing an indemnity in respect of, the obligations of Toll Finance Pty Ltd (a wholly owned subsidiary of the Company) under the Acquisition Bridge Facility Agreement between Toll Finance Pty Ltd, the Company, Citigroup N.A., Australia and New Zealand Banking Group Limited, Westpac Banking Corporation and others dated on or around 10 May 2006, as detailed in the Explanatory Memorandum accompanying the Notice convening this meeting.’

PERSONS PRECLUDED FROM VOTING

The Company shall disregard any votes cast:

- in respect of Item 5, by any Director of the Company and associates of such persons;
- in respect of Items 7, 8, 9 and 10 by Messrs Paul Little, Mark Rowsthorn, Neil Chatfield and any other Director of the Company who is eligible to participate in an employee incentive scheme of the Company and their respective associates.

However, the Company will not disregard a vote if:

- it is cast by such a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

By Order of the Board

B McNerney
Company Secretary

Dated this 18th day of September 2006

SEE IMPORTANT NOTES OVERLEAF

IMPORTANT NOTES

VOTING ENTITLEMENTS

Pursuant to regulation 7.11.37 of the Corporations Regulations 2001, the Directors have determined that the shareholding of each shareholder for the purposes of ascertaining voting entitlements for the Annual General Meeting will be as it appears in the Share Register at 7pm on 24 October 2006.

Holders of Reset Preference Shares ('RPS') issued by the Company on 12 November 2003 may attend the Annual General Meeting but, in accordance with the terms of issue of the RPS, are not entitled to speak or vote at the meeting.

PROXIES

A member who is entitled to attend and cast a vote at the Annual 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 at least 48 hours before the meeting.

Shareholders desiring to lodge electronic proxies on-line, may do so by first registering on the Company's website at www.toll.com and clicking on 'Shareholder Information' and then 'AGM Proxy Voting'.

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.

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 11 to be considered at the Annual General Meeting of the Company to be held at Crown, Palladium C, 8 Whiteman Street, Southbank, Melbourne, Victoria on Thursday 26 October 2006 at 11am.

The Directors (other than the Directors who abstained by reason of their material personal interest in a particular resolution) have resolved that it is in the interests of the Company that the resolutions set out in Items 1 to 11 be passed and recommend that you vote in favour of each resolution.

Item 1 – Accounts and Reports

The *Corporations Act 2001* (Cth) ('Corporations Act') requires the Financial Report, Directors' Report and Auditor's Report to be laid before the meeting. There is no requirement in the Corporations Act or the Company's Constitution for shareholders to vote on, approve or adopt these Reports. Shareholders will have a reasonable opportunity at the meeting to ask questions and make comments on these Reports and on the management of the Company.

The Auditor of the Company is required to attend the meeting and will be available to take shareholders' questions about the conduct of the audit, and the preparation and content of the Auditor's Report. Members may forward written questions to the Auditor on these matters for response at the meeting. These should be emailed to company_secretary@toll.com.au or mailed to the Company Secretary, Level 8, 380 St Kilda Road, Melbourne, Victoria 3004 and may be submitted up to 5 business days before the meeting. The Company is required by law to forward all questions to the Auditor and the Auditor is required to prepare a list of questions that the Auditor considers are relevant to the conduct of the audit and the content of the Auditor's Report. The Auditor may omit questions that are the same in substance to other questions and questions that are not received in a timely manner. At the meeting the Chairman will give the Auditor a reasonable opportunity to answer the questions on the question list. The list of questions prepared by the Auditor will be available on the Company's website, www.toll.com prior to the meeting. In addition copies of the list of questions will be available at the meeting.

The Auditor of the Company will also be available to take shareholders' questions at the meeting relevant to accounting policies adopted by the Company in relation to the preparation of the financial statements, and the independence of the Auditor in relation to the conduct of the audit.

Item 2 – Remuneration Report

The Corporations Act requires that a resolution in relation to the Remuneration Report, included within the Directors' Report be included in the Notice of Meeting, so that shareholders have the opportunity to comment and ask questions on the content of the Remuneration Report, and exercise a vote for its adoption. The vote on the resolution is advisory only and does not bind the Directors or the Company.

Item 3 – Re-Election of Mark Rowsthorn as a Director

In accordance with the procedure for the election of Directors in the ASX Listing Rules and the Constitution of the Company, Mark Rowsthorn retires from the Board and offers himself for re-election.

Mark Rowsthorn is a co-founder of the Company and an Executive Director. He is Chairman of Virgin Blue Holdings Ltd and Toll NZ Limited. Mark was first appointed to the Board in 1988 and has been closely involved in the dynamic growth of the Company Group ('Group') since that time.

Mark is responsible for the Group's Australian and New Zealand operating businesses and has played a leading role in the development of those businesses. He is a director of Company subsidiaries and has been closely involved in the evaluation and negotiation of many of the business acquisitions undertaken by the Company. Given Mark's executive position, he is not considered to be independent by the Board.

Prior to joining Toll, Mark had gained more than 10 years experience in various management positions with a multi national transport group.

Mark is also a non-executive director and major shareholder of Cytopia Ltd. Mark holds a Bachelor of Economics and a Graduate Diploma in Business Administration.

Item 4 – Re-Election of Alastair Lucas as a Director

In accordance with the procedure for the election of Directors in the ASX Listing Rules and the Constitution of the Company, Alastair Lucas retires from the Board and offers himself for re-election.

Alastair Lucas (B Com (Melb), FCPA, FSIA) was appointed to the Board on 23 April 2003 as a Non-Executive Director. Alastair is Chairman of the Remuneration and Succession Planning Committee of the Board and a member of the Nomination and Corporate Governance, and Audit and Financial Risk Committees. Alastair brings to the Board extensive experience in investment banking.

Alastair is currently Vice Chairman and Managing Director Investment Banking, Goldman Sachs JBWere. He was previously at Macquarie Bank for 22 years, where he worked in various capacities – culminating as head of Macquarie's Corporate Finance Group and then Chairman, Investment Banking. The Board believes Alastair's extensive investment banking experience is particularly valuable to the Board's considerations of capital management, acquisitions, divestments and capital raisings. Based on the criteria set out in the Corporate Governance Statement in the Annual Report, the Board considers Alastair to be an independent Director at this time.

Alastair is deputy chair of the Market Policy Group of the Financial Services Institute of Australasia (Finsia), member of the Takeovers Panel and Chairman of the Macfarlane Burnet Institute for Medical Research, Australia's largest viral and epidemiological research institute.

EXPLANATORY MEMORANDUM FOR SHAREHOLDERS

CONTINUED

Item 5 – Increase in Directors’ fees

The Directors consider that the aggregate amount of Directors’ fees to be paid out of the funds of the Company by way of remuneration to Non-Executive Directors for their services as Non-Executive Directors of the Company should be increased from \$1,000,000 (approved by shareholders at the 2003 Annual General Meeting) to a maximum of \$1,500,000, being an increase of \$500,000, such amount to be divided as the Directors determine from time to time.

It is now 3 years since the current aggregate amount of Directors’ fees was set. Early in that period fees of Non-Executive Directors were increased to compensate for the termination of their retirement benefits program and the freezing of their accrued entitlements under it. This termination was consistent with the ASX Corporate Governance Council Principles and Best Practice Recommendations (*‘ASX Principles’*), that non-executive directors should only be remunerated by way of fees and not provided with retirement benefits, other than statutory superannuation.

Also, in accordance with the ASX Principles, the Board desires to increase the number of suitably qualified and skilled Non-Executive Directors on the Board so that there is a majority of independent Non-Executive Directors. Additional remuneration capacity is required to allow for this and to ensure the aggregate is sufficient for a reasonable period to ensure the Directors’ fees paid are such that the Company is able to retain and attract Directors of the necessary qualifications and calibre to add value to the Company. In addition, the Board considers it beneficial to have flexibility to appoint additional Directors should it consider this to be in the best interests of the Company at a future time. For these reasons, the Board has resolved to seek this increase in Directors’ fees.

ASX Listing Rule 10.17 and Article 20.1(a) of the Company’s Constitution require shareholder approval to be obtained to any proposed increase in the total Directors’ fees.

Item 6 – Renewal of Proportional Takeover Approval Provisions

The current Constitution of the Company, at Article 8.13 and Schedule 2 (to which Article 8.13 refers), includes proportional takeover approval provisions which enable the Company to refuse to register shares acquired under a proportional takeover bid unless a resolution is passed by the shareholders in general meeting approving the offer. These provisions cease to apply, unless renewed, on 2 November 2006.

The Company is seeking shareholder approval by special resolution to renew these provisions in accordance with the Corporations Act. As a consequence, the Corporations Act requires the Company to provide shareholders with an explanation of the proportional takeover approval provisions as set out below.

What is a Proportional Takeover Bid?

A proportional takeover bid is a takeover offer sent to all shareholders but only in respect of a specified portion of each shareholder’s shares.

Accordingly, if a shareholder accepts in full the offer under a proportional takeover bid, it will dispose of the specified portion of its shares in the Company and retain the balance of the shares.

Effect of the Article to be Renewed

If renewed, under existing Article 8.13 and Schedule 2, in the event that a proportional takeover offer is made to shareholders of the Company, the Board of the Company will be required to convene a meeting of shareholders to vote on a resolution to approve the proportional takeover. That meeting must be held at least 15 days before the offer under the proportional takeover bid closes.

The resolution shall be taken to have been passed if a majority of shares voted at the meeting, excluding the shares of the bidder and its associates, vote in favour of the resolution. If no resolution is voted on at least 15 days before the close of the offer, the resolution will be deemed to have been passed. Where the resolution approving the offer is passed or deemed to have been passed, transfers of shares resulting from accepting the offer will be registered provided they otherwise comply with the Corporations Act, the ASX Listing Rules, the ASTC Operating Rules and the Company’s Constitution. If the resolution is rejected, then in accordance with the Corporations Act the offer will be deemed to be withdrawn.

Reasons for Proposing the Resolution

The Directors consider that shareholders should have the opportunity to renew Article 8.13 and Schedule 2 in the Constitution. Without Article 8.13 and Schedule 2, a proportional takeover bid for the Company may enable effective control of the Company to be acquired without shareholders having the opportunity to dispose of all of their shares to the bidder. Accordingly, shareholders could be at risk of passing control to the bidder without payment of an adequate control premium for all their shares whilst leaving themselves as part of a minority interest in the Company.

Without Article 8.13 and Schedule 2, if there was a proportional takeover bid and shareholders considered that control of the Company was likely to pass, shareholders would be placed under pressure to accept the offer even if they did not want control of the Company to pass to the bidder. Renewing Article 8.13 and Schedule 2 of the Constitution will make this situation less likely by permitting shareholders to decide whether a proportional takeover bid should be permitted to proceed.

No Knowledge of Present Acquisitions Proposals

As at the date on which this Explanatory Memorandum is prepared, no Director is aware of a proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

Potential Advantages and Disadvantages for the Directors and Shareholders of the Company

The renewal of Article 8.13 and Schedule 2 will enable the Directors to formally ascertain the views of shareholders in respect of a proportional takeover bid. Without such provisions, the Directors are dependent upon their perception of the interests and views of shareholders. Other than

this advantage, the Directors consider that renewal of Article 8.13 and Schedule 2 has no potential advantages or potential disadvantages for them as they remain free to make a recommendation on whether a proportional takeover offer should be accepted.

The Directors consider that renewing Article 8.13 and Schedule 2 will benefit all shareholders in that they will have an opportunity to consider a proportional takeover bid and then attend or be represented by proxy at a meeting of shareholders called specifically to vote on the proposal. Accordingly, shareholders will be able to prevent a proportional takeover bid proceeding if there is sufficient support for the proposition that control of the Company should not be permitted to pass under the proportional takeover bid. Furthermore, knowing the view of shareholders assists each individual shareholder in assessing the likely outcome of the proportional takeover bid and whether to accept or reject that bid.

As to the possible disadvantages to shareholders of renewing Article 8.13 and Schedule 2, it may be argued that the proposal makes a proportional takeover bid more difficult and that such proportional takeover bids will therefore be discouraged. This may reduce the opportunities which shareholders may have to sell all or some of their shares at a premium to persons seeking control of the Company and may reduce any takeover speculation element in the Company's share price. Article 8.13 and Schedule 2 may also be considered an additional restriction on the ability of individual shareholders to deal freely in their shares.

The Directors consider that there are no other advantages and disadvantages for Directors and shareholders which arose during the period during which the proportional takeover approval provisions have been in effect, other than those discussed in this section.

On balance, the Directors consider that the possible advantages outweigh the possible disadvantages such that renewal of Article 8.13 and Schedule 2 is in the interests of shareholders.

Item 7– Approval of issue of options to senior executives under the Senior Executive Option Plan

Approval is sought pursuant to ASX Listing Rule 7.2 exception 9 for the future issue by way of grant of options to senior executives of the Company pursuant to the Senior Executive Option Plan (the 'Executive Plan').

ASX Listing Rules

ASX Listing Rule 7.1 requires shareholder approval for an issue of equity securities if, over a 12 month period, the amount of equity securities issued is more than 15% of the number of ordinary shares on issue at the start of that 12 month period. ASX Listing Rule 7.2 exception 9 provides that an issue under an employee incentive scheme does not detract from the available 15% limit under Listing Rule 7.1 if shareholders approved the issue of securities under an employee incentive scheme as an exception to Listing Rule 7.1 no more than three years before the date of issue. The Company wishes for the issue of options under the Executive Plan not to be included when undertaking the calculation pursuant to ASX

Listing Rule 7.1. Accordingly it is seeking shareholder approval in respect of the Executive Plan as required under exception 9 to ASX Listing Rule 7.2.

Summary of the Executive Plan

Under the Executive Plan, the Board may offer options to subscribe for ordinary shares to senior executives of the Company and its subsidiaries. The exercise price of the options will be an amount determined by the Board.

Performance Hurdle

When offering options, the Board has the discretion to establish performance hurdles which, unless waived by the Board, must be met before options can be exercised.

Option Term

The term of the options will be 10 years, or another period specified by the Board of not less than 5 years. They will generally be exercisable not less than 3 years after grant. Unless otherwise determined by the Board, if the employment of an executive is terminated before the end of the third year, the options held by that executive will expire. If an executive has ceased to be employed due to the death or total and permanent disablement of the executive concerned, the options will be exercisable within 90 days of cessation of employment. The Board will also have the discretion to have options expire if it determines that a participant has committed any act of fraud, defalcation or gross misconduct in relation to the affairs of the Company or a subsidiary.

Loans

The Board may, at its discretion, grant options on the basis that an issue price is payable at the time of grant. In such cases the Board may also offer the participant a loan for the amount of the issue price. In addition, the Company may at the time of exercise of the option lend the executive the amount of the exercise price (exercise loan). Such loan may be interest free at the discretion of the Board.

Notwithstanding that the Company has the ability under the Executive Plan to offer issue price loans or exercise loans, it is the Board's current intention not to offer any such loans to participants in the Executive Plan for the current grants.

Forfeiture Conditions

If, following the exercise of options, the Board determines that an executive has committed any act of fraud or defalcation or gross misconduct in relation to the affairs of the Company or a subsidiary, the executive shall forfeit any right or interest in such of the shares as are held by the executive as a consequence of the exercise of options.

EXPLANATORY MEMORANDUM FOR SHAREHOLDERS CONTINUED

Capital Reconstructions

Participants will have their entitlements in respect of options held adjusted to take account of capital reconstructions and bonus issues as if the option had been exercised before the determination of entitlements in respect of those issues. If the Company makes a pro rata rights issue to shareholders, the exercise price of an option will be reduced according to the formula specified in the ASX Listing Rules.

Option Disclosure

In accordance with the ASX Listing Rules, the Company is also required to inform shareholders of the number of options granted under the Executive Plan since the date of the approval most recently given by shareholders. Shareholders last approved a grant of options under the Executive Plan at the Annual General Meeting of the Company on 28 October 2004. Pursuant to that approval, 1,350,000 options over ordinary shares in the Company were granted under the Executive Plan.

Item 8 – Approval of grant of options under the Senior Executive Option Plan to Mr Paul Little

Approval is sought pursuant to ASX Listing Rule 10.14 to the grant of up to 2,000,000 options over a three year period to Paul Little, who is Managing Director of the Company, pursuant to the Executive Plan. All Executive Directors of the Company, namely Paul Little, Mark Rowsthorn and Neil Chatfield, are entitled to participate in the Executive Plan. The options will be granted to Mr Little annually over a three year period, ending on the date which is three years from the date of this meeting. If approved, the first grant of options will be made to Mr Little immediately following this meeting. The Board currently intends this first grant to comprise 484,000 options.

As previously indicated to shareholders, the Board considers that the Executive Plan forms an integral part of effectively rewarding and incentivising executive management. Through the Executive Plan, the Company has aligned its performance with the long term incentive arrangements of its executives. Since the adoption of the Executive Plan by shareholders in July 1999, the Company's share price has risen from \$1.41 to approximately 10 times that price in just over 7 years.

ASX Listing Rules

ASX Listing Rule 10.14 provides that an entity must not permit a Director to acquire securities under an employee incentive scheme without the approval of holders of ordinary securities of the acquisition (unless the securities are purchased on market under the terms of a scheme that provides for purchase of securities by or on behalf of employees or Directors, which is not the case with the Executive Plan). Accordingly, approval is being sought at the upcoming meeting for the purpose of ASX Listing Rule 10.14.

Terms of the options

The principal terms of the options the subject of the proposed grant are as follows:

- The exercise price of the options will be the market value of the Company's ordinary shares determined on the day the options are granted. For that purpose, the market value will be the volume weighted average of the prices at which those shares were traded on the ASX during the 5 trading days up to the date of grant.
- There will be no issue price for the options.
- The options can only be exercised three years after they are granted and will, unless otherwise determined by the Board, expire after five years if not previously exercised.
- Options awarded under the Executive Plan will vest subject to the Company meeting a performance target, further information on which is set out below.

Performance Target

The Board has decided to use fully diluted Earnings Per Share ('EPS') as the most appropriate performance measure to assess company performance and to align long-term remuneration outcomes with the delivery of business strategy targets that result in shareholder wealth creation. The Board has conducted a detailed assessment of the alternative performance measures commonly adopted by leading ASX companies. The Board has concluded EPS to be an appropriate performance measure for the vesting of options under the Executive Plan for the following reasons:

- Using EPS provides a clearer and more direct method for measuring the creation of shareholder wealth through sustained increases in earnings.
- EPS is more easily understood by shareholders, is better aligned to the interests of shareholders and is generally the most often quoted metric used by investors for comparing companies' performances.
- EPS is an easier measure to track and communicate to executives and incorporates more factors within the control of executives.
- Given Toll's specific circumstances and the strong relationship of EPS to return on equity, the most appropriate way of considering return on equity is to focus on an EPS measure which is a more commonly used measure in incentive plans than return on equity.

The Board has determined that 50% of options under the Executive Plan will vest if cumulative compound growth in EPS of 10% per annum is achieved, measured over a three year period commencing 1 July 2006. Full vesting will be achieved if 15% per annum or greater cumulative compound growth in EPS is achieved. If less than full vesting is achieved, there will be two further one year measurement periods. Incremental vesting at the end of these periods will only occur if EPS cumulative compound growth from commencement exceeds the compound EPS performance at the end of the previous performance period.

The Board will approve EPS targets for each grant of options to ensure they remain sufficiently challenging and reward executives for achievement of stretch targets. Targets will be set following a rigorous process aligned with the financial planning process.

Disclosure

In accordance with the ASX Listing Rules, the Company is required to inform shareholders of the names of persons who have been granted options under the Executive Plan since the approval most recently given by shareholders. Shareholders last approved a grant of options under the Executive Plan at the Annual General Meeting of the Company on 28 October 2004. Pursuant to that approval, 500,000 options over ordinary shares in the Company were granted to each of Paul Little and Mark Rowsthorn on 2 November 2004 at an option issue price of \$1.3375 and an exercise price of \$11.53, and 350,000 options over ordinary shares in the Company were granted to Neil Chatfield on 28 October 2004 with no option issue price and an exercise price of \$10.95.

Details of any securities issued under the Executive Plan will be published in each Annual Report of the Company relating to the period in which the securities have been issued. The Report will also include a statement that approval for the issue of any securities was obtained under ASX Listing Rule 10.14. No other current Directors are entitled to participate in the Executive Plan. If any additional persons, for whom shareholder approval is required under the ASX Listing Rules, become entitled to participate in the Executive Plan following approval of this resolution, they will not participate until approval is obtained as required under ASX Listing Rule 10.14.

Item 9 – Approval of grant of options under the Senior Executive Option Plan to Mr Mark Rowsthorn

Approval is sought pursuant to ASX Listing Rule 10.14 to the grant of up to 2,000,000 options over a three year period to Mark Rowsthorn, who is an Executive Director of the Company, pursuant to the Executive Plan. As noted above, all Executive Directors of the Company are entitled to participate in the Executive Plan. The options will be granted to Mr Rowsthorn annually over a three year period, ending on the date which is three years from the date of this meeting. If approved, the first grant of options will be made to Mr Rowsthorn immediately following this meeting. The Board currently intends this first grant to comprise 484,000 options.

As previously indicated to shareholders, the Board considers that the Executive Plan forms an integral part of effectively rewarding and incentivising executive management. Through the Executive Plan, the Company has aligned its performance with the long term incentive arrangements of its executives. Since the adoption of the Executive Plan by shareholders in July 1999, the Company's share price has risen from \$1.41 to approximately 10 times that price in just over 7 years.

ASX Listing Rules

ASX Listing Rule 10.14 provides that an entity must not permit a Director to acquire securities under an employee incentive scheme without the approval of holders of ordinary securities of the acquisition (unless the securities are purchased on market under the terms of a scheme that provides for purchase of securities by or on behalf of employees or Directors, which is not the case with the Executive Plan). Accordingly, approval is being sought at the upcoming meeting for the purpose of ASX Listing Rule 10.14.

Terms of the options

The principal terms of the options the subject of the proposed grant are as follows:

- The exercise price of the options will be the market value of the Company's ordinary shares determined on the day the options are granted. For that purpose, the market value will be the volume weighted average of the prices at which those shares were traded on the ASX during the 5 trading days up to the date of grant.
- There will be no issue price for the options.
- The options can only be exercised three years after they are granted and will, unless otherwise determined by the Board, expire after five years if not previously exercised.
- Options awarded under the Executive Plan will vest subject to the Company meeting an EPS performance target. For further information regarding the EPS performance target please see Item 8.

Disclosure

The names of persons who have been granted options under the Executive Plan pursuant to the approval most recently given by shareholders on 28 October 2004 are set out above in relation to Item 8. In addition, the statement required by ASX Listing Rule 10.15A.8 is set out above in relation to Item 8.

Item 10 – Approval of grant of options under the Senior Executive Option Plan to Mr Neil Chatfield

Approval is sought pursuant to ASX Listing Rule 10.14 to the grant of up to 1,200,000 options over a three year period to Neil Chatfield, who is an Executive Director of the Company, pursuant to the Executive Plan. As noted above, all Executive Directors of the Company are entitled to participate in the Executive Plan. The options will be granted to Mr Chatfield annually over a three year period, ending on the date which is three years from the date of this meeting. If approved, the first grant of options will be made to Mr Chatfield immediately following this meeting. The Board currently intends this first grant to comprise 284,000 options.

As previously indicated to shareholders, the Board considers that the Executive Plan forms an integral part of effectively rewarding and incentivising executive management. Through the Executive Plan, the Company has aligned its performance with the long term incentive arrangements of its executives. Since the adoption of the Executive Plan by shareholders in July 1999, the Company's share price has risen from \$1.41 to approximately 10 times that price in just over 7 years.

EXPLANATORY MEMORANDUM FOR SHAREHOLDERS

CONTINUED

ASX Listing Rules

ASX Listing Rule 10.14 provides that an entity must not permit a Director to acquire securities under an employee incentive scheme without the approval of holders of ordinary securities of the acquisition (unless the securities are purchased on market under the terms of a scheme that provides for purchase of securities by or on behalf of employees or directors, which is not the case with the Executive Plan). Accordingly, approval is being sought at the upcoming meeting for the purpose of ASX Listing Rule 10.14.

Terms of the options

The principal terms of the options the subject of the proposed grant are as follows:

- The exercise price of the options will be the market value of the Company's ordinary shares determined on the day the options are granted. For that purpose, the market value will be the volume weighted average of the prices at which those shares were traded on the ASX during the 5 trading days up to the date of grant.
- There will be no issue price for the options.
- The options can only be exercised three years after they are granted and will, unless otherwise determined by the Board, expire after five years if not previously exercised.
- Options awarded under the Executive Plan will vest subject to the Company meeting an EPS performance target. For further information regarding the EPS performance target please see Item 8.

Disclosure

The names of persons who have been granted options under the Executive Plan pursuant to the approval most recently given by shareholders on 28 October 2004 are set out above in relation to Item 8. In addition, the statement required by ASX Listing Rule 10.15A.8 is set out above in relation to Item 8.

Item 11 – Approval of financial assistance of wholly owned subsidiaries of the Company

Introduction

The financing arrangements made by the Company to fund its takeover of Patrick Corporation Limited ('Patrick') contained a requirement that, once the takeover was completed, Patrick and certain of its wholly owned subsidiaries would provide a guarantee in respect of amounts drawn down on behalf of the Company under those arrangements.

The provision of the guarantee by each of Patrick and certain of its subsidiaries would constitute the giving of financial assistance in connection with the acquisition of shares under Part 2J.3 of the Corporations Act.

Section 260A of the Corporations Act provides that the giving of financial assistance by a company for the acquisition of its own or its holding company's shares may only occur, (subject to certain exceptions):

- (a) with the approval of the shareholders of the company by special or unanimous resolution; or
- (b) if the giving of financial assistance does not materially prejudice either the interests of the company or its shareholders, or the company's ability to pay its creditors.

Section 260B(2) of the Corporations Act further requires that, if a company provides financial assistance for the acquisition of its own or its holding company's shares and, immediately after the acquisition, the company will be a subsidiary of a listed domestic corporation, then the financial assistance must also be approved by a special resolution of the shareholders of the listed domestic corporation. Given that Patrick is now a wholly owned subsidiary of the Company, section 260B(2) requires the members of the Company to also approve the giving of financial assistance by Patrick and its wholly owned subsidiaries.

Section 260B(4) of the Corporations Act requires that a notice convening a general meeting of shareholders to consider a resolution to approve the giving of financial assistance under section 260B(1), (2) or (3) of the Corporations Act must include with it a statement setting out all the information known to the company that is material to the decision on how to vote on the resolution. However, a company does not have to disclose information if it would be unreasonable to require the company to do so because the company had previously disclosed the information to its shareholders.

This section of the Explanatory Memorandum is provided to the shareholders of the Company in compliance with section 260B(4) of the Corporations Act.

Background to the Takeover

On 22 August 2005, the Company announced its intention to acquire all of the shares it did not already own in Patrick (the 'Proposed Acquisition') by way of an off market takeover bid (the 'Takeover') for consideration comprising 0.4 Company shares, \$0.75 cash and an *in specie* fully franked dividend from Patrick of 0.3 Virgin Blue Holdings Limited shares ('Special Dividend'). The Company's offer was on the terms contained in a bidder's statement ('Bidder's Statement') which was followed by ten supplementary bidder's statements. The takeover bid was rejected by the Patrick board.

On 22 March 2006, the Company announced that it had increased its offer to 0.4 Company shares and \$1.90 cash for each Patrick share. The Company also offered to further increase the cash component of the offer by up to \$0.30 if certain conditions were satisfied. The increased cash consideration of \$1.90 included an amount of \$0.54 in substitution for the Special Dividend. The takeover bid was again rejected by the Patrick board.

On 14 April 2006, Patrick and the Company announced that they had agreed terms under which the Company would increase its offer to 0.4 Company shares and \$3.00 cash for each Patrick share. The board of Patrick agreed to unanimously recommend that Patrick shareholders accept this increased offer in the absence of a higher offer for Patrick being received.

On 11 May 2006, the Company's relevant interest in Patrick shares exceeded 50% and, accordingly, it declared its takeover offer unconditional and gained control of the Patrick board of directors.

On 24 May 2006, the Company announced that it had gained a relevant interest in Patrick shares of more than 90% and that it would proceed to compulsorily acquire all of the outstanding shares in Patrick. The formal notices of compulsory acquisition were lodged with the ASIC and dispatched on 30 May 2006.

On 3 July 2006, the Company announced that it held 100% of all equity securities in Patrick following the completion of the compulsory acquisition of Patrick shares on 1 July 2006.

Background of the Acquisition Bridge Facility Agreement

Pursuant to an Acquisition Bridge Facility Agreement ('**Agreement**') between Toll Finance Pty Ltd ('**Toll Finance**'), the Company, the parties set out in items 2 and 3 of Schedule 1 of the Agreement, Citigroup N.A., Australia and New Zealand Banking Group Limited and Westpac Banking Corporation (collectively the '**Finance Parties**') dated on or around 10 May 2006, a loan facility was made available to Toll Finance for the purpose of, among other things, financing the Takeover.

Under the Agreement, the Company must ensure that the obligations of Toll Finance are guaranteed by subsidiaries of the Company which in aggregate represent more than 80% of the consolidated total assets of the Toll Group and 80% of the consolidated earnings before interest and tax ('**Guarantee Undertaking**').

Following the Takeover, Patrick and certain of its subsidiaries will be required to provide a guarantee of the obligations of Toll Finance if the Guarantee Undertaking is to be complied with.

Section 8.22 of the Agreement provides that:

'Toll... must pass or cause to be passed all the necessary resolutions under section 260B of the Corporations Act for the Additional Guarantors to accede as Guarantors unless and to the extent that the Finance Parties are satisfied that the accession of the Additional Guarantors is permitted by section 260A(1)(a) of the Corporations Act'.

While the Company is currently unable to identify all of the wholly owned subsidiaries of Patrick which will provide the Guarantee ('**Relevant Companies**'), it is likely that Patrick, Cumberland Holdings Pty Limited, Equitius Pty Limited, Holyman (New Zealand) Pty Limited, Holyman Pty Limited, Holyman Shipping Services Pty Limited, Jamison Equity Pty Limited, Jet Care Pty Ltd, Liberty Cargo Systems Pty Ltd, National Stevedoring Holdings Pty Limited, Patrick Aircraft Maintenance Pty Limited, Patrick Finance Pty Limited, Patrick Logistics Pty Limited, Patrick Port Services Pty Limited, Patrick PortLink Pty Limited, Patrick Stevedores Holdings Pty Limited, Patrick Stevedores Operations Pty Limited, Plizen Pty Limited, PSL Services Pty Limited, Scarabus Pty Ltd, Serenade Pty Ltd and Union Corporate Services Pty Limited will, at the very least, be required to do so.

Financial Assistance given by the Relevant Companies

The provision of the Guarantee by each of the Relevant Companies will constitute the giving of financial assistance for the acquisition of:

- (a) in the case of Patrick, its own shares; or
- (b) in the case of the Relevant Companies other than Patrick, their holding company's shares,

within the meaning of section 260A of the Corporations Act.

Each of the Relevant Companies will provide financial assistance for the acquisition of their own or their holding company's shares by providing a Guarantee (as detailed above).

The effects of providing the Guarantees is that each of the Relevant Companies is jointly and severally liable to pay the Outstanding Moneys on demand from the Finance Parties in the event that any or all part of the Outstanding Moneys owing to a Finance Party are not paid when due. As at the date of the Notice convening this meeting, the amount of Outstanding Moneys is approximately \$3.2 billion.

If the resolution is not approved, then Toll Finance and the Company may be in default under the Agreement in which case the Finance Parties may exercise their rights to demand repayment of all Outstanding Moneys. In addition, if the resolution is not approved, the Company may have to negotiate alternative refinancing and would expect to incur additional costs and transaction fees.

The Directors of the Company have formed the view that the provision of the Guarantees by the Relevant Companies:

- (a) is necessary to ensure there is no default under the Agreement; and
- (b) will not materially prejudice the interests of the Relevant Companies or their shareholders or the ability of the Relevant Companies to pay their creditors.

The resolution to be passed by the Company's shareholders will be a special resolution pursuant to section 260B(2) of the Corporations Act approving each of the Relevant Companies giving financial assistance in connection with the acquisition of all of the issued shares in Patrick.

Information not included

Pursuant to section 260B(4) the Explanatory Memorandum need not contain information that it would be unreasonable to require the Company to provide because the information had previously been disclosed to the members.

Accordingly, this Explanatory Memorandum does not include:

- (a) information relating to the financial position, financial performance or cash flows of the Company (which information was disclosed in a consolidated fashion in the annual financial report published to date by the Company); and
- (b) detailed information regarding the terms of the Agreement (which information was disclosed in the Bidder's Statement and supplementary bidder's statements issued by the Company in connection with the Takeover).



TOLL HOLDINGS LIMITED ABN 25 006 592 089

For further information please contact

Principal Registered Office in Australia

Level 8, 380 St Kilda Road, Melbourne Vic 3004

Telephone: +61 3 9694 2888

Facsimile: +61 3 9694 2880

Website: www.tollgroup.com

Share Register

Computershare Investor Services

Yarra Falls

452 Johnston Street

Abbotsford Vic 3067

Telephone: Australia 1300 850 505

Telephone: Overseas +61 3 9415 4000

Facsimile: +61 3 9473 2500

Website: www.computershare.com



Toll Holdings Limited

ABN 25 006 592 089

Proxy Form



All correspondence to:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia
Enquiries (within Australia) 1300 850 505
(outside Australia) 61 3 9415 4000
Facsimile 61 3 9473 2555
www.computershare.com

Mark this box with an 'X' if you have made any changes to your address details (see reverse)



000001
000
SAM
MR JOHN SMITH 1
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Securityholder Reference Number (SRN)



I 1234567890

I N D

Appointment of Proxy

I/We being a member/s of Toll Holdings Limited and entitled to attend and vote hereby appoint



the Chairman
of the Meeting
(mark with an 'X')

OR

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Toll Holdings Limited to be held at Crown, Palladium C, 8 Whiteman Street, Southbank Melbourne, Victoria on Thursday, 26 October 2006 at 11.00am and at any adjournment of that meeting.

IMPORTANT: FOR ITEMS 5, 7, 8, 9, and 10 BELOW

If the Chairman of the Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote on Items 5, 7, 8, 9, and 10 below, please place a mark in this box. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of that Item and that votes cast by him, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items 5, 7, 8, 9, and 10 and your votes will not be counted in computing the required majority if a poll is called on Items 5, 7, 8, 9, and 10.



Voting directions to your proxy - please mark to indicate your directions

	For	Against	Abstain*		For	Against	Abstain*
Item 2. Adoption of the Remuneration Report for year ended 30 June 2006	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 7. Approval to issue of options under the Senior Executive Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3. Re-election of Mr Mark Rowsthorn as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 8. Approval of grant of options to Mr Paul Little	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4. Re-election of Mr Alastair Lucas as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 9. Approval of grant of options to Mr Mark Rowsthorn	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5. Approval of increase in Directors' fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 10. Approval of grant of options to Mr Neil Chatfield	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6. Renewal of Proportional Takeover Approval Provisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 11. Approval of financial assistance of wholly owned subsidiaries of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Appointing a second Proxy

I/We wish to appoint a second proxy



Mark with an 'X' if you wish to appoint a second proxy.

AND

 %

OR

State the percentage of your voting rights or the number of securities for this Proxy Form.

PLEASE SIGN HERE

Individual or Securityholder 1

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Securityholder 2

Securityholder 3

Individual/Sole Director and Sole Company Secretary

Director

Director/Company Secretary

In addition to signing the Proxy form in the above box(es) please provide the information below in case we need to contact you.

Contact Name

Contact Daytime Telephone

Date

/ /

TOLL

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031371_00K0TC



How to complete this Proxy Form

1 Your Address

This is your address as it appears on the company's share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker (in which case your reference number overleaf will commence with an 'x') should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

3 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) indicate that you wish to appoint a second proxy by marking the box.
- (b) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (c) return both forms together in the same envelope.

5 Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry, by calling 1300 850 505 or outside Australia on 61 3 9415 4000 or at www.computershare.com.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 48 hours before the commencement of the meeting at 11.00am on Thursday, 26 October 2006. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged using the reply paid envelope or:

IN PERSON	Share Registry - Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067 Australia Registered Office - Toll Holdings Limited, Level 8, 380 St Kilda Road, Melbourne VIC 3004 Australia
BY MAIL	Share Registry - Computershare Investor Services Pty Limited, GPO Box 242, Melbourne VIC 3001 Australia
BY FAX	61 3 9473 2555 or 61 3 9694 2880
BY WEB	Visit www.toll.com.au . Go to Shareholder Information and click on "AGM Proxy Voting".