BORAL ANNUAL REPORT 2013

Boral Limited
Annual Report
for the year ended 30 June 2013

Boral Limited
ABN 13 008 421 761

The Annual General Meeting of Boral Limited will be held at the City Recital Hall, Angel Place, Sydney, on Thursday 31 October 2013 at 10.30am.

Financial Calendar

Record date for final dividend	**2 September 2013**
Final dividend payable	**27 September 2013**
Annual General Meeting	**31 October 2013**
Half year end	**31 December 2013**
Half year results announcement	**12 February 2014***
Ex dividend share trading commences	**18 February 2014***
Record date for interim dividend	**24 February 2014***
Interim dividend payable	**24 March 2014***
Year end	**30 June 2014**

* Timing of events is subject to change.

Boral Limited Annual Report

For the year ended 30 June 2013

Non-IFRS Information

EBIT before significant items and net profit after tax before significant items are Non-IFRS measures used to provide a greater understanding of the underlying performance of the Group. This information has been extracted or derived from the financial statements. Significant items are detailed in Note 4 to the financial statements and relate to income and expenses that are associated with significant business restructuring, impairment or individual transactions.

The sections of our Annual Report titled Chairman's Review, Chief Executive's Review, Financial Review and Divisional Performance comprise our operating and financial review (OFR) and form part of the Directors' Report.

From the Chairman

The past 12 months has been a period of further change at Boral. In response to competitive pressures, changes in markets and longer-term opportunities, the Company's portfolio has been realigned, its organisational structure has been streamlined, the workforce has reduced and Boral's strategic priorities have been strengthened.

An important leadership change was completed in October 2012, with the appointment of Mike Kane as Boral's new CEO & Managing Director. Mike brings 40 years of valuable industry experience to the role including the experience he gained while steering Boral's US business from the trough of the Global Financial Crisis.

Performance and strategic priorities
With a renewed senior executive team and a rationalised divisional structure, a detailed review of Boral staffing levels resulted in a reduction of more than 800 positions from the organisation. This is expected to deliver $90 million of annualised savings. Importantly, Boral continues to employ more than 12,600 people across our global divisions, including around 7,860 employees in Australia.

In addition to overhead cost savings, it has been important for the Group to focus on reducing capital expenditure and generating cash to reduce debt levels at this low point in the cycle. The results to date are commendable and in line with the undertakings Mike Kane made in late 2012. Good progress has been made in delivering significant cost reductions, reducing stay-in-business and growth capital expenditure to below $300 million, and generating $173 million of cash from divestments and the sale of surplus land.

External conditions have had a significant impact on the business. Cyclical low levels of activity, unfavourable shifts in demand, increased competition, the high Australian dollar and unrecovered costs associated with the carbon tax have meant Boral's financial performance remains disappointing.

An underlying profit after tax[1] of $104 million was 3% above the prior year result of $101 million. Earnings before interest and tax (EBIT)[1] of $228 million was 14% ahead of the prior year. This return on Boral's invested capital remains less than satisfactory and will continue to be an area of focus in the year ahead.

After recognising $316 million of net significant items, the Group reported a net loss after tax of $212 million.

With both the Board and management of the view that the performance of the business needs significant improvement, we are confident in the future prospects of the Company. Boral's Construction Materials & Cement division is set to continue to perform well, Boral's US business is very well-positioned to return to profitability towards the end of FY2014 as the market recovery continues, the Gypsum division remains a very attractive growth platform, and steps are underway to return Building Products in Australia to profitability.

Shareholder returns and alignment
The Board has resolved to pay a final dividend of 6.0 cents per share, bringing the full year dividend to 11.0 cents (fully franked), which is in line with last year. The final dividend will be paid on 27 September 2013.

During the year, the Board undertook a review of Boral's executive remuneration structure to align incentives more closely with key business objectives and shareholder returns.

1 Excluding significant items.

A key objective for Mike and his executive team is to significantly improve Boral's return on funds employed (ROFE) in the medium term, and then targeting a longer-term ROFE of around 15%.

To enhance focus on improving returns, the Board has introduced a second measure to the long-term incentive (LTI) program. Changes will see long-term incentives potentially realised by around 130 of Boral's most senior executives if ROFE hurdles and TSR hurdles are met following a three year performance period. The Remuneration Report on page 39 provides more details on the LTI structure and other changes introduced from FY2014.

Impairments and significant items

Significant items totalling a $316 million after tax loss were reported for the year.

These significant items largely related to asset impairments as a result of capacity rationalisation and permanent structural industry changes in Australia, as well as organisational restructuring and redundancy costs. The Board believes the asset impairments were an appropriate response to global and domestic industry changes, positioning the Company well for the long term and setting a more realistic platform for the future.

The Board

With the exception of Mike Kane's appointment as CEO & Managing Director, the composition of the Board remained unchanged in FY2013. At the 2012 Annual General Meeting, John Marlay and Catherine Brenner were re-elected to the Board. Eileen Doyle, Richard Longes and I will stand for re-election at this year's Annual General Meeting.

In May 2013, the Board visited the USA, spending a week with Boral's US management team, employees and customers. We were all impressed by Boral's reorganised and efficient production footprint, our extensive distribution network, Boral's relationships with customers – from the largest production builders through to niche builders – and our strengthening track record of bringing new products to market in the USA. The Board has great confidence in the US management team and Boral's ability to truly leverage the upside of the housing recovery in that country.

The Board has site visits planned in Australia and Asia this financial year.

Boral's people

Several senior level changes took place during the year under Mike Kane's leadership.

Joe Goss was appointed Divisional Managing Director of the newly combined Boral Construction Materials & Cement division, Al Borm became President of Boral USA, and Darren Schulz was appointed Executive General Manager of Boral Building Products. Frederic de Rougemont continued in his role of Divisional Managing Director, but his portfolio increased as the Australian and Asian plasterboard businesses were combined under a single division – Boral Gypsum.

New executive staff appointments were also made during the year, namely: Robert Gates (Chief Administrative Officer), Damien Sullivan (Group General Counsel) and Dominic Millgate (Company Secretary). Matt Coren (Group Strategy and M&A Director) and Kylie FitzGerald (Group Communications & Investor Relations Director) are also existing members of the leadership team. Post year end Andrew Poulter left Boral for personal reasons and was replaced as Chief Financial Officer by Rosaline Ng, who has spent the past four years as Boral USA's Chief Financial Officer.

The Board recognises the many decades of combined contribution from the senior executives who left Boral during the year, including Murray Read, Bryan Tisher, Mike Beardsell, Margaret Taylor and Robin Town.

Boral's renewed executive team has significant global industry experience and is leading a cultural change program across the Group, with a focus on improving returns and delivering better safety outcomes.

Beyond the new executive team, the Board has confidence in the depth of management talent across the business. The considerable strength of our regional management teams and their local market knowledge complements the global experience and strategic focus of Boral's senior executives.

On behalf of the Board, I congratulate Mike and his team on the progress made in FY2013 and thank all employees for their contribution during a year of significant change and challenging market conditions.

Bob Every

Dr Bob Every AO
Chairman

From the CEO

When I became CEO & Managing Director in October 2012, it was obvious that difficult market and economic conditions were presenting significant challenges for Boral. My job is to ensure that the business is in the best shape possible at every point in the cycle. I am focused on the things that we can control.

After nearly 40 years in the building and construction industry, I have seen my fair share of cyclical downturns, and my experience tells me that the upturns will come. But when the markets recover, we need to deliver exceptional performance to more than offset the poor performance at the low point in the cycle.

A strategy to Fix, Execute and Transform

In late 2012, I set a series of simple and clear mandates for myself and the organisation:

- deliver world-class safety performance;
- clean up Boral's portfolio and simplify our structures;
- significantly reduce overhead costs that have built up over time; and
- maximise cash generation and conserve capital to reduce debt.

I set these priorities as part of a drive to "fix" Boral. I believe that it will take about two years to get the Company into good shape so that we can then focus our efforts on "transforming" Boral into a global building and construction materials company that is known for its world leading safety performance, innovative product platform and superior returns on shareholders' funds.

We are fixing Boral through safety interventions, portfolio reshaping and restructuring, and vigilantly managing costs, cash and capital through the downturn.

I recognise that we need to ensure that our people are well-equipped to "execute" our plans and initiatives efficiently and consistently. We are driving consistency and discipline across the areas of safety, employee engagement, and the Boral Production System, which is underpinned by a comprehensive set of LEAN and Sales & Marketing Excellence tools. These activities are driving improvement outcomes across the business and helping us to streamline processes and reduce costs.

Deliver world-class safety performance

While Boral's lost time injury frequency rate (LTIFR) of 1.8 for FY2013 was in line with the prior year, this is short of our target to deliver an LTIFR for employees and contractors which is considered global best practice. Despite good results in some businesses, there has been no real overall improvement in Boral's safety performance in five years.

To engage employees and reinvigorate efforts to improve safety performance, we launched a series of senior management safety interventions across all our divisions, beginning two years ago in the USA and culminating over the next two years throughout Asia and Australia.

In December 2012, I undertook the first safety intervention in our Australian business. I spent three nights with an asphalt team in Queensland, speaking to every Boral employee involved in the operation to understand their issues and ideas in regard to working safely. We have taken that feedback to implement improvements and have rolled out a behaviour-based pilot program in that part of the business to improve safety outcomes. Discussions like these are occurring throughout Asia and Australia as senior executives deliver the all-important message that safety comes first – before production.

Boral's portfolio and simplified structures
Significant progress was made during the year to further reshape Boral's portfolio and realign the organisation.

Boral's portfolio has been simplified and improved following the divestments of construction materials in Asia, masonry on the East Coast of Australia and construction material operations in Oklahoma. The exiting of clinker manufacturing at Waurn Ponds in Victoria, engineered flooring production in New South Wales, exporting of woodchip from New South Wales and softwood distribution in Queensland, have also strengthened Boral's portfolio.

While divestments and closures have been necessary to deliver a more profitable portfolio over time, we have allocated growth capital expenditure to those businesses that have the potential to deliver strong earnings growth, particularly construction materials in Australia, gypsum in Asia and cladding in the USA.

With the reshaping of Boral's portfolio, the organisational structure has been streamlined from six to four operating divisions. This has reduced costs and duplication, strengthened collaboration, and improved the line of sight through the business.

Boral's new Executive Committee
Boral's new 11-person Executive Committee includes eight members who have joined us in the past year. Most of these new appointments have been internal appointments, which is an indication of the depth of talent in the business.

In addition to the internal Boral experience that the team has, the global experience of the team has been significantly strengthened. All but three members of the team have worked across at least two continents, with some having worked across three or four. Collectively, the team brings experience from the world's largest building and construction materials players including Lafarge, Holcim, CRH, Hanson/Heidelberg and US Gypsum.

Costs, cash and capital
In January 2013, I announced that our headcount would be reduced by 700 administration and managerial positions, supporting a more efficient, streamlined overhead structure. We have exceeded this estimate, with a reduction of more than 800 positions. This has resulted in the expected delivery of $90 million of annualised cost savings, with $37 million delivered in FY2013.

The two year FY2013–2014 target of delivering between $200 million and $300 million of cash proceeds from land sales and divestments remains on track, with $173 million of cash proceeds delivered in FY2013.

In FY2013, capital expenditure was also highly prioritised and kept below $300 million. A total of $111 million was spent on stay-in-business (SIB) capital compared with $192 million in the prior year, representing 38% of depreciation. Growth capital totalled $183 million. In FY2014, it is expected that SIB capital will increase, but the total level of capital expenditure will remain around $300 million, with growth capital constrained.

Significant items and impairments
As a result of the significant portfolio reshaping and restructuring undertaken, we incurred $60 million of restructuring costs and $399 million of asset impairments and write-downs due to divestments, closures and the permanent structural changes that have occurred in some of our industries. On a post-tax basis, significant items totalled a $316 million loss, which included a gain from the disposal of Asian construction materials together with insurance settlements.

Divisional performance and outlook
In FY2013, Boral's largest division – Construction Materials & Cement – delivered a strong 16% EBIT improvement on the back of major project activity, prior year acquisitions and property sales. The division's performance is expected to remain strong in the year ahead despite substantially lower property sales and a slowdown in major project work.

Results from Building Products in Australia were disappointing in FY2013, with a reported $40 million EBIT loss. Weak demand, increased competition, significant pricing pressure in key markets and the cost of production capacity reconfiguration impacted the result. Further improvement initiatives are underway to substantially reduce losses in the year ahead.

With an EBIT of $83 million, Boral Gypsum delivered softer underlying earnings in FY2013 due mainly to cyclical challenges in some Asian markets and the cost impacts of investment ramp-ups of three additional board lines that will increase net capacity by 16%. The business remains extremely well positioned for future earnings growth in Asia and Australia.

In Boral's US business, we have continued to reduce losses, despite a slower than expected rate of recovery due to an adverse mix shift in the type of housing construction and geographic sales mix. The business reported an EBIT loss of A$64 million in FY2013 and is expected to start to turn a profit in the second half of FY2014.

External pressures are expected to continue in FY2014, including a similar net cost impact of $15 million from the Australian carbon tax. Nevertheless, incremental benefits are anticipated from ongoing improvement, production leverage and cost reduction initiatives. We are continuing to "right-size" the business and explore value enhancing opportunities across the portfolio.

I acknowledge that Boral's EBIT return on funds employed (ROFE) for FY2013 of 4.7% is unacceptably low. I look forward to delivering the business objective of returning ROFE to above 15% in the long term.

Mike Kane
CEO & Managing Director

Financial review

Boral's divisional results were mixed, with Construction Materials & Cement performing well, the US division well positioned to return to profitability as markets recover, the Gypsum division experiencing some short-term challenges but remaining a strong growth platform, and Building Products in Australia delivering a disappointing result in FY2013.

Revenue

Revenue from continuing operations increased by 10% to $5.2b as resource sector growth in Australia together with the continued recovery in the US residential construction markets was supported by the first full year revenues from the FY2012 acquisitions of the remaining 50% of Boral Gypsum in Asia and the South East Queensland quarry and concrete businesses. These increases were partially offset by further weakening of demand in the Australian residential markets, which primarily impacted the Building Products division, which has the greatest exposure to this sector.

The discontinued operations comprise the Thailand Construction Materials and the Australian East Coast Masonry businesses, which were sold in December 2012 and March 2013 respectively.

The former Construction Materials and Cement divisions were merged in the second half year and are now reported as a single division. These operations were a key driver of the Group's revenue growth, the division reporting an 8% increase on FY2012 to $3.1b. There were several factors influencing this result, including the first time full year consolidation of the Queensland quarry and concrete acquisitions, the significant concrete demand from the three Curtis Island LNG projects, the increase in asphalt demand arising from Queensland infrastructure repairs following the major flooding in 2011 and 2012 and the participation in key major projects in Victoria and New South Wales.

These positive drivers were partially offset by a mixed outcome in the residential sector, which historically has comprised circa 35% of divisional demand. Demand in New South Wales was positive due to increased activity in Sydney and its metropolitan areas. The division was successful in gaining the core concrete supply to the Barangaroo development, which commenced in the final quarter. Demand in Western Australia also increased, and there are clear signs of a recovery in the residential sector, although Boral has less exposure to this market.

Housing activity in our second and third largest markets, Queensland and Victoria, continued to weaken throughout the year and had a significant impact on both concrete sales and the important pull-through of cement and aggregates from Boral's vertically integrated positions in these states.

Building Products revenues are predominantly driven by Australian detached housing construction and were significantly impacted by low activity levels and further declines in Queensland and Victoria during the year. Brick and roofing revenues declined by 7% over the prior year. This reduction, together with the significant overcapacity in the Australian brick industry, has caused continued downward pricing pressures, particularly in Western Australia, which has seen margins decline to unsustainably low levels.

The Timber operations were similarly impacted, although this weakness was further compounded by increased import competition due to the strength of the Australian dollar and weak overseas markets together with a significant reduction in "high end" alterations and additions demand. As a result, Timber revenues declined by 19% compared to FY2012.

In the USA, the division's core brick, roof tile and stone demand is also exposed to the US residential markets. The residential market recovery is now well underway, with FY2013 housing starts increasing by 28% on FY2012, the second consecutive year of growth following a 20% increase in the prior year. At 870,000 housing starts in the 2013 financial year, demand is still 42% below its long-term average of 1.5m housing starts.

Despite this growth in housing starts, FY2013 revenues increased by only 10%, to US$569m, year-on-year, reflecting a slower rate of increase in single family home construction, the key underlying driver of Boral's product demand, and the adverse shift in product intensity. This latter factor, which is seen as a temporary shift in the early stages of the recovery in the housing markets, has occurred due to the dominance of the national production home builders, who are currently targeting lower cost starter homes which use less brick, stone and roof tiles. This adverse mix is expected to change as the regional custom home builders return to the market which will also drive an increase in single family housing construction.

The continued growth in residential demand is a key factor in the return to profitability for the USA. While management is confident of a sustained recovery in the US market, any macro-economic events which significantly impact this recovery may have a material impact on Group earnings.

Finally, we turn to the Gypsum division, which was formed in October 2012 following the combination of the Asian and Australian plasterboard operations. Prior year revenue comparatives are understated due to the acquisition of the remaining 50% of Boral Gypsum in Asia in December 2011.

Underlying like-for-like sales revenues for the Gypsum division increased by 1% over the prior year as a 5% decline in Australia, due primarily to a reduction in residential construction, was offset by 4% growth in Asia. The rate of increase in Asia slowed during the year due to several factors, primarily related to the four key markets, Korea, China, Thailand and Indonesia, which comprise over 80% of Boral's revenues from Asia.

Growth in Thailand and Indonesia continued, driven by strong economic activity and increased plasterboard use. In China, growth was sustained through higher demand in the eastern Shanghai markets and through market share growth in Shandong following the commissioning of the recently acquired plant in Shandong in early 2012. Demand declined in the central west markets of Chongqing and Chengdu due to government lending constraints imposed to curb housing price inflation.

In Korea, demand also declined, resulting in a 5% volume reduction due to weaker market conditions and a market share loss in the first half year, which has since recovered.

The continued emergence of markets in Asia, together with the realisation of increased plasterboard utilisation, is the key factor for Boral's future growth in the region. Asia has in the past experienced regional market demand cycles, and such future cycles may present some risk to short-term demand projections. Boral, however, remains confident in the long-term, strategic growth potential for plasterboard in Asia.

Earnings

Net profit after tax before significant items for continuing operations was $114.7m, a 9% increase on the prior year. This improvement was primarily due to an 18% increase in earnings before interest and tax (EBIT)[1] offset by an $11.1m increase in interest and $9.9m increase in tax expense.

Interest expense increased due to the full year cost of funding Boral Gypsum in Asia and South East Queensland quarry and concrete businesses acquired in December 2011 quarter. The effective tax rate rose from 8% in FY2012 to 15%, largely due to the reduction in the proportion of US tax losses which are tax effected at a higher rate. The tax rate has also continued to benefit from property sales, which were capital in nature and have been covered by brought forward capital losses.

Due to the continued US recovery, the further reduction in US tax losses and lower Property earnings, the future effective tax rate will progress towards a more normal 23% – 28% range.

The primary drivers for the improvement in Group EBIT were increased revenues in Construction Materials & Cement and the USA and the $37m benefit from the overhead cost reductions. Pricing outcomes were weaker than projected, with concrete and quarry products varying widely by region and broadly only recovering the key cost increases from energy, raw materials and inflation. Cement margins were placed under further pressure by the continued constraints of import parity costs which suppressed price rises, preventing the business from recovering costs from rising energy and fuel cost inflation.

Following the carbon tax introduction from 1 July 2012, it is estimated that the net cost to the Group was $15m, with little pass through achieved from additional pricing outcomes. While the Group reduced its carbon footprint following the decision to cease the high cost manufacture of cement clinker at Waurn Ponds in April this year, it is estimated that FY2014 costs will be similar to those of FY2013. This is due to an increase in the carbon price of $1.15/tonne together with a reduction in the amount of assistance to be received under the Jobs and Competitiveness Program.

The Construction Materials & Cement division reported a $38m or 16% increase in EBIT underpinned by the growth in LNG and infrastructure revenues and a $16m increase in earnings from the Property group. The latter's $28m EBIT now brings to a conclusion the consistent earnings stream from discontinued and non-core

Income Statement

Year ended 30 June	2013			2012		
$millions	Group	Discontinued Operations	Continuing Operations	Group	Discontinued Operations	Continuing Operations
Sales Revenue	**5,286.5**	**77.1**	**5,209.4**	5,010.3	294.1	4,716.2
EBIT/(Loss)[1]	**227.8**	**(8.8)**	**236.6**	199.6	(1.3)	200.9
Interest	**(97.4)**	**(1.4)**	**(96.0)**	(88.4)	(3.5)	(84.9)
Income Tax Expense[1]	**(19.6)**	**(0.1)**	**(19.5)**	(8.9)	0.7	(9.6)
Non Controlling Interests	**(6.4)**	**–**	**(6.4)**	(1.1)	(0.3)	(0.8)
Underlying Profit/(Loss) after tax[1]	**104.4**	**(10.3)**	**114.7**	101.2	(4.4)	105.6
Net Significant Items	**(316.5)**	**11.6**	**(328.1)**	75.4	(28.7)	104.1
Net Profit/(Loss) after tax	**(212.1)**	**1.3**	**(213.4)**	176.6	(33.1)	209.7

1 Before significant items. EBIT before significant items is a Non-IFRS measure used to provide a greater understanding of the underlying business performance of the Group. The disclosures are extracted or derived from the audited financial statements.

land divestment realised over the past seven years. While the Group still retains a substantial land bank of property assets, revenues and earnings will be significantly lower in the near term as resale opportunities are assessed and planning and timing outcomes optimised in line with future demand.

Underlying divisional earnings at $253m were 10% above FY2012 and benefited from major project revenues which offset the weakness in residential demand. The importance of the sustained infrastructure demand was seen in asphalt, where revenues grew by 5% to $825m, providing a valuable pull through of aggregates.

Cement revenues declined by 7% due to reduced demand in Victoria and lower wholesale industry sales, though earnings were sustained through improved plant efficiency and the avoidance of major repairs at Waurn Ponds prior to its kiln closure in April 2013. The transition to imported clinker has been successful, with the supply chain from Asia established and clinker handling equipment successfully commissioned at the Port of Geelong.

The Building Products division was impacted by the low levels of Australian residential construction and reported a $40m EBIT loss, which was $35m lower than the prior year. The division partly mitigated its losses by the reduction in overhead costs, which will also benefit FY2014. In addition, the division bore an $8m one-off cost from the consolidation of its brick operations in Queensland (Darra 3), New South Wales (Badgerys Creek) and Western Australia (Midland kilns 7 and 8). These and future capacity consolidation actions will be necessary to align brick capacity more closely to projected demand in order to provide the basis for a recovery in margins to more sustainable levels.

The decline in Building Products earnings triggered a review of the carrying value of Brick and Timber assets and resulted in a significant impairment.

The Gypsum operations reported a $17m increase in EBIT due to the part year consolidation of the results of the Asia operations in 2012. Australian earnings were level as the weaker market demand was offset by improved efficiencies and lower costs following the successful commissioning of the Port Melbourne plant upgrade. Despite a modest increase in revenues in Asia, underlying earnings declined by 10%. This resulted from weaker demand and rising cost pressures in Korea and Vietnam and the progressive market entry from the Shandong plant in China.

The pursuit of the strategy to increase both the size and the share of the higher margin technical board sectors and to increase plant utilisation are the key opportunities and risks to the projections for Boral's operations in Asia.

The USA reported a further $20m (23%) reduction in EBIT losses during the year through the continued recovery in its core brick, stone and tile markets, but fell short of expectations due to the unanticipated reduction in product intensity in this, the second year of the US housing market recovery. The return to a normal housing mix will be a key factor in achieving the transition to profitability in the second half of the 2014 financial year.

The division continues to invest in its innovative composite trim products and whilst the operation continues to make steady progress, it will continue in a loss-making position until scale manufacturing and optimum market price positioning is achieved.

Significant items

The Group reported a net loss after tax of $212.1m due to $316.5m of net significant items recognised during the year. These charges relate primarily to the fundamental restructuring and cost reduction actions taken during the year together with the impairments taken in the Australian Building Products operations.

The $60m of organisational and restructuring costs relate to redundancy costs during the year, together with costs of outsourcing Boral's Australian IT infrastructure and data centres.

Reconciliation of Underlying Results to Reported Results

$millions	EBIT	Interest expense	Income tax	Non-controlling interests	Profit after tax
Underlying results	**227.8**	**(97.4)**	**(19.6)**	**(6.4)**	**104.4**
Significant items					
Organisational restructure	(59.8)				(59.8)
Capacity rationalisation and impairments					
Australian Building Products	(208.7)				(208.7)
Construction Materials & Cement	(160.5)				(160.5)
USA	(29.7)				(29.7)
Insurance settlements	13.1				13.1
Gain on disposal of Asian Construction Materials	12.0				12.0
Income tax benefit			117.1		117.1
Total significant items	**(433.6)**		**117.1**		**(316.5)**
Reported results	**(205.8)**	**(97.4)**	**97.5**	**(6.4)**	**(212.1)**

As evident from the segmental earnings, a material structural decline in the Australian Building Products businesses has occurred during FY2013. The overcapacity in the Australian brick industry has lead to an unsustainable decline in product margins. A reassessment of future demand, margins and capacity has resulted in a material impairment of both the west coast brick and masonry and the east coast brick operations.

A review has also been made of the Timber and Windows operations. In Timber this resulted in the exit of the engineered flooring and the Queensland distribution and export woodchip operations and the closure of the Batemans Bay timber mill. In Windows, further NSW capacity has been closed at Newcastle and Nowra.

These actions together have resulted in a $209m restructuring and impairment charge in Building Products.

The $160m impairment in Construction Materials & Cement relates to the suspension of clinker manufacturing at Waurn Ponds, Victoria, which was recognised in the first half of FY2013, together with the impairment of the carrying value of the Berrima Colliery. The latter has arisen due to current planning uncertainties around the continued operation of the colliery and its supply of coal to the Berrima cement plant.

An impairment has also been recognised with regard to Boral's NSW land development costs. This has resulted from a change in strategy to seek an earlier opportunity for the sale of the west Sydney land development as opposed to retaining the land and awaiting a future market recovery.

Finally in the USA, a $30m charge has been taken, primarily in regard to the exit of the tile businesses in Mexico, the impairment of idle Trinidad assets and the sale of the Oklahoma concrete and sand operations, the latter of which was completed in the final quarter of the year.

Cash flow and borrowings

Operating cash flow increased by $161m to $294m through improved earnings and continued focus on working capital management. Particular attention has been placed on brick inventories, which were reduced by 10% in the USA and 20% in Australia following the capacity constraints imposed in 2012.

Working capital, however, increased by $43m, though at a lesser rate than in the prior year, due to increases in accounts receivable arising from higher sales and also from late payments by several large Australian accounts across the financial year end.

Interest and tax payments declined primarily due to the $57m tax refund received in the second half year. This refund related to the tax instalments made during the 2012 financial year which were levied upon the higher prior year earnings.

Capital expenditure at $294m was tightly managed and held below FY2012. Stay-in-business expenditure was constrained to $111m, just 38% of depreciation, in favour of the growth investment. The key growth projects underway are the new Peppertree Quarry in New South Wales, the completion of additional plasterboard capacity in China, Indonesia and Vietnam and revenue growth projects such as Wheatstone LNG in Western Australia and Barangaroo in Sydney.

The $173m proceeds from the sale of assets realised during the year is on track to deliver the $200m – $300m target by the end of the 2014 financial year.

Net debt reduced by $72m to $1.45b, with the benefits from the $175m positive net cash flow partly offset by the weakening of the Australian dollar versus the US dollar in the final quarter of the year. This resulted in a 9% devaluation over the prior year, causing a $103m, non-cash increase from the conversion of our closing US dollar denominated debt at 30 June 2013.

Gearing, net debt to net debt plus equity, reduced to 30%.

The Group has continued to sustain the weighted average debt maturity in line with Board requirements of over 3.5 years. The $500m Australian dollar syndicated bank debt facility has been extended by one year to November 2016, and in January this year the Group raised A$153m under its European Medium Term Note program through the issue of a seven year Swiss Bond.

The Company has little exposure to refinancing risk due to the improved spread of its debt maturities, the realised benefits from its focus upon tight capital expenditure management, its asset divestment process and tight working capital management. In addition, the Company continues to sustain its $0.5b of unused bank debt facilities as a hedge against unforseen macro-economic risk.

Foreign currency risk

The recent decline in the Australian dollar versus the US dollar will be positive for Boral as the US business returns to profitability towards the end of FY2014. The US losses over the past four years have benefited from the conversion into Australian dollars, the higher rate providing lesser dilution to the Group earnings. Conversely, as the USA returns to profitability, the weaker Australian dollar will provide an earnings benefit on conversion to the Group results.

With regard to the balance sheet and specifically the US dollar debt, the US net assets are closely matched with the US dollar debt. As the US dollar fluctuates, so do both the US net assets and the debt, creating a natural hedge.

The other material currency risk is the impact of the increase in Group debt due to a weakening Australian dollar resulting from the conversion of the US dollar denominated debt and the potential impact upon banking covenants. As at 30 June 2013, when the Australian dollar was US$0.92, the Group's principal bank gearing measure, gross debt to gross debt plus equity less intangibles, was at 40%, remaining comfortably within our banking covenant ratio requirement of 60%.

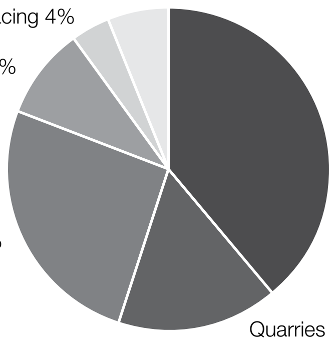
Boral Construction Materials & Cement

Construction Materials & Cement is Boral's largest and most profitable division and will continue to underpin future earnings for Boral.

At a glance

Revenue	$3,142m	↑	8%
EBITDA[1]	$451m	↑	14%
EBIT[1]	$281m	↑	16%
Employees	5,139	↓	7%
Capital expenditure	$206m	↓	15%

Revenue by business



Our business
Boral's Construction Materials & Cement division is an integrated business supplying cement, concrete, quarry materials, asphalt, and concrete placing services to the Australian building and construction industry. The division also manages a property operation, a landfill business and an integrated transport business.

Competition and markets
Boral generally competes against two or three large competitors and a number of smaller, independent players in its construction materials markets. Boral's large competitors have global leadership positions, which help to drive efficiency and best practice in Australia.

In FY2013, a high cost environment was intensified by the introduction of the carbon tax and a continued high Australian dollar, which constrained cement pricing. Cement is the only business that competes with imports, and in April 2013 Boral closed its clinker manufacturing operations in Victoria and is now importing around 30% of its cement needs, which is in line with the Australian industry.

With barriers to entry lower in concrete and asphalt, a recent market entrant in asphalt in Queensland has intensified competition in that region.

Revenues from Construction Materials & Cement are driven by Australian residential and non-residential construction activity, as well as construction of roads, highways, subdivisions and bridges and major project work. In FY2013, detached housing starts were estimated to have increased by 3%, with total housing starts up 8% to 157,200[2], driven by a 16% increase in multi-residential construction. Non-residential activity is estimated to have declined 4%[3] year-on-year, with Queensland and Western Australia particularly weak. Infrastructure work for roads, highways, subdivisions and bridges was estimated to be down 3% year-on-year, with Queensland down 24% and Victoria 14% lower[3].

Performance
Construction Materials & Cement revenues of $3.14b increased $240m (8%) on FY2012, benefiting from increased resources and major project activity, a full year contribution from the South East Queensland acquisitions and higher property sales. Increased construction activity in New South Wales metro, Queensland and Western Australia country markets offset a marked decline in demand in Victoria and South East Queensland.

EBIT before property sales of $253m was up $22m or 10%, driven by revenue growth and overhead cost reductions.

Revenues in the second half of FY2013 were however relatively flat on the prior corresponding period, with improved Concrete and Quarries revenues offset by lower revenues in Asphalt, Cement and Concrete Placing.

1 Excludes significant items.
2 ABS original data; Jun-13 quarter based on HIA estimate.
3 ABS value of work done rebased to 2010/11 constant prices; BIS forecast used for Jun-13 quarter.

Concrete and Quarries revenues in FY2013 were up 13% and 7% respectively on the prior year. Excluding acquisitions, concrete volumes were up 2% and quarry volumes were down 6%. Concrete and quarry delivered prices were up 14% and 6% respectively, reflecting a continued shift to higher priced project and country markets and strong pricing disciplines. Concrete and Quarries earnings continued to benefit from supply to the three Curtis Island LNG projects at Gladstone, which will carry on until the end of CY2013.

Asphalt revenues increased by 5% year-on-year, benefiting from flood recovery work and major infrastructure projects including Jondaryan-Warrego Highway and Port Connect in Queensland, and Melbourne Peninsula Link in Victoria. Revenue and earnings in the second half of FY2013 were impacted by: a sharp decline in road and highways work, particularly in Queensland and Victoria; increased competitive pressures including a new market entrant in Queensland; and wet weather in Queensland and New South Wales which impacted operating efficiency and project timing.

While cement sales volumes increased by 4% and prices were steady, Cement revenues of $291m were down 7% on the prior year due to lower wholesale clinker volumes and the loss of lime and limestone to Bluescope Steel (following the closure of the Port Kembla furnace in the second half of CY2011). Cement EBIT of $73m improved by 7%, underpinned by stable operating performance and overhead cost reductions.

Revenues from the Concrete Placing business, De Martin & Gasparini, were 6% above FY2012 due to a favourable mix shift, underpinned by higher volumes of “supply and place” sales, and an increase in market share.

Property contributed earnings of $28m in FY2013, which is a $16m increase on the prior year. Significant transactions contributing to this result included the sale of surplus land at Darra and Lawnton in Queensland, and Red Hill in Western Australia.

While the lost time injury frequency rate (LTIFR) in the Cement business was 0.5, which is in line with global best practice, overall, the division has more work to do to improve its LTIFR of 2.0 for employees and contractors. Safety interventions are continuing, and new behaviour-based safety programs have been piloted in the Queensland Asphalt business and in the De Martin & Gasparini Concrete Placing business.

Strategic priorities and outlook

As Boral’s largest and most profitable division, Construction Materials & Cement delivered a return on funds employed of 12.5% in FY2013. This division will continue to underpin future earnings for Boral, with the business to benefit over time as the New South Wales Peppertree Quarry investment comes to market, the returns on the Queensland acquisitions made in 2011 continue to grow, and continuous improvement programs deliver further benefits.

The following steps were taken to strengthen the business during FY2013:

- ✓ restructuring and combining Cement and Australian Construction Materials into a single division;
- ✓ divestment of Thailand Construction Materials;
- ✓ ceasing clinker manufacturing at Waurn Ponds and strengthening Boral’s clinker import capabilities;
- ✓ closure of Emu Plains Transport depot and closures or exits from 19 small and redundant concrete batching plants and quarry sites;
- ✓ $85m invested as part of the $200m Peppertree Project for a new, efficient quarry and manufactured sand operation which will deliver around 100 years of hard rock and sand into the Sydney market through an integrated rail network. The quarry is expected to be in full scale operation in early FY2015.

Construction Materials & Cement is expected to deliver a sustained strong performance in FY2014, but revenues and earnings are not expected to exceed FY2013 due to an anticipated substantial decline in Property earnings. The benefit of announced price increases in Cement (effective October 2013) and in Concrete and Quarries (effective April 2013), together with overhead reductions and rationalisation benefits at Waurn Ponds, are expected to be offset by reduced LNG project activity in the second half of FY2014, continued weakness in activity in South East Queensland, Victoria and South Australia and low Property earnings.

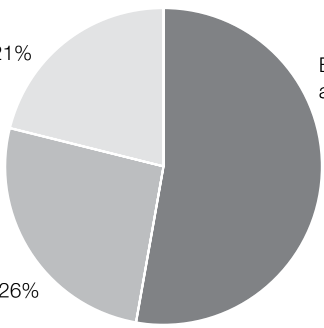
Boral Building Products

Boral Building Products is continuing to take steps to help return the business to profitability.

At a glance

Revenue	$592m	↓	10%
EBITDA[1]	$(3)m	↓	109%
EBIT[1]	$(40)m	↓	671%
Employees	1,816	↓	10%
Capital expenditure	$22m	↓	30%

Revenue by business



Our business

Boral's Building Products division in Australia manufactures and supplies bricks, roof tiles, timber and windows to the residential and non-residential construction sectors. In Western Australia and South Australia, Boral also continues to manufacture concrete masonry products which are integrated with the local Bricks and Roofing operations.

Competition and markets

The smaller Building Products division is suffering from industry overcapacity and significant competitive pressures in all of its markets. Despite a 42% reduction in Boral's brick capacity in recent years, further restructuring in Bricks is required to address poor profitability and industry overcapacity in New South Wales and Victoria (due to higher density and lower brick-intensity housing), and in Western Australia (where increased competition has seen a major structural change in the industry and capacity).

With political and economic uncertainty in Australia, a low interest rate environment is having little effect on stimulating a housing recovery. High manufacturing costs were made worse by the introduction of the carbon tax, and a strong Australian dollar supported a high level of import competition in Timber in FY2013, constrained pricing and resulted in Boral exiting the export woodchip business in June 2013.

Around 68% of Building Products' revenue was derived from new dwelling construction, with the majority of this from detached housing starts; a further 20% of revenues came from the alterations and additions market. In FY2013, housing starts were up 8% to 157,200[2], but detached housing starts were estimated to have only increased by 3%, with multi-family construction, which is less product intensive, up by 16%. The shift to urban multi-family dwellings in Australia is continuing and is not transitionary, which is having an adverse impact on building products demand. Alterations and additions activity was down 11% on the prior year, which significantly impacted Boral's Timber business.

Performance

Building Products revenues of $592m declined 10% on the prior year, reflecting lower volumes and mixed pricing outcomes. These lower volumes were underpinned by a temporary loss in east coast brick market share following product availability constraints and a loss in timber market share due to increased import competition.

Building Products reported volume declines of 4% in Bricks[3], 8% in Roofing[3] and 9% across Hardwood and Softwood. Prices were marginally higher in Bricks and Hardwood, broadly flat in Roofing, and lower in Softwood. The division also saw a reduction in woodchip sales due to the loss of its major overseas customer, which resulted in Boral's exit from the woodchip export business in June 2013.

An EBIT loss of $40m in FY2013 was $35m lower than in the prior year, primarily driven by lower volumes in Bricks and Timber as well as lower margins.

1 Excludes significant items.
2 ABS original housing starts; Jun-13 quarter based on HIA estimate.
3 Not including Masonry volumes.

Combined revenues from the Bricks and Roofing business declined by 7% over the prior year, with earnings falling by $21m due to lower sales volumes, competitive price pressures in Western Australia and $8m in one-off impacts from Bricks capacity optimisation projects. Three Bricks capacity optimisation projects were undertaken in FY2013, all of which were essentially completed in the second half of the year – the upgrade of Darra line 1 in Queensland (increasing plant output by 10% following the closure of Darra line 3 in 2012); the consolidation of Badgerys Creek production into Bringelly in New South Wales; and the transfer of products from mothballed kilns 7 and 8 to kiln 11 in Western Australia.

The Timber business reported a 19% revenue decline and an $11m reduction in earnings on the prior year, as a result of a number of factors, including:

- significantly lower demand for decorative hardwood products at the premium end of the new housing and alterations and additions markets;
- increased import and domestic competition in softwood and hardwood; and
- a substantial decline in revenue from the woodchip export business as the high Australian dollar reduced price competitiveness.

Windows revenues were down 6%, reflecting weak residential activity in Victoria and the impacts of the closure of the Newcastle and Nowra window fabrication sites in New South Wales. Improvement initiatives have since been implemented which should benefit FY2014 earnings.

The Building Products division played a key role in realising overhead cost savings, delivering a $12m reduction in administration costs during the year. Substantial restructuring and streamlining of the business took place during the year, including in Timber, where Boral has eliminated peripheral activities, having now exited from the woodchip export business, softwood distribution in Queensland and engineered flooring production at Murwillumbah.

In an effort to return Building Products to profitability, it is critical that margins are recovered to achieve a sustainable business base. Boral is continuing to review value creating opportunities for its Australian Bricks business, further reduce costs and increase prices.

Safety performance in Building Products in FY2013 was disappointing, with a LTIFR of 4.8. Safety interventions have commenced, and the Boral Production System (LEAN) improvement tools are being integrated into safety management systems.

Strategic priorities and outlook

The smaller Building Products division is suffering from industry overcapacity and significant competitive pressures. Further restructuring in Bricks is required to address poor profitability and overcapacity in New South Wales and Victoria (due to higher density and lower brick-intensity housing), and in Western Australia (where increased competition has seen a major structural change in the industry and capacity). In Timber, Boral has been working cooperatively with the Forestry Corporation of NSW to better align short-term log supply with lower demand. Negotiations are continuing to find a sustainable solution that better aligns cyclical demand with available log supply through the term of Boral's Wood Supply Agreements.

While further work is progressing, the following steps were taken in FY2013 to streamline the business and help return it to profitability:

- ✓ divestment of East Coast Masonry;
- ✓ closure or exit of:
  - – Batemans Bay timber mill;
  - – woodchip export business;
  - – softwood distribution in Queensland;
  - – engineered flooring manufacturing at Murwillumbah;
  - – Nowra and Newcastle window fabrication operations.

While conditions will remain challenging in FY2014 for Building Products, the business will benefit from restructuring, price increases, the non-recurrence of one-off costs, and some improvement in dwelling activity levels in New South Wales and Western Australia. Performance will improve significantly, but the business is expected to remain loss making in FY2014.

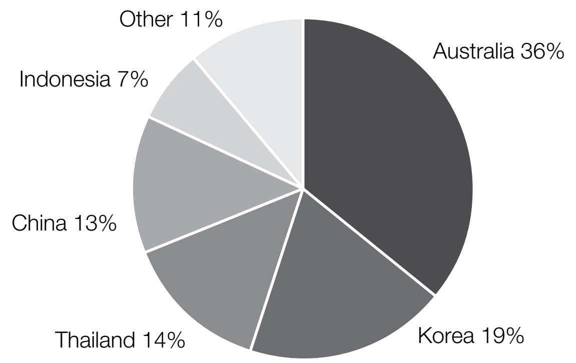
Boral Gypsum

Boral Gypsum is a strategically important division for Boral, with the leading position in the highest growth gypsum market in the world.

At a glance[1]

Revenue	$919m		
EBITDA[2]	$125m		
EBIT[2]	$83m		
Employees	3,104	↑	2%
Capital expenditure	$46m		

Revenue by country



Our business
Boral Gypsum is the leading supplier of plasterboard and interior lining products across Asia, where it has manufacturing positions in eight countries. Boral also has a leadership position in Australia, with manufacturing operations in Queensland, New South Wales and Victoria and a 50% interest in both a gypsum mining operation in South Australia and a metal wall and ceiling framing business, Rondo.

Competition and markets
With the leading position in the highest growth gypsum market in the world, Boral Gypsum is a strategically important division for Boral. We have more than 40% market share across countries where the combined population is 570m and where 470m m^2 of plasterboard is currently consumed.

Revenue from Boral Gypsum's operations in Australia accounted for 6% of Boral's revenues in FY2013 and Asia accounted for 11%, with revenues from Korea, Thailand, China and Indonesia accounting for 82% of this total.

In Thailand, Indonesia and Malaysia, strong economic conditions continued to increase underlying demand, while Korea and Vietnam experienced softer market conditions. In China, central government measures to reduce house price inflation continue to dampen housing construction demand, particularly at the premium end of the market, although Boral's operations continue to grow share in the north east following entry into the Shandong market in early 2012. Volume growth is expected across Asia, which will support a return to pricing stability in the Gypsum business and will deliver cost benefits as a result of a greater absorption of capacity increases in China, Indonesia and Vietnam.

In Australia, Boral supplies plasterboard into the residential and non-residential housing sectors. FY2013 housing starts were up 8% to 157,200[3], driven mostly by multi-dwellings as opposed to detached dwelling construction, and non-residential activity is estimated to have declined 4%[4] year-on-year.

Performance
Boral Gypsum revenues of $919m and EBIT of $83m include a full year consolidated contribution from Boral Gypsum's Asian operations; Boral acquired the remaining 50% interest in Boral Gypsum Asia on 9 December 2011.

In Australia revenue of $335m was down 5% and EBIT of $25m was flat year-on-year. Revenues were adversely impacted by lower market demand resulting in a 2% decline in board volumes, flat board prices and lower resale product and contracting revenues. Plasterboard Australia earnings, however, benefited from lower operational and distribution costs from the upgraded Port Melbourne plant, reduced overheads and a higher contribution from the Rondo joint venture.

1 Prior year revenue and earnings are not comparable as prior to December 2011, Boral's share of Lafarge Boral Gypsum Asia's post-tax earnings was equity accounted.
2 Excludes significant items.
3 ABS original housing starts; Jun-13 quarter based on HIA estimate.
4 ABS value of work done rebased to 2010/11 constant prices; BIS forecast used for Jun-13 quarter.

EBIT from Asia of $57m in FY2013 compares to a contribution of $41m in the prior year, $10.1m of which was equity income recognised prior to acquisition of the remaining 50% interest in Boral Gypsum Asia.

On a like-for-like basis, theoretical consolidation for the prior comparative period would have resulted in Asia revenue of $559m and EBIT of $63m in FY2012. On this basis, revenues from Asia increased 4% while EBIT declined 10%. The benefit of revenue growth on Asia earnings, most notably in Thailand, China and Indonesia, was offset by lower volumes and margins in Korea and Vietnam, as well as the cost of market entry into north eastern China through the Shandong plant.

Accounting for a combined one third of Asian revenues, Thailand and Indonesia reported strong revenue growth underpinned by favourable economic conditions. Margins in Indonesia, however, were impacted by the ramp-up of the new board line at Cilegon and higher energy costs. In Korea, which accounts for another 30% of Asian revenues, strong pricing competition in a weak housing market coupled with higher input costs adversely impacted margins. Revenues in China benefited from a full year contribution of the Shandong plant, which was commissioned in early 2012; year-on-year volume growth continued to be dampened by weaker construction activity, particularly at the premium end of the market.

The remaining country markets in Asia account for around 16% of Asian revenues on a combined basis including Vietnam, Malaysia and India. Malaysia reported solid revenue growth while Vietnam experienced a slowing economy and plant performance issues, which have since been resolved, resulting in lower sales volume and margins. Sales volumes in India were negatively impacted by anti-dumping restrictions on sales of imported products.

In line with expectations, the plant expansion of 30m m^2 at Cilegon (Indonesia) was completed in the first quarter of CY2013 and will be a critical investment in meeting the rapid growth in the Jakarta market in FY2014. The ramp-up of the Shandong plant has delivered the expected cost improvements although sales have been below expectations due to weaker market conditions. The capacity expansions of 15m m^2 at Chongqing (China) and 30m m^2 at Ho Chi Minh City (Vietnam) are progressing well, although the timing of both these projects has been marginally delayed with expected completion at Chongqing in the second half of CY2013 and Ho Chi Minh City in early CY2014. In total, capacity increases of 16% (75m m^2) with attendant ramp up costs have and will detract from earnings performance until capacity utilisation moves from a current level of 69% to greater than 80%.

Boral Gypsum delivered a good safety outcome in FY2013, with a LTIFR of 0.9 in line with the targeted LTIFR of less than 1.0. A program of safety interventions is scheduled to continue over the next two years, and the roll-out of the Boral Production System underpinned by LEAN tools will be integrated into safety management systems.

Strategic priorities and outlook

Boral Gypsum delivered a return on funds employed of 5.3% in FY2013. FY2013 was a relatively slow growth year with only 4.0% volume growth in Asia, reflecting a pause in construction markets in Korea, China and Vietnam. Despite some low growth years, including during the global financial crisis, sales growth in the Asian business has averaged 7% per annum since FY2007. The projected growth trajectory for this business remains strong and particularly so in Thailand, Indonesia and Vietnam, where forecast economic growth is high and plasterboard penetration is low.

Compared to Gypsum Asia's historic capacity utilisation of 78%[1] in FY2007, capacity utilisation in Asia was down to 69%[1] in FY2013 following significant capacity investment in the last few years including 30m m^2 of new capacity that came online in Indonesia in FY2013. Boral is confident of continued growth in the region and with around 195m m^2 of available capacity once 45m m^2 capacity expansions are completed in Vietnam and China in FY2014, the business is well positioned without the need for significant investment in capacity in the short- to medium-term. Margins and profitability will improve as capacity utilisation lifts towards 80% once new capacity expansions are fully leveraged.

Key steps taken in FY2013 to strengthen the Gypsum business were:

- ✓ combining of Plasterboard Australia and Boral Gypsum Asia into a single Boral Gypsum division;
- ✓ US$25m spent of approved investments of US$47m to complete new plasterboard plants in Ho Chi Minh City (Vietnam), Cilegon (Indonesia) and Chongqing (China).

Access to future technology innovation for the Gypsum business remains a priority, and all options are being explored.

In FY2014 Boral Gypsum is expected to deliver improved returns with better volume and pricing outcomes in Australia, Korea and Vietnam. To the extent that volume improvements can lift capacity utilisation in Asia, we can expect to deliver improved returns.

1 Based on total plant capacity at year end.

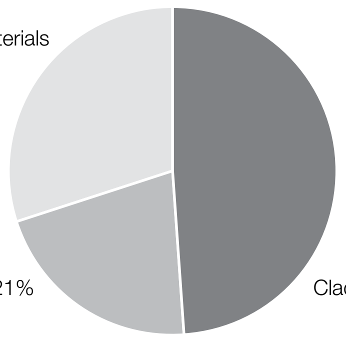
Boral USA

Boral USA, currently the smallest division by revenue terms, is expected to grow the fastest as the residential market continues to recover.

At a glance

Revenue	$555m	↑	11%
EBITDA[1]	$(23)m	↑	45%
EBIT[1]	$(64)m	↑	23%
Employees	2,233	↓	4%
Capital expenditure	$18m	↓	41%

Revenue by business



Our business

Boral has the number one position in clay bricks and manufactured stone veneer (Cladding) and in clay and concrete roof tiles (Roofing) in the USA. Boral also operates a national fly ash business and has construction materials interests in Colorado and Oklahoma.

Competition and markets

In the USA, while housing starts for FY2013 remained 42% below the 50-year annual average of 1.5m starts, demand continued its upward momentum, with total housing starts of 877,000, up 28% compared to FY2012.

In Boral's US Brick States[2], single family housing starts increased by 22% year-on-year, and in Boral's US Tile States[3], by 43% compared to the prior year. The higher proportion of starter homes has adversely impacted brick, stone and tile intensity and sales volume with subsequent impacts on pricing leverage. A return to a more typical mix of single- and multi-family housing starts will support Boral's volume growth in US markets and price appreciation.

Boral typically competes with two or three major competitors in the markets in which it operates. Boral's Cladding and Roofing products tend to be used by higher end construction and typically do not compete with lower priced alternative cladding products such as asphalt shingles and vinyl siding.

Performance

Boral USA revenues of A$555m were up 11% on the prior year, reflecting the benefit of a 22% increase in single family US housing starts in Boral's US Brick States[2] and 43% in Boral's US Tile States[3].

The reported EBIT loss of A$64m was a 23% improvement on the prior year loss of A$84m. US dollar losses of US$66m decreased by US$21m from FY2012.

The improved result was driven by higher Cladding and Roofing volumes, better production leverage, operational cost containment projects and overhead cost reductions which more than offset cost inflation and lower prices in Cladding and Roofing.

Cladding and Roofing volume gains, however, continued to be below expectations as growth in new housing construction was biased towards low cost national production home builders which typically have a lower intensity of Boral products relative to regional custom home builders. The adverse mix shift towards production builders coupled with a geographic mix shift towards lower priced markets, and a soft re-roof market resulted in average selling prices declining in Cladding and Roofing.

Revenue from Cladding (Bricks, Cultured Stone and Trim) was up 16% to US$276m, reflecting a 14% volume increase in both Bricks and Cultured Stone and a strong uplift in resale product revenues which partly offset lower prices. Sales of the innovative composite trim products, which were introduced into the market less than two years ago, increased significantly, albeit from a low

1 Excludes significant items.
2 McGraw Hill/Dodge data. Boral's US Brick States include: Alabama, Arkansas, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee and Texas.
3 McGraw Hill/Dodge data. Boral's US Tile States include: Arizona, California, Florida and Nevada.

base; the business will continue to be loss making until scale manufacturing and optimum market positioning are achieved.

Bricks and Cultured Stone plant utilisation remains low at 41% and 27% respectively in FY2013, with Bricks benefiting from earlier capacity reductions following the closure of 45% of Boral's brick plants. Commissioning of the Bessemer commercial brick plant which was completed in the last quarter of FY2013 is expected to deliver earnings benefits from the second half of FY2014.

Roofing revenues of US$122m increased by 20%, with volumes improving by 24% and pricing down on last year. Earnings increased over the prior period due to operational cost reductions as well as improved volumes.

Combined Construction Materials and Fly Ash revenues of US$171m were 3% lower on FY2012, with margins slightly down as FY2012 earnings benefited by $5m from the termination and settlement of an onerous fly ash contract. Strong volume gains in the Colorado construction business driven by higher market demand offset lower Fly Ash revenues which were impacted by some site closures; volumes in the Oklahoma construction materials business were broadly flat on last year. The Oklahoma concrete and sand operations were sold in June 2013.

With a LTIFR of 0.7, Boral USA's safety performance is benefiting from the Safety Intervention program which started in this division two years ago.

Strategic priorities and outlook

Boral USA is currently the smallest division in revenue terms but is expected to grow the fastest as the residential market recovers from the worst downturn since the Great Depression. Ongoing improvements and cost reductions have been implemented, with the focus being to grow the Cladding and Roofing businesses over time leveraging the current asset base. In FY2013 the following steps were taken to improve the US portfolio:

- ✓ commissioning of a new $14m commercial brick line at the Bessemer brick plant in the USA;
- ✓ closure of the Mexico roof tile plant;
- ✓ divestments of Oklahoma Concrete and Sand operations;
- ✓ outsourcing of brick transport operations.

In FY2014, the continuing US housing recovery should see Boral USA better positioned to break through to profitability in the second half, significantly reducing reported losses in FY2014.

Sustainability overview

Our people

At a glance	FY2013	FY2012
FTE employees	12,610	14,740
JV employees	574	586
FTE contractors	~6,600	~6,300
Average length of service		
Australia	9.1 years	8.1 years
USA	7.7 years	7.5 years
Asia	7.5 years	6.4 years
Women in Boral	15%	14%
Women in management	11%	9%
Women on the Board	25%	25%

While a significant change program is taking place within the organisation, Boral's long-standing corporate values of Excellence, Integrity, Collaboration and Endurance are unchanged. Managers and employees are expected and empowered to take actions and work together in a way that supports the delivery of Boral's immediate priorities and longer-term objectives.

Across its global operations, Boral employed 12,610 full-time equivalent (FTE) employees and approximately 6,600 contractors as at 30 June 2013. As a result of major organisational changes, including closures, divestments, restructuring and an overhead cost reduction program, there was a 14% decrease in FTE employees compared to the prior year.

Boral's more streamlined organisational structure has reduced bureaucracy and is supporting more efficient decision-making and accountability.

The average length of service of a Boral employee in Australia is approximately 9.1 years, an increase on the prior year. In the USA, the average length of service remains relatively constant at 7.7 years with Asia's average length of service moving upwards to 7.5 years.

Employee turnover increased in FY2013 to 25% in Australia and 26% in the USA. The increase in employee turnover reflects the impact of restructuring and divestments in both regions. Employee turnover for the Asian Gypsum business was 15% for the financial year, which is in line with recent years.

Diversity

Diversity remains a key area of focus for Boral, specifically gender diversity and Indigenous relations.

The Company set a diversity objective for the year to improve the representation of women in key roles, with a specific focus on recruitment, leadership development, diversity reporting and pay equity. Women now represent 11% of people working in management roles in Boral, an increase on the previous year.

Boral continues to actively support and promote its Indigenous relations strategy and program with a revised Indigenous Employment Plan to be implemented in FY2014. The Group is proud of its high level of retention of Indigenous employees, retaining 97% of the 42 employed in the Australian operations under the FY2011 strategy.

Training and development

It is an important part of Boral's people strategy to have engaged employees with the right skills and capabilities to develop their careers and perform their roles effectively. A range of methods to train and develop our people is provided, from on-the-job training through to leadership development programs.

More recently we have focused on building capability in the divisions in the areas of safety, people engagement, the Boral Production System (BPS), sales and innovation. Several regional initiatives are underway to build the skill sets necessary to deliver on the promise of these change management tools.

The annual Personal Development Process and mid-year employee review are important for managing and tracking employee development. The process is used to identify and communicate performance expectations and map out plans to help employees achieve their potential for their benefit and the benefit of Boral. This process is evolving so that employees are increasingly expected and supported to take responsibility for their own career trajectory and to essentially acquire the information and feedback necessary to put them in a position to excel and achieve their aspirations.

Workplace health and safety

Our goal is zero harm. To get there, Boral needs the engagement of the entire workforce.

In FY2013, Boral's employee and contractor lost time injury frequency rate (LTIFR)[1] of 1.8 was in line with the prior year. Despite very good safety outcomes in some businesses, there has been no real overall improvement in Boral's safety performance for the past five years. We expect this to change, and quickly.

Creating a world-class safety culture

Based on the five stages of creating a world-class safety culture[2], Boral has been moving from "realisation" that we need to improve safety performance, through a stage of using "traditional" policies, procedures, rules and regulations, to a stage of "observation" using behaviour-based management and compliance to improve performance. Our standardised safety management system, known as 1Boral SMS, is being rolled out across the Australian

1 Per million hours worked.
2 WILSON, L, and HIGBEE, Gary A, "Inside Out", Electrolab Limited, 2012, p.253.

businesses and is reinforcing these earlier stages of development. In the USA and in Asia, similar behaviour-based systems are in place or being rolled out.

We are now progressing Boral's cultural change process through "empowerment" and heading to an **"employee-driven, self-sustaining" safety management culture**, which will deliver real change.

To support this change program, management and employees are expected to address safety first in all internal communications, and there is a cultural change taking place whereby the management of day-to-day safety is being turned over to Boral's front line teams. All employees are being empowered to put safety first and act accordingly. More importantly, we are insisting that the organisational leadership "walk this talk".

To further empower employees, senior level "safety interventions" have been introduced, and new behaviour-based safety systems are being piloted and integrated with the Boral Production System to support more effective problem solving, monitoring and reporting. Training programs regarding the awareness of risk are also being used to change the way employees identify and respond to health and safety risks in the workplace. The latest thinking on the "reticular activating system", which is a function of the brain that learns to ignore repetitive stimuli including risks, is being incorporated into this training.

Senior management safety interventions commenced in Boral's US business two years ago and are culminating over the next two years throughout Asia and Australia. Safety interventions involve a senior executive spending several days in an operation meeting one-on-one with every employee to understand their issues and suggestions in relation to improving health and safety outcomes. During these discussions, the critically important message that safety must be given priority over production at all times is reinforced and discussed. Subject matter experts in the areas of health and safety and the Boral Production System work with site managers to coach them in using appropriate tools and implementing improvement actions.

Performance

Boral deeply regrets that a contractor was fatally injured in a work related vehicle accident in country New South Wales in June 2013. The driver, who was employed by a contractor to Boral's Construction Materials & Cement division, was tragically killed when the truck left the road after striking another truck travelling in the opposite direction. While the accident remains under investigation, the circumstances surrounding this accident have been communicated throughout Boral to reinforce the potential risks many of our employees and contractors face in their daily activities.

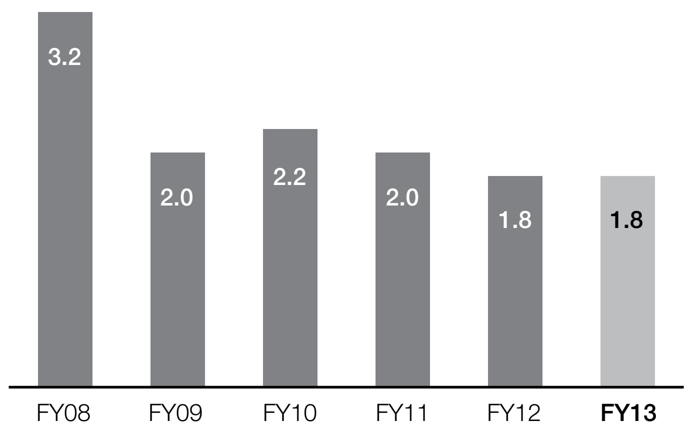
During FY2013, 81 lost time injuries were sustained in Boral businesses, resulting in a combined LTIFR for employees and contractors of 1.8, representing an 11% improvement over the average of the prior three years. Percentage hours lost across the businesses was 0.06 in FY2013, which was a slight deterioration on the average of the prior three years.

Three of Boral's businesses delivered a LTIFR in line with global best practice in FY2013 – Boral Cement reported a LTIFR of 0.5, Boral USA 0.7 and Boral Gypsum's LTIFR was 0.9.

Boral uses both lag and lead indicators to understand health and safety performance. We are attempting to rely less on lagging indicators (eg accidents) and activities (eg managing injuries) and more on leading indicators such as near miss reporting.

In the USA, Boral's employees reported over 17,000 near misses in FY2013, reflecting a heightened awareness and focus on managing risks.

Employee and contractor LTIFR[1]

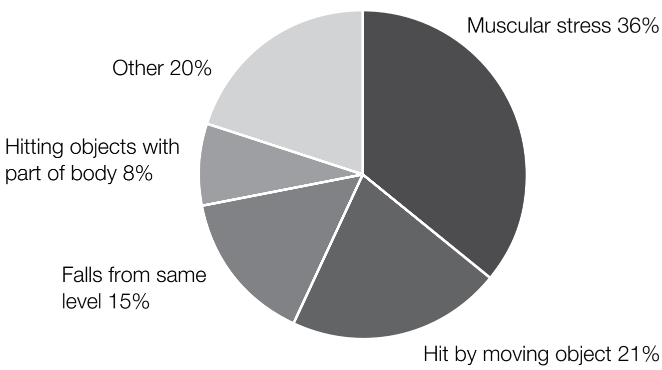


Injury type

Injury analysis assists in the development of corrective action plans, training and process redesign. Four types of incidents made up around 80% of injuries in Boral's Australian workplaces in FY2013: muscular stress (36%), hit by moving object (21%), falls from same level (15%) and hitting objects with part of the body (8%). Of the incidents that occurred during the year, the five areas most affected were the back/neck (21%), shoulder (19%), knee/leg (18%) and head/face/eyes (15%).

Efforts continue to focus on the root causes of these incidents, and this has led to a significant decrease in the number of hand and finger injuries reported during the year, and an increased focus on ergonomics and the causes of muscular stress.

Mechanism of injury



Employee health and wellbeing

Every employee is required to be fit for work and have the required level of health and fitness to work safely. Pre-employment medical examinations are required for all roles within Boral, and regular employment medical examinations are carried out for high risk roles. Throughout the organisation, work groups and teams can be seen using pre-shift stretching exercises designed for the stresses and work practices encountered in their daily work. The equivalent to a "stretch work-out" before exercising is increasingly becoming a shift start-up requirement at Boral.

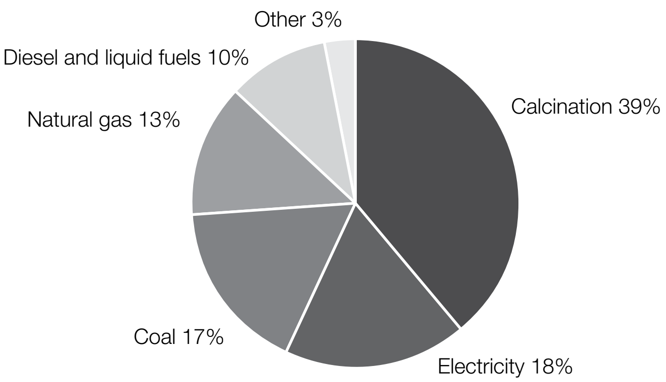
1 Per million hours worked.

Boral continues to be committed to supporting the health and wellbeing of its employees through its BWell and Employee Assistance programs, including health assessments, educational information and counselling services for employees and their families.

Environment

At a glance	FY2013	FY2012	FY2011[1]
GHG emissions (million T CO_{2e})			
Australia	**2.7**	2.9	3.0
USA	**0.2**	0.2	0.2
Asia	**0.5**	0.4	0.4[1]
Total	**3.4**	3.5	3.6
Mains water (million litres)	**3,916**	3,500	2,130
PINs			
Number	**8**	7	5
Fines	**$31,960**	$10,750	$12,473

Boral's Australian GHG emissions



Following our program of restructuring and right-sizing, we are now optimising integration of environment with health and safety as well as other relevant functions, and the use of Boral Production System tools in achieving a sustainable zero harm culture.

While Boral's operations currently consume a significant amount of energy and some businesses are particularly emissions intensive, Boral is transforming itself. We are aiming to have a high performance, participative culture using the Boral Production System to eliminate waste, and to integrate research and development globally into process, product and platform technologies to migrate away from energy intensive, natural materials.

Greenhouse gas emissions and energy use

In FY2013, greenhouse gas (GHG) emissions from Boral's fully owned businesses in Australia, the USA and Asia totalled 3.4 million tonnes of CO_{2e}, which was 3% lower than the prior year. Australian operations were down 5%, the US operations up 2%, and the Asian operations up 11% on the prior year.

Boral's overall energy use in FY2013 was 21.4 petajoules from fully owned businesses, down 8% on the prior year. Australian operations were down 10%, the US operations up 6%, and the Asian operations up 13% on the prior year.

The changes in Boral's GHG emissions and energy consumption generally reflect the significantly lower production of building products and clinker in Australia due to lower demand and a decision to suspend clinker manufacturing in Victoria and replace these volumes with imported clinker. This change came into effect in April 2013. These reductions were only partially offset by increased construction materials production in Australia and increased production in Asia.

Boral's Energy Efficiency Program, which is underpinned by Boral Production System techniques, has been coupled with a kiln energy efficiency program to form the basis of our statutory obligations under the federal Energy Efficiency Opportunities program.

Implications of carbon pricing schemes

Boral submitted its "Interim Emissions Number" report for its Australian operations in May 2013 and subsequently surrendered 1.4 million carbon credit units in the Australian scheme. These units had been issued to Boral as Jobs and Competitiveness Program assistance in late 2012, as Boral is an emissions intensive trade exposed clinker and lime manufacturer.

Boral's Western Landfill (Victoria) operation generated its first tranche of 135,000 carbon credit units, for combusting landfill gas, under the federal Carbon Farming Initiative, which were then sold for $3m. Boral received a $3.2m grant towards the upgrade of our Darra brick kiln in Queensland under the Clean Technology Investment Program which is funded from carbon pricing revenue.

In China, at least two of Boral's plasterboard operations are subject to pilot regional carbon emissions trading schemes and mandated government energy efficiency schemes. The requirements and likely cost impacts of these schemes are yet to be confirmed.

Infringements

During FY2013 Boral incurred eight Penalty Infringement Notices (PINs), with seven related to environmental contraventions in Australia and one in Thailand, resulting in $31,960 in fines. One fine in Western Australia was for $15,000, for unauthorised vegetation clearing (sometime in 2008, but only discovered mid-2012) within a quarry production area, while another for $9,400 was in Shongkla, Thailand for exceedence of trade (water) waste discharge criteria in October 2012. The other penalties were low level, for minor air emissions or water discharge contraventions. There were no infringements in the USA.

1 FY2011 GHG emissions data include 100% of BGA, Wagners and Sunshine Coast Quarries. FY2011 water data exclude 50% of BGA previously owned by Lafarge, Wagners and Sunshine Coast Quarries.

Water management
Boral's operations consume water for manufacturing and maintenance processes. Mains and town water are Boral's most significant water source, with a total of 3.9 gigalitres of mains water used in Boral's wholly owned and controlled businesses in Australia, the USA and Asia in FY2013. Mains water use increased by 0.4 gigalitres on the prior year largely due to the increased manufacturing of plasterboard in Asia. The significant increase in mains water use on FY2011 levels reflects Boral's 100% ownership of the gypsum business in Asia since December 2011.

Boral Timber and biodiversity
Boral's Environmental Policy includes a commitment to protect biodiversity. The majority of timber for Boral's timber business is supplied by the Forestry Corporation of NSW, which is certified to meet the Australian Forestry Standard (AFS), an independently audited forest management standard. All products made by Boral Timber are also certified to the AFS Australian Chain of Custody standard, which traces Boral's production back to its source of supply. This provides Boral's customers with certainty that its products come from legal and sustainable sources.

Community partnerships

Boral undertakes a thorough selection process to identify the most appropriate and meaningful community partnerships. The organisations chosen must be well run and reputable, and share similar values to Boral.

In FY2013, Boral contributed a total of $439,855 to its corporate community partnerships. In addition, Boral employees throughout Australia conducted further fundraising activities for Redkite and for the Juvenile Diabetes Research Foundation (JDRF). Over $72,000 was raised by 22 Boral employees who participated in the JDRF Ride To Cure Diabetes held in South Australia in January 2013.

In addition to the Group's corporate partnerships, Boral's businesses support local community activities, including charities, emergency services, sporting and environmental groups.

As a matter of policy, the Group does not participate in or donate to any political or politically associated organisations.

Bangarra Dance Theatre
Boral has partnered for over a decade with Bangarra, Australia's leading Indigenous contemporary dance company and is proud to be the Sydney season sponsor. Boral employees, customers and suppliers attended performances in regional centres and capital cities throughout Australia during FY2013. For the second year running, Boral has contributed towards the salary of a new trainee dancer for Bangarra as part of its sponsorship funding.

Conservation Volunteers Australia (CVA)
This is Boral's longest-standing community partnership, and the current three year term is focused on developing biodiversity classrooms in schools across Australia. Each year up to 45 practical conservation projects are conducted on or near the school grounds of selected schools. This year, projects were concentrated in New South Wales, South Australia and Queensland, including creating vegetable or bush food gardens, maintaining rainforest habitat and creating frog-friendly environments.

HomeAid
Boral continued its partnership, initially established in 2006, with HomeAid in the USA with contributions of cash and product to provide shelter for the homeless. Through this program Boral works with customers, showcases our products and engages employees.

Glenn & Ken Moss Post Graduate Scholarships in Engineering Research
Boral has contributed to the Glenn & Ken Moss Post Graduate Scholarships in Engineering Research at the University of Newcastle in memory of Dr Ken Moss AM, Boral's past Chairman.

At the time of his death in October 2012, Dr Moss was Chancellor of the University and had himself established the scholarship program. It reflects his strong ties to the region and the field of engineering and it is a fitting tribute for Boral to assist an additional PhD student at the University for the next two years.

Outward Bound
This is the second year that Boral has made a financial contribution to the Australian Outward Bound Development Fund to assist youth in need. This year's program was held in May 2013 in south east New South Wales and involved 41 high school students from Bega and the surrounding districts who could not otherwise have taken part in such a program.

Redkite
Boral is a Supporting Partner of Redkite's Financial Assistance Program which enables the charity to assist families dealing with cancer to meet day-to-day needs such as buying groceries, paying utility bills and putting petrol in the car to get a child to treatment. Boral's support has assisted more than 110 families across Australia this year.

Taronga Conservation Society
This very successful partnership has been in place since 2003, and Boral has recently renewed its sponsorship until October 2015. Boral has been involved in many aspects of Taronga Zoo's operations, including the supply of product and technical advice, and is currently the naming rights sponsor of the Youth at the Zoo (YATZ) program. Employees can access Zoo passes to visit Taronga and Western Plains Zoos, attend Boral's Family Day event and participate in the annual Boral YATZ Eco Fair. The Zoo's Twilight at Taronga Concert program also provides Boral's sales and marketing team with a unique customer hospitality opportunity.

Touched by Olivia Foundation
Boral donated concrete to its second all-abilities playground through its national partnership with the Touched by Olivia Foundation. Alice's Place is located in St Albans in Victoria, and was officially opened in July 2013.

These playgrounds cater for children of varying abilities and ages to play side-by-side on the same equipment, ensuring the integration of children with special needs and their families in the community.

Executive Committee

Mike Kane
Chief Executive Officer & Managing Director

Joe Goss
Divisional Managing Director, Boral Construction Materials & Cement

Joined in 2013 from Lafarge North America and was previously with Schlumberger NV. Joe has experience in roles across Europe, the USA and Australasia and holds a PhD and a Masters of Science in Materials Science & Engineering.

Darren Schulz
Executive General Manager, Boral Building Products

Joined in 2002 and held strategy and executive roles in Bricks, Distribution and Roofing in the USA, Trinidad and Mexico. Previously he was at PricewaterhouseCoopers, Optus Communications Limited and Minter Ellison, Lawyers. Darren has a Bachelor of Business (Accounting) and an MBA.

Al Borm
President & CEO, Boral USA

Joined in 2010 and was previously President, Boral Roofing USA. Al has held roles with USG Pioneer, Hanson Building Products and Oldcastle APG and worked across North America, Europe and Asia. He has a Bachelor of Science in Management and an MBA.

Frederic de Rougemont
Divisional Managing Director, Boral Gypsum

Joined in 2011 and was previously CEO of LBGA and prior to that held senior roles with Lafarge in South Africa and South Korea as well as research roles in France and the USA. Frederic has a PhD in Physical Sciences.

Rosaline Ng[1]
Chief Financial Officer

Joined in 1995 and held senior finance roles in Boral's Building Products division. Ros left in 2001 to work at Phoneware/Sirius Telecommunications before returning to Boral in 2002. Most recently she has overseen the finance function in the USA. Ros has a Bachelor of Commerce and is a member of the Institute of Chartered Accountants.

Damien Sullivan
Group General Counsel

Joined Boral in 2009 and was previously General Counsel, Australia. Damien has worked as a lawyer in private practice and in-house legal roles in Sydney, New York and Los Angeles. He has Law and Applied Science degrees.

Robert Gates
Chief Administrative Officer

Joined in 2010 and has previously held the roles of Chief Information Officer and Vice President Lean Manufacturing in the USA. Prior to Boral Robert was in operations with McKinsey & Company. He has a Masters of Science (Business Administration) and a Bachelor of Science (Civil Engineering).

Dominic Millgate
Company Secretary

Joined in 2010 and was previously Boral's Assistant Company Secretary. Prior to Boral he held legal counsel and company secretary roles in Australia and Singapore and legal roles in London and Sydney. Dominic has finance and law degrees.

Matt Coren
Group Strategy and M&A Director

Joined in 2010 following a career in global investment banking. Matt focused on strategy in industrial sectors and M&A and capital markets transactions. He has degrees in commerce and law.

Kylie FitzGerald
Group Communications & Investor Relations Director

With Boral from 1995 to 2010 then re-joined in 2012. Kylie has a background in production management and corporate affairs and investor relations. She has a Ceramic Engineering degree and an MBA.

1 Appointed Chief Financial Officer effective 15 September 2013 replacing Andrew Poulter who was Boral's Chief Financial Officer throughout FY2013.

Board of Directors

Bob Every AO
Non-executive Chairman
Age 68

Dr Bob Every AO joined the Boral Board in September 2007 and became Chairman of Directors on 1 June 2010. He is the Chairman of Wesfarmers Limited. He is also a Director of O'Connell Street Associates Pty Limited, Western Australian Institute for Medical Research (WAIMR) and UNSW Foundation Limited, and a Patron of Redkite. He was Managing Director of Tubemakers of Australia and held senior executive positions with BHP Limited before becoming Managing Director and CEO of OneSteel Limited. He is a fellow of the Australian Academy of Technological Sciences and Engineering. He has a science degree (honours) and a doctorate of philosophy (metallurgy) from the University of New South Wales. In 2012, he was appointed an Officer of the Order of Australia for his distinguished service to business, particularly through leadership roles in the Australian steel industry, as an advocate for corporate social responsibility, and to the community as a contributor to educational, charitable and cultural organisations.

Dr Every is a member of the Remuneration & Nomination Committee and of the Health, Safety & Environment Committee.

Catherine Brenner
Non-executive Director
Age 42

Catherine Brenner was appointed to the Boral Board on 15 September 2010. Ms Brenner is a Director of AMP Limited and Coca-Cola Amatil Limited. Previously held directorships include Centennial Coal Company Limited and the Australian Brandenburg Orchestra.

Ms Brenner is a Trustee of the Sydney Opera House Trust and was previously a member of the Takeovers Panel. She has extensive experience in corporate finance and capital markets, previously holding the position of Managing Director, Investment Banking of ABN AMRO Australia. She holds an MBA from the Australian Graduate School of Management, and a Bachelor of Laws and Bachelor of Economics from Macquarie University.

Ms Brenner is a member of the Audit Committee and of the Remuneration & Nomination Committee.

Brian Clark
Non-executive Director
Age 64

Dr Brian Clark joined the Boral Board in May 2007. He has experience as a Director in Australia and overseas. He is a Director of AMP Limited. In South Africa, he was President of the Council for Scientific and Industrial Research (CSIR) and CEO of Telkom SA. He also spent 10 years with the UK's Vodafone Group as CEO Vodafone Australia, CEO Vodafone Asia Pacific and Group Human Resources Director. He has a doctorate in physics from the University of Pretoria, South Africa and completed the Advanced Management Program at the Harvard Business School.

Dr Clark is Chairman of the Remuneration & Nomination Committee.

Eileen Doyle
Non-executive Director
Age 58

Dr Eileen Doyle joined the Boral Board in March 2010. She is a Director of GPT Group Limited and Bradken Limited. She is also a Director of a number of private companies and Government boards including being Deputy Chairman of CSIRO. Dr Doyle was previously a Director of OneSteel Limited and Ross Human Directions Limited and Chairman of Port Waratah Coal Services Limited. Her executive career was in the materials and water industries in Australia, with CSR Limited, BHP Limited and Hunter Water Corporation. She has a PhD in Applied Statistics from the University of Newcastle, is a Fulbright Scholar and has an Executive MBA from Columbia University Business School. She is a Fellow of the Australian Institute of Company Directors.

Dr Doyle is Chairman of the Health, Safety & Environment Committee and a member of the Audit Committee.

Mike Kane
CEO & Managing Director
Age 62

Mike Kane joined the Boral Board in October 2012 when he was appointed CEO & Managing Director, after being President of Boral USA since February 2010. He has extensive experience in the building and construction industry including 24 years in senior executive roles with US Gypsum, Pioneer/Hanson Building Materials, Johns-Manville Corp and Holcim. Mr Kane's experience spans a broad range of geographies across America, Europe and the Asia Pacific, and his portfolio of responsibilities has included cement, aggregate, concrete, plasterboard, bricks and roof tile businesses. Prior to joining Boral, he was CEO and Board Member of Calstar Products Inc, a Silicon Valley Clean Technology start-up reinventing exterior building materials for sustainable construction. Mr Kane has a Bachelor of Arts in Sociology from Southern Illinois University, a Juris Doctorate from DePaul University's School of Law in Illinois, and a Masters in Science from Creighton University, School of Law in Nebraska.

Richard Longes
Non-executive Director
Age 68

Richard Longes joined the Boral Board in 2004. He is the Chairman of Austbrokers Holdings Limited and a Director of Investec Bank (Australia) Limited and Voyages Indigenous Tourism Australia Pty Ltd. He was previously a Director of Metcash Limited, a founding principal of Wentworth Associates, the corporate advisory and private equity group, and a partner of the law firm, Freehills. He has arts and law degrees from the University of Sydney and an MBA from the University of New South Wales.

Mr Longes is a member of the Audit Committee.

John Marlay
Non-executive Director
Age 64

John Marlay joined the Boral Board in December 2009. He is a Director of Incitec Pivot Limited, Chairman of Cardno Limited, a Director of the Climate Change Authority (a Government Statutory Authority) and Independent Chairman of Flinders Ports Holdings Pty Limited. He was previously a Director of Alesco Corporation Limited. Mr Marlay was the Chief Executive Officer and Managing Director of Alumina Limited from December 2002 until his retirement from that position in 2008. He has also held senior executive positions and directorships with Esso Australia Limited, James Hardie Industries Limited, Pioneer International Group Holdings and Hanson plc. He has a Bachelor of Science degree from the University of Queensland and a Graduate Diploma from the Australian Institute of Company Directors. He is a Fellow of the Australian Institute of Company Directors.

Mr Marlay is a member of the Remuneration & Nomination Committee and of the Health, Safety & Environment Committee.

Paul Rayner
Non-executive Director
Age 59

Paul Rayner joined the Boral Board in 2008. He is a Director of Qantas Airways Limited, Chairman of Treasury Wine Estates Limited and a Director of Centrica plc, a UK listed company. He is also a member of the Rotary Aboriginal and Torres Strait Islander Tertiary Scholarship Advisory Board. He has held senior executive positions in finance and operations in Australia including Executive Director-Finance and Administration of Rothmans Holdings Limited and Chief Operating Officer of British American Tobacco Australasia Limited. He was Finance Director of British American Tobacco plc from January 2002 until 2008, based in London. He has an economics degree from the University of Tasmania and a Masters of Administration from Monash University.

Mr Rayner is Chairman of the Audit Committee.

Corporate Governance Statement

Introduction
This section of the Annual Report outlines Boral's governance framework.

Boral is committed to ensuring that its policies and practices reflect a high standard of corporate governance. The Directors consider that Boral's governance framework and adherence to that framework are fundamental in demonstrating that the Directors are accountable to shareholders and are appropriately overseeing the management of risk and the future direction of the Group to enhance shareholder value.

Throughout FY2013, Boral's governance arrangements were consistent with the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council.

In accordance with the ASX Principles and Recommendations, the Boral policies referred to in this statement have been posted to the corporate governance section of Boral's website: www.boral.com.au/article/corporate_governance.asp.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Responsibilities of the Board and management

The Board
Directors are accountable to the shareholders for the Company's performance and governance. Management is responsible for implementing the Company's strategy and objectives, and for carrying out the day-to-day management and control of the Company's affairs.

The Board has adopted a Board Charter which sets out those functions reserved for the Board and those delegated to management.

The Company's Board Charter and Constitution are available on Boral's website.

The Board's responsibilities, as set out in the Board Charter, include:

- oversight of the Company including its control and accountability systems;
- appointing, rewarding and determining the duration of the appointment of the CEO and ratifying the appointments of senior executives including the Chief Financial Officer and the Company Secretary;
- reviewing and approving overall financial goals for the Company;
- monitoring implementation of strategy, business performance and results and ensuring that appropriate resources are available;
- approving the Company's financial statements and annual budget, and monitoring financial performance against the approved budget;
- reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance (including in respect of matters of sustainability, safety, health and environment);
- considering and making decisions about key management recommendations (such as major capital expenditure, acquisitions, divestments, restructuring and funding);
- determining dividend policy and the amount, nature and timing of dividends to be paid;
- monitoring Board composition, processes and performance; and
- monitoring the effectiveness of systems in place for keeping the market informed, including shareholder and community relations.

Non-executive Directors spend approximately 35 days each year on Board business and activities including Board and Committee meetings, meetings with senior management to discuss in detail the strategic direction of the Company's businesses, visits to operations and meeting employees, customers, business associates and other stakeholders. During the year, the Directors visited the Peppertree Quarry in the Southern Highlands of NSW and the Health, Safety & Environment Committee members visited Boral's plasterboard operations at Camellia in Western Sydney. The Directors also undertook a tour of certain of the Group's roofing, flooring and stucco operations in the USA.

Delegation to management
The Board has delegated to the CEO & Managing Director and, through the CEO & Managing Director, to other senior executives, responsibility for the day-to-day management of the Company's affairs and implementation of the Company's strategy and policy initiatives. The CEO & Managing Director and senior executives operate in accordance with Board approved policies and delegated limits of authority, as set out in Boral's management guidelines.

Senior executives reporting to the CEO & Managing Director have their roles and responsibilities defined in position descriptions, as set out in relevant letters of appointment.

Evaluating the performance of senior executives
The performance of senior executives is reviewed annually against appropriate measures as part of Boral's performance management system, which is in place for all managers and staff. The system includes processes for the setting of objectives and the annual assessment of performance against objectives and workplace style and effectiveness.

On an annual basis, the Remuneration & Nomination Committee and subsequently the Board formally review the performance of the CEO & Managing Director. The criteria assessed are both qualitative and quantitative and include profit performance, other financial measures, safety performance and strategic actions.

The CEO & Managing Director annually reviews the performance of each of Boral's senior executives, being members of the

Executive Committee, using criteria consistent with those used for reviewing the CEO & Managing Director. The CEO & Managing Director reports to the Board through the Remuneration & Nomination Committee on the outcome of those reviews.

An evaluation of the performance of the CEO & Managing Director and senior executives of Boral took place in FY2013 in accordance with the process described above.

Further details on the assessment criteria for CEO & Managing Director and senior executive remuneration (including equity-based plans) are set out in the Remuneration Report which forms part of the Annual Report.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Structure of the Board
Together, the Board members have a broad range of financial and other skills, extensive experience and knowledge necessary to oversee Boral's business. The Board of Directors comprises seven non-executive Directors (including the Chairman) and, from 1 October 2012, also includes one executive Director, being the CEO & Managing Director. The roles of Chairman and CEO & Managing Director are not exercised by the same individual. The skills, experience and expertise of each Director are set out on page 23 of the Annual Report.

The Constitution provides that there will be a minimum of three Directors and a maximum of 12 Directors on the Board.

During FY2013, Mike Kane joined the Board (in October 2012).

The period of office held by each current Director is:

	Appointed	Last Elected at an Annual General Meeting
Richard Longes	2004	4 November 2010
Bob Every	2007	4 November 2010
Eileen Doyle	2010	4 November 2010
Brian Clark	2007	3 November 2011
Paul Rayner	2008	3 November 2011
John Marlay	2009	1 November 2012
Catherine Brenner	2010	1 November 2012
Mike Kane	2012	Not applicable

Details of the number of meetings attended by each Director are set out on page 35 in the Directors' Report.

Chairman's appointment and responsibilities
The Board selects the Chairman from the non-executive independent Directors. The Chairman leads the Board and is responsible for the efficient organisation and conduct of the Board's functioning. He ensures that Directors have the opportunity to contribute to Board deliberations. The Chairman regularly communicates with the CEO & Managing Director to review key issues and performance trends. He also represents the Company in the wider community.

Committees
To assist the Board to carry out its responsibilities, the Board has established an Audit Committee, a Remuneration & Nomination Committee and a Health, Safety & Environment Committee. The qualifications of each Committee member are set out on page 23 of the Annual Report, and the number of meetings they attended during the reporting period is set out on page 35 in the Directors' Report.

These Committees review matters on behalf of the Board and, as determined by the relevant Charter:

- refer matters to the Board for decision, with a recommendation from the Committees; or
- determine matters (where the Committee acts with delegated authority), which the Committees then report to the Board.

Board Committees are discussed further below under Principle 4 (Audit Committee), Principle 7 (Health, Safety & Environment Committee) and Principle 8 (Remuneration & Nomination Committee).

Director independence
The Board has assessed the independence of each of the non-executive Directors (including the Chairman) in light of their interests and relationships and considers each of them to be independent. The criteria considered in assessing the independence of non-executive Directors include that:

- the Director is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder;
- the Director is not employed, or has not previously been employed in an executive capacity by a Boral company or, if the Director has been previously employed in an executive capacity, there has been a period of at least three years between ceasing such employment and serving on the Board;
- the Director has not within the last three years been a principal of a professional adviser or consultant to a Boral company, or an employee associated with the service provided;
- the Director is not a significant material supplier or customer of a Boral company or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
- the Director has no material contractual relationship with a Boral company other than as a Director.

It is considered that none of the interests of Directors with other firms or companies having a business relationship with Boral could materially interfere with the ability of those Directors to act in Boral's best interests. Material in the context of Director independence is, generally speaking, regarded as being 5% of the revenue of the supplier, customer or other entity being attributable to the association with a Boral company or companies.

Accordingly, all of the non-executive Directors (including the Chairman) are considered independent.

Nomination and appointment of Directors

Board succession planning, and the progressive and orderly renewal of Board membership, are an important part of the governance process.

The Board's policy for the selection, appointment and reappointment of Directors is to ensure that the Board possesses an appropriate range of skills, experience and expertise to enable the Board to carry out its responsibilities most effectively. The Board is also looking to maintain gender diversity in its membership. Currently two of the seven non-executive Directors on the Boral Board are women.

As part of the appointment process, Directors consider Board renewal and succession plans and whether the Board is of a size and composition that is conducive to making appropriate decisions.

The appointment of Directors follows a process during which the full Board assesses the necessary and desirable competencies of potential candidates and considers a number of names before deciding on the most suitable candidate for appointment. The selection process includes obtaining assistance from an external consultant, where appropriate, to identify and assess suitable candidates. Candidates identified as being suitable are interviewed by a number of Directors. Confirmation is sought from prospective Directors that they would have sufficient time to fulfil their duties as a Director.

At the time of appointment of a new non-executive Director, the key terms and conditions relative to that person's appointment, the Board's responsibilities and the Company's expectations of a Director are set out in a letter of appointment. All current Directors have been provided with a letter confirming their terms of appointment.

The Remuneration & Nomination Committee has responsibility for making recommendations to the Board on matters such as succession plans for the Board, suitable candidates for appointment to the Board, Board induction and Board evaluation procedures.

Induction

Management, with the Board, provides an orientation program for new Directors. The program includes discussions with executives and management, the provision to the new Director of materials such as the Strategic Plan and the Share Trading Policy, site visits to some of Boral's key operations and discussions with other Directors.

Tenure of Directorships

Under the Company's Constitution, and as required by the ASX Listing Rules, a Director must not hold office (without re-election) past the longer of the third Annual General Meeting and three years following that Director's last election or appointment. Retiring Directors are eligible for re-election. When a vacancy is filled by the Board during a year, the new Director must stand for election at the next Annual General Meeting. The requirements relating to retirement from office do not apply to the Managing Director of the Company.

The Board does not regard nominations for re-election as being automatic but rather as being based on the individual performance of Directors and the needs of the Company. Before the business to be conducted at the Annual General Meeting is finalised, the Board discusses the performance of Directors standing for re-election in the absence of those Directors. Each Director's suitability for re-election is considered on a case-by-case basis, having regard to individual performance. Tenure is just one of the many factors that the Board takes into account when assessing the independence and ongoing contribution of a Director.

Evaluation of Board performance

The Board periodically undertakes an evaluation of the performance of the Board and its Committees. The evaluation encompasses a review of the structure and operation of the Board, the skills and characteristics required by the Board to maximise its effectiveness and whether the blending of skills, experience and expertise and the Board's practices and procedures are appropriate for the present and future needs of the Company. Steps involved in the evaluation include the completion of a questionnaire by each Director, review of responses to the questionnaire at a Board Meeting and a private discussion between the Chairman and each other Director.

An evaluation of the performance of the Board and of individual Directors took place in FY2013 in accordance with the process described above.

Conflicts of interest

In accordance with Boral's Constitution and the *Corporations Act 2001* (Cth) (*Corporations Act*), Directors are required to declare the nature of any interest they have in business to be dealt with by the Board. Except as permitted by the *Corporations Act*, Directors with a material personal interest in a matter being considered by the Board may not be present when the matter is being considered and may not vote on the matter.

Access to information, independent advice and indemnification

After consultation with the Chairman, Directors may seek independent professional advice, in furtherance of their duties, at the Company's expense. Directors also have access to members of senior management at any time to request relevant information.

The Company Secretary provides advice and support to the Board and is responsible for Boral's day-to-day governance framework.

Under the Company's Constitution and agreements with Directors and to the extent permitted by law, the Company indemnifies Directors and executive officers against liabilities to third parties incurred in their capacity as officers of the Company and against certain legal costs incurred in defending an action for such a liability.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Conduct and ethics

The Board's policy is that Boral companies and employees must observe both the letter and the spirit of the law, and adhere to high standards of business conduct and comply with best practice. Boral's management guidelines contain a Code of Corporate Conduct and other guidelines and policies which set out legal and ethical standards for employees. As part of performance management, employees are assessed against the Boral values of excellence, integrity, collaboration and endurance.

The Code and related guidelines and policies guide the Directors, the CEO & Managing Director, the Chief Financial Officer, the Company Secretary and other key executives as to the practices necessary to maintain confidence in the Company's integrity and as to the responsibility and accountability of individuals for reporting, and investigating reports of, unethical practices. The Code also guides compliance with legal and other obligations to stakeholders.

Boral's Code of Corporate Conduct is available on Boral's website.

Dealings in Boral shares

Under Boral's Share Trading Policy, trading in Boral shares by Directors, senior executives and other designated employees is restricted to the following trading windows:

- the 30 day period beginning on the day after the release of Boral's interim results;
- the 30 day period beginning on the day after the release of Boral's full year results;
- the 30 day period beginning on the day after the Annual General Meeting; and
- any other period designated by the Board (for example, during a period of enhanced disclosure).

Trading in Boral shares at any time is of course subject to the overriding prohibition on trading while in possession of inside information.

The Policy precludes executives from entering into any hedge or derivative transactions relating to options or share rights granted to them as long-term incentives, regardless of whether or not the options or share rights have vested.

Under the Share Trading Policy, Directors and senior executives are required to notify the Company Secretary (or, in the case of trading by Directors, the Chairman) before and after trading.

Breaches of the Policy are treated seriously and may lead to disciplinary action being taken against the executive, including dismissal.

Boral's Share Trading Policy is available on Boral's website.

Share dealings by Directors are promptly notified to the ASX. Directors must hold a minimum of 1,000 Boral shares.

Diversity at Boral

Boral is committed to fostering an inclusive workplace which embraces diversity and recognises that a diverse workplace can:

- produce better business outcomes by leveraging the unique experiences of people with diverse backgrounds; and
- improve employee engagement and retention by fostering a culture that promotes personal achievement and is based on fair and equitable treatment of all employees, irrespective of their individual backgrounds.

The Board, in conjunction with management, is responsible for establishing policy and objectives aimed at improving diversity within Boral's workforce (in particular, gender diversity).

Boral's Diversity Policy is available on Boral's website.

Diversity at Boral is underpinned by the following principles:

- recruiting and promoting on merit;
- remunerating on a non-discriminatory basis;
- ensuring that development activities are available to all on a non-discriminatory basis; and
- striving to increase the proportion of women in the organisation, particularly in executive and senior management roles.

As part of Boral's commitment to gender diversity, the Board has set the following measurable objectives:

- Establish monitoring and reporting mechanisms to track, by gender, pay levels, selection, retention and promotion trends across the business.
- Review the means by which Boral recruits graduates, and set appropriate targets for female graduate intake for each of the next five years, with progress to be reviewed and tracked on an annual basis and the necessary actions to achieve those targets to be identified and implemented.
- Achieve increased female participation in the Boral Leadership Development Program and the Boral Emerging Leaders Program.
- Incorporate diversity related KPIs as part of each senior manager's Personal Development Process, and track progress against those objectives as part of their annual performance appraisal.
- Establish partnership/sponsorship/membership with an external body promoting a women's leadership initiative or female participation in the construction and building materials sector.

Progress toward achieving these objectives is summarised in the following table:

Measurable objective	Progress
Reporting mechanisms	A six monthly reporting process has been developed and is in place to monitor, track and report on key diversity measures. Reports are prepared for each division and used by divisional management as input for the Group's performance management process.
Graduate recruitment	The graduate program has undergone revision, and a two year structured program is under development for the FY2014 intake, which will set intake targets for female graduates by discipline and otherwise focus on attracting female graduates.
Leadership programs	Female participation in leadership programs is increasing in the three key leadership programs. Female participation in FY2013 was as follows: • Frontline Leadership Development Program – 31%; • Emerging Leaders Program – 19%; • Leadership Development Program – 22%. Diversity was included in the curriculum of all leadership programs.
Diversity related KPIs	One of the key attributes of the Group's performance management process relates to leadership in the area of the promotion of gender diversity. Personal objectives for managers in relation to gender diversity have been developed as part of the FY2014 performance management process.
Partnership with external body	Boral is a member of the Diversity Council and will be taking a more active role in utilising the Council's resources and expertise.

Management is responsible for implementing initiatives throughout the businesses to achieve the Group's diversity objectives, and more generally to reinforce Boral's commitment to fostering an inclusive and supportive workplace in accordance with the principles outlined in the Diversity Policy.

In terms of the Group's profile, currently two of the seven non-executive Directors on the Boral Board are women. Approximately 11% of employees in senior management positions are women, including the Group Communications & Investor Relations Director, the Group Finance Manager, the Group HR Manager, the Group Remuneration and Benefits Manager and the CFO of Boral's US operations who has been recently appointed CFO of Boral Limited, effective 15 September 2013. Overall 15% of the Boral workforce are women.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit Committee

Boral has an Audit Committee which assists the effective operation of the Board. The Audit Committee comprises only independent non-executive Directors. Its members are:

Paul Rayner (Chairman)
Richard Longes
Eileen Doyle
Catherine Brenner

The Committee met four times during FY2013.

The Audit Committee has a formal Charter which sets out its role and responsibilities, composition, structure and membership requirements. Its responsibilities include review and oversight of:

- the financial information provided to shareholders and the public;
- the integrity and quality of Boral's financial statements and disclosures;
- the systems and processes that the Board and management have established to identify and manage areas of significant risk; and
- Boral's auditing, accounting and financial reporting processes.

The Committee has the necessary power and resources to meet its responsibilities under its Charter, including rights of access to management and auditors (internal and external) and to seek explanations and additional information.

The Audit Committee Charter is available on Boral's website.

Accounting and financial control policies and procedures have been established and are monitored by the Committee to ensure that the financial reports and other records are accurate and reliable. Any new accounting policies are reviewed by the Committee. Compliance with these procedures and policies and limits of authority delegated by the Board to management are subject to review by the external and internal auditors.

When considering the yearly and half yearly financial reports, the Audit Committee reviews the carrying value of assets, provisions and other accounting issues.

Questionnaires completed by divisional management are reviewed by the Committee half yearly.

As required by the *Corporations Act* for year end financial reports, the CEO & Managing Director and the Chief Financial Officer give a declaration to the Directors that the Company's financial records have been properly maintained and that the financial reports give a true and fair view before the Board resolves that the Directors' Declaration accompanying the financial reports be signed.

At each scheduled meeting of the Committee, both external and internal auditors report to the Committee on the outcome of their audits and the quality of controls throughout Boral. As part of its agenda, the Audit Committee meets with the external and internal auditors, in the absence of the CEO & Managing Director and the Chief Financial Officer, at least twice during the year.

The Chairman of the Audit Committee reports to the full Board after Committee Meetings. Minutes of Meetings of the Audit Committee are included in the papers for the next full Board Meeting after each Committee Meeting.

External auditor
Boral's external auditor is KPMG. The scope of the external audit and the effectiveness, performance and independence of the external auditor are reviewed by the Audit Committee.

If circumstances arise where it becomes necessary to replace the external auditor, the Audit Committee will formalise a process for the selection and appointment of a new auditor and recommend to the Board the external auditor to be appointed to fill the vacancy.

The Audit Committee monitors procedures to ensure the rotation of external audit engagement partners every five years as required by the *Corporations Act*.

The Audit Committee has approved a process for the monitoring and reporting of non-audit work to be undertaken by the external auditor. Services by the external auditor which are prohibited because they have the potential, or appear, to impair independence include the participation in activities normally undertaken by management, being remunerated on a "success fee" basis and where the external auditor would be required to review their work as part of the audit.

The Independence Declaration by the external auditor is set out on page 38.

Internal audit
During FY2013, the internal audit function at Boral has consisted of a dedicated in-house team with individuals based in Australia, Asia and the USA. The internal audit program is approved by the Audit Committee before the start of each year and the effectiveness of the function is kept under review.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Company appreciates the importance of timely and adequate disclosure to the market, and is committed to making timely and balanced disclosure of all material matters and to effective communication with its shareholders and investors so as to give them ready access to balanced and understandable information.

The Company complies with all relevant disclosure laws and ASX Listing Rule requirements and has in place mechanisms designed to ensure compliance with those requirements, including the Continuous Disclosure Policy adopted by the Board. These mechanisms also ensure accountability at a senior executive level for that compliance.

The CEO & Managing Director, the Chief Financial Officer, the Group General Counsel and the Company Secretary are responsible for determining whether or not information is required to be disclosed to the ASX.

Boral's Continuous Disclosure Policy is available on Boral's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Communications with shareholders
The Company's policy is to promote effective communication with shareholders and other investors so that they understand how to assess relevant information about Boral and its corporate activities.

Shareholders may elect to receive annual reports electronically or to receive notifications via email when reports are available online. Hardcopy annual reports are provided to those shareholders who elect to receive them. While companies are not required to send annual reports to shareholders other than those who have elected to receive them, any shareholder who has not made an election is sent an easy-to-read summary of the Annual Report, called the Boral Review.

All formal reporting and Company announcements made to the ASX are published on Boral's website after confirmation of lodgment has been received from the ASX. Furthermore, Boral has an email list of investors, analysts and other interested parties who are sent relevant announcements via email alert after those announcements have been lodged with the ASX. Announcements are also sent to major media outlets and newswire services for broader dissemination.

Boral encourages shareholders to attend and participate in all general meetings including annual general meetings. Shareholders are entitled to ask questions about the management of the Company and of the auditor as to its conduct of the audit and preparation of its reports.

Notices of Meeting are accompanied by explanatory notes to provide shareholders with information to enable them to decide whether to attend and how to vote upon the business of the meeting. Full copies of Notices of Meeting and explanatory notes are posted on Boral's website. If shareholders are unable to attend general meetings, they may vote by appointing a proxy using the form attached to the Notice of Meeting or an online facility.

Shareholders are invited, at the time of receiving the Notice of Meeting, to put forward questions that they would like addressed at the Annual General Meeting.

Boral's policy on Communications with Shareholders is available on Boral's website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Risk identification and management
The managers of Boral's businesses are responsible for identifying and managing risks. The Board (through the Audit Committee) is responsible for satisfying itself that a sound system of risk oversight and management exists and that internal controls are effective. In particular, the Board ensures that:

- the principal strategic, operational, financial reporting and compliance risks are identified; and
- systems are in place to assess, manage, monitor and report on these risks.

Under the supervision of the Board, management is responsible for designing and implementing risk management and internal control systems to manage the Company's material business risks. Boral's senior management has reported to the Board (through the Audit Committee) on the effectiveness of the management of the material business risks faced by Boral during FY2013.

Risk management matters are analysed and discussed by the Board at least twice yearly and more frequently if required.

Boral has numerous risk management systems and policies that govern the management of risk. In addition to maintaining appropriate insurance and other risk management measures, identified risks are managed through:

- established policies and procedures for the management of funding, foreign exchange and financial instruments (including derivatives) including the prohibition of speculative transactions; the Board has approved Treasury policies regarding exposures to foreign currencies, interest rates, commodity price, liquidity and counterparty risks which include limits and authority levels; compliance with these policies is reported to the Board at every Board meeting and certified by Treasury management and the Audit Committee twice yearly;
- material business risks being identified on a site, business and divisional basis and rolled up on a Group-wide basis and reported to the Directors;
- policies, standards and procedures in relation to health, safety and environment matters;
- training programs in relation to legal and compliance issues such as competition law, intellectual property protection, occupational health and safety and environment matters;
- procedures requiring that significant capital and revenue expenditure and other contractual commitments are approved at an appropriate level of management or by the Board; and
- comprehensive management guidelines setting out the standards of behaviour expected of employees in the conduct of Boral's business.

The internal audit function is involved in risk assessment and management and the measurement of effectiveness. The internal and external audit functions are separate and independent of each other.

The Board has acknowledged that the material provided to it on risks has enabled it to review the effectiveness of the risk management and internal control system to manage Boral's material business risks.

Boral's Risk Management Policy is available on Boral's website.

Health, Safety & Environment Committee
The Board has a Health, Safety & Environment Committee which comprises three independent non-executive Directors.

The members of the Committee are:

Eileen Doyle (Chairman)
Bob Every
John Marlay

The Committee met on four occasions during FY2013.

The Committee's responsibilities include the review and monitoring of:

- the effectiveness of the Group's policies, systems and governance structure for identifying and managing health, safety and environment risks which are material to the Group;
- the policies and systems within the Group for ensuring compliance with applicable legal and regulatory requirements associated with health, safety and environment matters;
- the performance of the Group, assessed by reference to agreed targets and measures, in relation to health, safety and environment matters, including the impact on employees, third parties and the reputation of the Group;
- the output of the Group's audit performance in relation to health, safety and environment matters;
- the adequacy of the Group's systems for reporting actual or potential accidents, breaches and significant incidents, and review of investigations and remedial actions in respect of any significant incident; and
- the Group's reports which are prepared and lodged in compliance with its statutory obligations concerning the environment.

The Health, Safety & Environment Committee Charter is available on Boral's website.

Compliance
The Company has adopted policies requiring compliance with occupational health, safety, environment, competition and consumer laws.

There are also procedures providing employees with alternative means to usual management communication lines through which to raise concerns relating to suspected illegal or unethical conduct. The Company acknowledges that whistleblowing can be an appropriate means to protect Boral and individuals and to ensure that operations and businesses are conducted within the law.

There are ongoing programs for the audit of the large number of Boral operating sites. Occupational health and safety, environmental and other risks are covered by these audits. Boral also has staff to monitor and advise on workplace health and safety and environmental issues and, in addition, education programs provide training and information on regulatory issues.

Chief Executive Officer and Chief Financial Officer declaration

The Chief Executive Officer and the Chief Financial Officer have provided the Directors with a declaration in accordance with section 295A of the *Corporations Act* for FY2013. The Board confirms that it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the above declaration was founded on a sound system of risk management and internal control, and that such system is operating effectively in all material respects in relation to financial reporting risks.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration & Nomination Committee

The Board has a Remuneration & Nomination Committee which comprises four independent non-executive Directors.

The members of the Committee are:

Brian Clark (Chairman)
Bob Every
John Marlay
Catherine Brenner

The Committee met on eight occasions during FY2013.

The Remuneration & Nomination Committee has a formal Charter which sets out its role and responsibilities, composition, structure and membership requirements.

The Remuneration & Nomination Committee Charter is available on Boral's website.

The Committee makes recommendations to the full Board on remuneration arrangements for the CEO & Managing Director and senior executives and, as appropriate, on other aspects arising from its functions.

Part of the role of the Remuneration & Nomination Committee is to advise the Board on the remuneration policies and practices for Boral generally and the remuneration arrangements for senior executives.

Boral's remuneration policy and practices are designed to attract, motivate and retain high quality people. The policy is built around principles that:

- executive rewards be competitive in the markets in which Boral operates;
- executive remuneration has an appropriate balance of fixed and variable reward;
- remuneration be linked to Boral's performance and the creation of shareholder value;
- variable remuneration for executives has both short- and long-term components;
- a significant proportion of executive reward be dependent upon performance assessed against key business measures.

These principles ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.

Remuneration of non-executive Directors

The remuneration of the non-executive Directors is fixed. The non-executive Directors do not receive any options, variable remuneration or other performance related incentives. Nor are there any schemes for retirement benefits for non-executive Directors.

Further information relating to the remuneration of the non-executive Directors is set out in the Remuneration Report on page 55.

Conclusion

While the Board is satisfied with its level of compliance with governance requirements, it recognises that practices and procedures can always be improved. Accordingly, the corporate governance framework of the Company will be kept under review to take account of changing standards and regulations.

Directors' Report

The Directors of Boral Limited ('**Company**') report on the consolidated entity, being the Company and its controlled entities ('**Group**' or '**Boral**'), for the financial year ended 30 June 2013:

(1) Review and results of operations

Information on the operations and financial position of Boral is set out in our operating and financial review ('**OFR**'), which comprises the Chairman's Review, Chief Executive's Review, Financial Review and Divisional Performance on pages 2 to 17 of the Annual Report accompanying the Directors' Report.

(2) State of affairs

The following significant changes in Boral's state of affairs occurred during the year:

- Mike Kane was appointed CEO & Managing Director on 1 October 2012.
- The Group reported a net loss after tax of $212.1m after recognising a net significant loss of $316.5m as detailed in Note 4 to the financial statements.

(3) Principal activities and changes

Boral's principal activities are the manufacture and supply of building and construction materials in Australia, the USA and Asia. There were no significant changes in the nature of those activities during the year.

(4) Events after end of financial year

There are no matters or circumstances that have arisen since the end of the year that have significantly affected, or may significantly affect:

(a) Boral's operations in future financial years; or

(b) the results of those operations in future financial years; or

(c) Boral's state of affairs in future financial years.

(5) Likely developments, business strategies, prospects and risks

Likely developments, business strategies and prospects

The OFR refers to likely developments in Boral's operations in future financial years and the expected results of those operations. Other than the information set out in the OFR, information regarding other likely future developments in Boral's operations and the expected results of those operations has not been included in the Directors' Report.

The OFR sets out information on Boral's business strategies and prospects for future financial years. This information has been provided to enable shareholders to make an informed assessment of our business strategies and future prospects.

While the Company continues to meet its obligations in respect of continuous disclosure, we have not included information where it would be likely to result in unreasonable prejudice to Boral. This includes information that is commercially sensitive, is confidential or could give a third party a commercial advantage (for example, details of our internal budgets and forecasts).

Risks

The achievement of Boral's future prospects may be adversely impacted by several risks, some of which are beyond our control. An overview of the material business risks facing the Group and our approach to managing those risks is set out below.

Additional information regarding Boral's material business risks is included in the OFR. The Group's broader risk identification and management framework is also set out in the Corporate Governance Statement on pages 24 to 31 of the Annual Report.

Industry and market risks

As Boral operates mainly in residential, non-residential and infrastructure construction markets, its financial performance is closely tied to the performance of those markets. The housing, industrial, commercial and infrastructure construction markets are cyclical and affected by various factors beyond the Group's control, including:

- the performance of national economies in the countries in which Boral operates;
- monetary policies in the countries in which Boral operates (such as a change in interest rates);
- the allocation of government funding for public infrastructure and other building programs;
- the level of demand for construction materials and services generally; and
- the availability of labour, raw materials and transport services as well as the price and availability of fuel and energy.

To manage the above risks, we have implemented key initiatives to reduce costs, improve operating efficiencies and encourage sustainable performance within the Group. These initiatives include the implementation of organisational restructuring and the allocation of capital expenditure to those businesses with the potential to deliver strong earnings growth. Boral also actively manages short-term fluctuations in fuel and energy costs through the use of hedging instruments and electricity demand management.

Competition risks

Boral operates in competitive markets, against domestic suppliers and in some cases imported product suppliers. The competitive environment can be significantly affected by local market forces, such as new market entrants, production capacity utilisation, economic conditions and product demand. Such competition may lead to product price volatility risk. Boral has in place various strategies to manage these risks, including seeking to sustain and improve margins by reducing costs, optimising capacity in line with projected demand, and increasing the size and share of our higher margin businesses. We are also exploring options for future technology innovation in order to diversify our product range and develop new products in our core markets.

Health, safety and environment risks
Boral is subject to a broad range of health, safety and environmental laws, regulations and standards in the jurisdictions in which it operates, which could give rise to losses and liabilities. Due to the nature of the operating scale of the construction and building materials industry, there is a risk of incidents occurring that may cause injury to Boral's staff or contractors, or damage to the environment. Any such events may result in additional costs and fines, and may adversely affect Boral's reputation.

To manage these risks, Boral applies strict operating standards, policies, procedures and training to ensure compliance with all applicable health, safety and environmental laws. We are focused on achieving better safety outcomes across the Group as part of our broader strategy to deliver world-class safety performance. The Group also has established reserves for known environmental liabilities, including quarry remediation, that are probable and reasonably capable of estimation. Further details regarding our approach to managing health, safety and environment risks are contained in the OFR and Sustainability Overview on pages 2 to 21 of the Annual Report.

Business interruption risks
Due to the high fixed-cost nature of the construction and building materials industry, interruptions in production capabilities and lower capacity utilisation at key manufacturing and processing facilities may have a material adverse effect on the productivity and results of the Group's operations. The Group's manufacturing processes and related services are dependent upon critical plant, which may occasionally be out of service or damaged as a result of unanticipated failures, incidents or force majeure events. Furthermore, from time to time, there may be raw material shortages which are critical to Boral's ability to manufacture certain products and to meet market demand, as a result of force majeure type events.

To mitigate against potential losses from such risks, Boral has instigated a comprehensive risk management program which actively manages and mitigates risks from a Group through to local site operating level through both management intervention and business continuity planning. Boral also covers certain major risk exposures through its comprehensive Group insurance program, which provides cover for damage to facilities and associated business interruption as well as product performance.

Foreign exchange risks
Boral has significant operations in Australia, the USA and Asia and is also dependent on imported products and supply of plant and equipment. The Group is therefore exposed to the macro-economic conditions in those regions and to movements in various foreign currencies (in particular, to movements in the Australian and US dollar exchange rates). As part of its approach to managing these risks, Boral's US net assets are closely matched with its US dollar debt in order to hedge against fluctuations in the US dollar. The Group also utilises forward exchange contracts for material product and equipment supply in order to manage against short- to medium-term currency fluctuations.

(6) Environmental performance
Details of Boral's performance in relation to environmental regulation are set out under "Environment" on pages 20 to 21 of the Annual Report.

(7) Other information
Other than information in the Annual Report, there is no information that shareholders of the Company would reasonably require to make an informed assessment of:

(a) the operations of Boral; and

(b) the financial position of Boral; and

(c) Boral's business strategies and its prospects for future financial years.

(8) Dividends paid or resolved to be paid
Dividends paid to shareholders during the year were:

	Total Dividend $m
the final dividend of 3.5 cents per ordinary share (fully franked at the 30% corporate tax rate) for the year ended 30 June 2012 was paid on 28 September 2012	26.6
the interim dividend of 5.0 cents per ordinary share (fully franked at the 30% corporate tax rate) for FY2013 was paid on 25 March 2013	38.3

The Directors have resolved to pay a final dividend of 6.0 cents per ordinary share (fully franked at the 30% corporate tax rate) for FY2013. The dividend will be paid on 27 September 2013.

(9) Names of Directors
The names of persons who have been Directors of the Company during or since the end of the year are:

Bob Every
Mike Kane
Catherine Brenner
Brian Clark
Eileen Doyle
Richard Longes
John Marlay
Paul Rayner

Dr Every, Ms Brenner, Dr Clark, Dr Doyle, Mr Longes, Mr Marlay and Mr Rayner have been Directors at all times during and since the end of the year. Mr Kane was CEO & Managing Director from 1 October 2012.

(10) Options

Details of options that are granted over unissued shares of the Company, options that lapsed during the year and shares of the Company that were issued during the year as a result of the exercise of options are as follows:

Grant date	Expiry date	Exercise price	Balance at beginning of year	Options issued during the year	Options lapsed during the year	Shares issued during the year as a result of exercise of options	Options at end of year	Options exerciseable
			Number	Number	Number	Number	Number	Number
31/10/2005	31/10/2012	$7.65	2,479,300	–	2,479,300	–	–	–
06/11/2006	06/11/2013	$7.27	3,720,400	–	136,100	–	3,584,300	1,792,150
06/11/2007	06/11/2014	$6.78	4,816,200	–	193,100	–	4,623,100	3,975,866
			11,015,900	**–**	**2,808,500**	**–**	**8,207,400**	**5,768,016**

The options referred to above were held by 95 individuals.

Each option granted over unissued shares of the Company entitles the holder to subscribe for one fully paid share in the capital of the Company. Option holders have no rights under any options to participate in any share issue or interest issue of any body corporate other than the Company. No unissued shares or interests of the Company or any controlled entity are under option other than as set out in this clause.

(11) Indemnities and insurance for officers and auditors
During or since the end of the year, Boral has not given any indemnity to a current or former officer or auditor against a liability or made any agreement under which an officer or auditor may be given any indemnity of the kind covered by sub-section 199A (2) or (3) of the *Corporations Act 2001* (Cth) ('**Corporations Act**').

During the year, Boral paid premiums in respect of Directors' and Officers' Liability and Legal Expenses insurance contracts for the year ended 30 June 2013 and since the end of the year, Boral has paid, or agreed to pay, premiums in respect of such contracts for the year ending 30 June 2014. The insurance contracts insure against certain liability (subject to exclusions) in respect of persons who are or have been Directors or officers of the Company and its controlled entities. A condition of the contracts is that the nature of the liability indemnified and the premium payable not be disclosed.

(12) Directors' qualifications, experience and special responsibilities and directorships of other listed companies in the last three financial years
Each Director's qualifications, experience and special responsibilities are set out on page 23 of the Annual Report.

Details for each Director of all directorships of other listed companies held at any time in the three years before the end of the financial year and the period for which such directorships have been held are:

Bob Every
Wesfarmers Limited from February 2006 (current)

Mike Kane
No other directorships to be disclosed

Catherine Brenner
Coca-Cola Amatil Limited from April 2008 (current)
AMP Limited from June 2010 (current)
Centennial Coal Company Limited from October 2005 to September 2010

Brian Clark
AMP Limited from January 2008 (current)

Eileen Doyle
GPT Group Limited from March 2010 (current)
Bradken Limited from July 2011 (current)
Ross Human Directions Limited from July 2005 to December 2010
OneSteel Limited from October 2000 to November 2010

Richard Longes
Austbrokers Holdings Limited from November 2005 (current)
Metcash Limited from April 2005 to August 2012

John Marlay
Incitec Pivot Limited from December 2006 (current)
Cardno Limited from November 2011 (current)
Alesco Corporation Limited from November 2011 to December 2012

Paul Rayner
Centrica plc from September 2004 (current)
Qantas Airways Limited from July 2008 (current)
Treasury Wine Estates Limited from May 2011 (current)

(13) Meetings of Directors

The number of Meetings of the Board of Directors and each Board Committee held during the year and each Director's attendance at those Meetings are set out below:

	Board of Directors		Audit Committee		Remuneration & Nomination Committee		Health, Safety & Environment Committee	
	Meetings held while a Director	Meetings attended	Meetings held while a member	Meetings attended	Meetings held while a member	Meetings attended	Meetings held while a member	Meetings attended
Catherine Brenner	17	17	4	4	8	8	–	–
Brian Clark	17	16*	–	–	8	8	–	–
Eileen Doyle	17	17	4	4	–	–	4	4
Bob Every	17	17	–	–	8	8	4	4
Mike Kane	14	14	–	–	–	–	–	–
Richard Longes	17	17	4	4	–	–	–	–
John Marlay	17	17	–	–	8	8	4	4
Paul Rayner	17	17	4	4	–	–	–	–

*** The Board Meeting that Dr Clark was unable to attend was an unscheduled meeting.**

Bob Every is not a member of the Audit Committee but attended two of the meetings held by that Committee from 1 July 2012 to 30 June 2013. Mike Kane attended all Committee meetings held during the period he was a Director, from 1 October 2012 to 30 June 2013.

(14) Company Secretary

Margaret Taylor was appointed General Counsel and Company Secretary of the Company in November 2008 and remained in this role until her resignation from the Company with effect from 1 July 2013. Prior to joining Boral, Margaret was Regional Counsel Australia/Asia with BHP Billiton, and prior to that she was a partner with law firm Minter Ellison for many years, specialising in corporate and securities law. Margaret holds law and arts degrees from the University of Queensland, and is a Fellow of the Institute of Chartered Secretaries.

Dominic Millgate was appointed Company Secretary of the Company with effect from 1 July 2013, after previously holding the position of Assistant Company Secretary since November 2010. He has previously been legal counsel and company secretary for listed entities in Australia and Singapore, and has held legal roles in London and Sydney. He is a Fellow of the Institute of Chartered Secretaries, and holds a finance degree from the University of New England and a law degree from the University of Sydney.

(15) Directors' shareholdings

Set out below are details of each Director's relevant interests in the shares and other securities of the Company as at the date of this Report:

	Shares	Non-executive Directors' Share Plan[a]	Options	Share Acquisition Rights (SARs)[b]
Catherine Brenner	15,301	–	–	–
Brian Clark	70,628	5,329	–	–
Eileen Doyle	15,058	–	–	–
Bob Every	65,605	4,616	–	–
Mike Kane	10,100	–	–	847,668[c]
Richard Longes	28,530	10,144	–	–
John Marlay	25,048	–	–	–
Paul Rayner	47,957	1,790	–	–

The shares are held in the name of the Director except in the case of:

- Catherine Brenner, 10,000 shares are held by Brenner Super Pty Ltd for and on behalf of the Brenner Super Fund;
- Brian Clark, 46,585 shares are held by MCG Wealth Management Australia Nominees Pty Limited – <Brian & Sandra S/F A/C> and 22,272 shares are held by MCG Wealth Management Australia Nominees Pty Limited – JBC Investment Holdings Pty Ltd <Clark Family A/C>;
- Eileen Doyle, 13,750 shares are held by Mr SE Doyle and Dr EJ Doyle for the S&E Doyle Super Fund A/C;
- Bob Every, 30,000 shares are held by RBC Dexia Investor Service Australia Nominees Pty Ltd <Robsher Super Fund A/C>;
- Richard Longes, 22,000 shares are held by Gemnet Pty Limited for Richard Longes Superannuation Fund;
- John Marlay, 21,069 shares are held by Bond Street Custodians Limited on behalf of The Marlay Superannuation Fund; and
- Paul Rayner, 26,630 shares are held by Yarradale Investments Pty Limited and 20,000 shares are held by Invia Custodian Pty Limited for and on behalf of Bigpar Pty Ltd (the trustee of the PaulJul Super Fund).

Shares or other securities with rights of conversion to equity in the Company or in a related body corporate are not otherwise held by any Directors of the Company.

a Shares in the Company allocated to the Director's account in the Non-executive Directors' Share Plan. Directors will only be entitled to a transfer of the shares in accordance with the terms and conditions of the Plan. No shares were allocated to non-executive Directors during FY2013.

b The SARs are rights to acquire shares in the Company under the Boral Long Term Incentive Plan. The SARs will vest only to the extent to which the performance hurdle, which is measured by comparing the TSR of the Company to the TSR of the companies comprising the S&P/ASX 100 Index during the vesting period, is satisfied.

c The SARs held by Mike Kane are as follows:

Number of SARs	Expiry Date
78,717	12 November 2017
102,285	1 September 2018
666,666	1 September 2019

(16) No officers are former auditors

No officer of the Company has been a partner in an audit firm, or a Director of an audit company, that is an auditor of the Company during the year or was such a partner or Director at a time when the audit firm or the audit company undertook an audit of the Company.

(17) Non-Audit Services
Amounts paid or payable to Boral's auditor, KPMG, for non-audit services provided during the year by KPMG totalled $487,000. These services consisted of:

Taxation compliance in Australia	$160,000
Taxation compliance/due diligence related services in jurisdictions other than in Australia	$58,000
Australian due diligence and other services	$269,000

In accordance with advice from the Company's Audit Committee, Directors are satisfied that the provision of the above non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act*.

Also in accordance with advice from the Audit Committee, Directors are satisfied that the provision of those non-audit services during the year by the auditor did not compromise the auditor independence requirements of the *Corporations Act* because:

- Directors are not aware of any reason to question the auditor's independence declaration under section 307C of the *Corporations Act*;
- the nature of the non-audit services provided is not inconsistent with the requirements of the *Corporations Act*; and
- provision of the non-audit services is consistent with the processes in place for the Audit Committee to monitor the independence of the auditor.

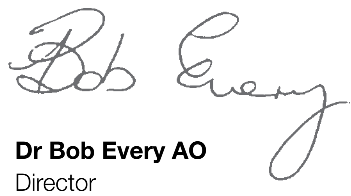
(18) Auditor's Independence Declaration
The auditor's independence declaration made under section 307C of the *Corporations Act* is set out on page 38 of the Annual Report and forms part of this Report.

(19) Remuneration Report
The Remuneration Report is set out on pages 39 to 55 of the Annual Report and forms part of this Report.

(20) Proceedings on behalf of the Company
No application under section 237 of the *Corporations Act* has been made in respect of the Company and there are no proceedings that a person has brought or intervened in on behalf of the Company under that section.

(21) Rounding of amounts
The Company is of a kind referred to in ASIC Class Order 98/100 and in accordance with that Class Order, amounts in the financial report and the Directors' Report have been rounded off to the nearest one hundred thousand dollars unless otherwise indicated.

Signed in accordance with a resolution of the Directors.



Dr Bob Every AO
Director

Mike Kane
Director

Sydney, 10 September 2013

Lead Auditor's Independence Declaration
under section 307C of the *Corporations Act 2001*

To: the Directors of Boral Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

G Boydell

Greg Boydell
Partner

Sydney, 10 September 2013

2013 Remuneration Report

Introduction from the Chairman of the Remuneration & Nomination Committee

Dear Shareholders

I am pleased to present our Remuneration Report for 2013, which is designed to provide a clear and transparent summary of the remuneration arrangements and outcomes for your Directors and members of the senior executive team.

The 2013 financial year has been another challenging one in terms of the market conditions facing the Company, and the focus has been to continue to transform the Group's operating structure so that the organisation is more market responsive and performs more consistently through the business cycle. As part of this transformation, there has been a significant reduction in headcount, including a consolidation of senior executive roles and changes in the composition of the senior executive team. Consistent with the steady financial performance for the 2013 financial year, remuneration outcomes for members of the senior executive team were modest.

Looking ahead, a number of changes have been made to the remuneration arrangements for senior executives to better align executive remuneration structures with the Company's strategy and the new operating structure. Design changes have been made to the short-term incentive (STI) and long-term incentive (LTI) plans with effect from 1 July 2013, including the deferral of part of any STI award into equity, the removal of retesting under the LTI plan, and the introduction of a return on funds employed measure as a second, additional LTI performance hurdle. The Board has also adopted a minimum shareholding requirement for senior executives. Your Directors are confident that these changes will enhance the alignment between shareholder and executive interests, and will motivate the behaviours necessary to deliver Boral's strategy.

On behalf of the Board and the Remuneration & Nomination Committee, I invite you to read the 2013 Remuneration Report and welcome your feedback on the Company's approach to, and disclosure of, its remuneration arrangements.

Brian Clark
Chairman of the Remuneration & Nomination Committee

Contents

The Directors of Boral Limited present the Remuneration Report (the Report) for the Company and its controlled entities for the year ended 30 June 2013 (FY2013). This Report forms part of the Directors' Report and has been audited in accordance with the *Corporations Act 2001*. The Report sets out remuneration information for the Company's:

- non-executive Directors; and
- CEO & Managing Director and other current and former members of the senior executive team (Senior Executives).

These people are accountable for planning, directing and controlling the affairs of the Company and its controlled entities. Collectively, they are the Key Management Personnel (KMP) of the Company.

The broader management group (who also participate in the various reward programs) are referred to as executives.

Senior Executives

The Company underwent an organisational restructure to strengthen Boral's competitiveness, which resulted in a significantly streamlined, more market responsive organisation with a lower and more sustainable fixed cost base. Accordingly, there were a number of changes at the Senior Executive level during FY2013. The table below shows how the Senior Executive team changed during the year.

Senior Executives as at 30 June 2013

	Role	Dates
Current Senior Executives		
Mike Kane	CEO & Managing Director	3 months as President, Boral Industries USA (until 30 September 2012) 9 months as CEO & Managing Director (from 1 October 2012)
Al Borm[a]	President, Boral Industries USA	9 months (from 1 October 2012)
Joseph Goss[b]	Divisional Managing Director, Boral Construction Materials & Cement	3 months (from 1 April 2013)
Andrew Poulter	Chief Financial Officer	12 months
Frederic de Rougemont	Divisional Managing Director, Boral Gypsum	12 months
Darren Schulz[c]	Executive General Manager, Boral Building Products	5 months (from 1 February 2013)
Former Senior Executives		
Ross Batstone[d]	CEO	3 months (until 30 September 2012)
Mike Beardsell[e]	Divisional Managing Director, Boral Cement	7 months (until 31 January 2013)
Murray Read[f]	Divisional Managing Director, Boral Construction Materials	9 months (until 31 March 2013)
Bryan Tisher[g]	Divisional Managing Director, Boral Building Products	7 months (until 6 February 2013)

a Al Borm was President, Boral Roofing USA until he took up his Senior Executive role on 1 October 2012. His remuneration relating to the period prior to his appointment as President, Boral Industries USA has not been included in this Report.

b As a result of the organisational restructure, the positions of Divisional Managing Director, Boral Cement and Divisional Managing Director, Boral Construction Materials were moved into the new Senior Executive position of Divisional Managing Director, Boral Construction Materials & Cement.

c Darren Schulz was employed by Boral Industries USA prior to moving into his role as Executive General Manager, Boral Building Products. His remuneration relating to the period when he was not a Senior Executive has not been included in this Report.

d From 1 October 2012, Ross Batstone took on a non-KMP role as Chairman, Boral Gypsum Asia. Ross Batstone retired from Boral on 1 July 2013, and has been engaged as a consultant for a further period (see pages 50 to 51 below for further details).

e Mike Beardsell departed the Group on 31 January 2013 when his role was made redundant.

f Murray Read ceased to be a Senior Executive from 1 April 2013 when he moved into a temporary transitional role, reporting to the Divisional Managing Director, Boral Construction Materials & Cement. Murray Read departed the Group on 1 July 2013.

g Bryan Tisher departed the Group on 6 February 2013. As a result of the organisational restructure, the position of Divisional Managing Director, Boral Building Products no longer exists.

For those Senior Executives named above who served in a KMP role for only part of FY2013, this Report only sets out the amounts they received as remuneration in their capacity as a KMP (unless otherwise indicated).

Non-executive Directors

The following table sets out the non-executive Directors for FY2013.

Non-executive Directors

Bob Every	Chairman
Catherine Brenner	Director
Brian Clark	Director
Eileen Doyle	Director
Richard Longes	Director
John Marlay	Director
Paul Rayner	Director

INTRODUCTION: KEY CHANGES FY2014

A summary of the key changes to remuneration-related matters approved during the 2013 financial year is set out below. The changes are effective 1 July 2013 and will apply for the 2014 financial year onwards.

A. Senior Executive remuneration strategy

The cyclical nature of Boral's business requires a remuneration strategy that promotes sustained effort and motivates performance throughout the duration of the business cycle, while maintaining alignment between the interests of the executives and Boral's shareholders.

In order to align more closely Boral's remuneration strategy with its business demands, the Board has approved a number of significant changes to remuneration arrangements for current Senior Executives. The changes made resulted from a review conducted by the Remuneration & Nomination Committee, which was supported by EY, the independent adviser to the Board.

- **STI deferral:** 20% of STI awards for eligible executives will be delivered in performance rights, and will be subject to a two year deferral period. The Company believes that this additional exposure to the share price for executives will drive behaviours aimed at increasing shareholder value.

  Executives will forfeit the deferred portion of their STI if they resign or are dismissed from the Company before the end of the deferral period.

  Executives are not entitled to dividends on performance rights during the deferral period.

  The deferral into equity enhances alignment between executive and shareholder interests and allows the Board to reduce or cancel the deferred component of the STI under the new clawback provisions (described below).
- **Additional performance hurdle for the LTI plan:** in addition to the existing relative Total Shareholder Return (TSR) performance hurdle, Return on Funds Employed (ROFE) will be introduced as a second LTI performance measure. Two-thirds of the LTI grant will be subject to the existing TSR hurdle and one-third will be subject to the new ROFE hurdle (ROFE Component).

  ROFE tests the efficiency and profitability of the Company's capital investments. ROFE will be determined by the Board based on earnings before interest and tax (EBIT) as a percentage of average Funds Employed (where Funds Employed is the sum of net assets and net debt).

  The ROFE performance hurdle and relevant targets as determined by the Board are intended to reward achievement linked to improving the Company's ROFE performance through the cycle. Our longer term goal is to exceed the cost of capital, which equates to a ROFE of 15%.

  In determining the Company's ROFE performance, the Board may make adjustments where it considers it necessary or appropriate in order to accurately reflect the ROFE outcomes in a manner that rewards performance that is consistent with shareholder expectations and the intent and purpose of the relevant ROFE target.

  In regard to the LTI grant expected to be made in September 2013, the percentage of the ROFE Component which may vest will be determined by the Board based on ROFE performance for the financial year ending 30 June 2016 in accordance with the following vesting schedule:

If the Company's ROFE performance for FY2016 is:	The percentage of the ROFE Component which will vest is:
Less than 7.6%	0%
7.6%	50%
Greater than 7.6% and less than 8.0%	Progressive pro rata vesting from 50% to 100% (i.e. on a straight line basis)
8.0% or above	100%

  The percentage of the ROFE Component that does not vest in accordance with this schedule will lapse (i.e. there will be no further testing). For each subsequent year's LTI grant new ROFE targets will be set.

  The Company's ROFE performance will be reported annually in the Company's Remuneration Report. Refer to the table at the start of Section 4 (page 47) for the Company's ROFE performance (EBIT to average funds employed) from 2009 to 2013. For FY2013, the Company's ROFE performance was 4.7%.
- **No retesting for new LTI awards:** testing of performance under the LTI plan will occur after three years (i.e. at the end of the performance period) and there will be no retesting.
- **Clawback:** a broader clawback has been introduced for future LTI awards, which will also apply to all new deferred STI awards. In addition to applying clawback where an employee has acted fraudulently or dishonestly or breached their obligations to the Group, the Board will have a further discretion in the event there is a material misstatement or omission in Boral's financial statements or if the Company is required or entitled to reclaim any overpaid bonus or other amount from an employee.
- **Minimum shareholding requirement:** a new minimum shareholding requirement has been introduced for the CEO & Managing Director and all other current Senior Executives.

Timeline for delivery of rewards

The following table illustrates the key points of difference in the remuneration framework for the 2013 and 2014 financial years.

Reward element	FY2013 framework	FY2014 framework	Rationale
Fixed pay	• CEO & Managing Director – benchmarked to median of Australian listed companies in the industrials and materials sector • Other Senior Executives – salary survey data sourced from Hay	• Unchanged	• Aligned with market practice and appropriate for Boral's business
STI	• 100% of STI award delivered in cash • Subject to business unit and Boral Group EBIT performance	• 80% of STI award delivered in cash • 20% of STI award delivered in performance rights and subject to a two year deferral period • STI awards subject to business unit and Boral Group EBIT performance	• Deferral encourages sustained performance throughout the building cycle, supports retention, and promotes an ownership mindset amongst executives • EBIT remains the most appropriate measure of performance over the short term
LTI	• Performance rights • Number of rights determined by fair market value • Tested against TSRs of comparator group of companies in S&P/ASX 100 Index on grant date • Performance initially tested after three years • Performance retested after five and seven years	• Performance rights • Number of rights determined by fair market value • Two-thirds tested against TSRs of comparator group of companies in S&P/ASX 100 Index on grant date • One-third tested against ROFE target set by Board • Performance tested after three years • No retesting	• Use of ROFE (in addition to TSR) provides a balanced assessment of performance and focuses executive effort on areas of strategic importance • Removal of performance retesting supports accountability over sustainable business performance
Minimum shareholding requirement	• None	• A minimum number of Boral shares must be maintained by current Senior Executives • Minimum number of shares must equal 100% of fixed remuneration for the CEO & Managing Director and 50% of fixed remuneration for other current Senior Executives • Minimum shareholding to be built within five years	• Promotes an ownership mindset amongst current Senior Executives • Encourages focus on share prices throughout the building cycle

B. Non-executive Director remuneration

A comprehensive review of the level of fees paid to Boral's non-executive Directors was undertaken during the year. This analysis considered the elements of size and complexity of the business, time commitments, and fees paid for non-executive Directors of companies of a comparable size.

As an outcome of this assessment, non-executive Director fees will be increased effective 1 July 2013 to ensure that non-executive Directors' remuneration remains market appropriate. Non-executive Director fees were last increased on 1 November 2011.

While these increases are not required to be disclosed in this Report for FY2013, the Board remains committed to transparency in remuneration. Main Board fees will increase by $5,000 per annum to $135,000 per annum, and the Chairman's fee will increase by $15,600 per annum to $405,600 per annum. Committee fees and the aggregate fee pool will remain unchanged.

SECTION 1: SENIOR EXECUTIVE REMUNERATION OUTCOMES

The table below sets out the cash and other benefits received by the current Senior Executives who were KMP in FY2013. This non-statutory remuneration outcomes table has been prepared to provide shareholders with a view of the remuneration framework and how remuneration was actually paid to current Senior Executives for FY2013. The Board believes that presenting information in this way provides shareholders with increased clarity and transparency.

Remuneration details prepared in accordance with statutory obligations and accounting standards are contained on page 52 of the Report. Cash and other benefits received by the current Senior Executives in FY2013 are lower than the amounts shown in the remuneration table on page 52 of the Report. This is because the full remuneration table includes amounts in respect of options and rights which are amortised over a five year period and may not have delivered value to executives in FY2013. For example, it includes accounting values for current and prior years' LTI grants which have not been and may never be realised as they are dependent on the market-based performance hurdles being met in future years. The table below includes the value of any LTI grants which actually vested to executives in FY2013.

Remuneration outcomes table

A$'000s		Cash salary	STI	LTI	Other	Total
Mike Kane	2013	1,404.6	0.0	0.0	280.5	1,685.1
Al Borm	2013	363.9	0.0	0.0	30.4	394.3
Joseph Goss	2013	187.5	14.1	0.0	60.0	261.6
Andrew Poulter	2013	810.5	0.0	0.0	10.5	821.0
Frederic de Rougemont	2013	521.0	0.0	0.0	243.2	764.2
Darren Schulz	2013	187.5	0.0	0.0	52.3	239.8

In reconciling the above table dealing with actual remuneration outcomes and the statutory remuneration table, the summary below may be helpful in understanding the variances in disclosed remuneration.

Executives	Cash salary	STI	LTI/share-based payments	Other	Non-monetary benefits	Superannuation	Termination benefits	Other long term
Remuneration outcomes table (non-statutory) (above)								
CEO & Managing Director All other current Senior Executives (for period of year as KMP only)	Total of fixed pay and superannuation contributions	STI awarded in September 2013 expressed as a cash value	Value of rights that vested during FY2013 calculated using the market price of Boral shares on the vesting date	All other benefits (non-monetary and cash), including parking, fringe benefits tax, leave allowances and expatriate allowances/ benefits (including relocation allowance, medical insurance, home leave and taxation advice)	Included in "Other"	Included in "Cash salary"	Not applicable as none paid during the year for current Senior Executives	Long service leave included in "Other"
Senior Executive remuneration table (statutory) (page 52)								
CEO & Managing Director All other current and former Senior Executives (for period of year as KMP only)	Total of fixed pay, any relocation allowances and the accrued value of annual leave	As above	Amortised LTI values related to all LTI awards	Not applicable	All non-monetary benefits, including parking, fringe benefits tax and some expatriate non-cash benefits (including medical insurance, home leave and taxation advice)	Employer superannuation contributions	Any eligible termination payments	Long service leave accrual

SECTION 2: SENIOR EXECUTIVE REMUNERATION GOVERNANCE AND FRAMEWORK

Remuneration governance

Remuneration & Nomination Committee
The Remuneration & Nomination Committee of the Board (the Committee) makes recommendations for approval by the full Board on remuneration arrangements for the non-executive Directors, the CEO & Managing Director, other Senior Executives and other executives. This includes recommendations relating to Directors' fees, annual executive remuneration reviews, and STI and LTI structure, grants, measures and targets. The Committee also advises the Board on remuneration policies and practices for Boral generally.

The Committee comprises four independent non-executive Directors: Brian Clark (Committee Chairman), Catherine Brenner, Bob Every and John Marlay. The responsibilities of the Committee are outlined in its Charter, which is reviewed annually by the Board. The Charter is available on Boral's website at www.boral.com.au/ci_home.asp.

Independent remuneration consultants
The Committee seeks information and advice regarding remuneration directly from its external remuneration consultants PwC and EY, who are independent of the Company's management.

PwC provided advice to the Committee until the end of November 2012. EY provided advice from November 2012 and has been appointed by the Committee as its ongoing independent consultant.

Throughout 2013, the main information received from the Committee's remuneration consultants related to:

- Senior Executive remuneration review;
- benchmarking of CEO & Managing Director and non-executive Director reward;
- cost modelling and sensitivity analysis of Committee proposals;
- calculation of the fair market valuation for the grant of rights made in September 2012 under the Company's LTI plan; and
- input into the Company's review of the Senior Executive reward strategy.

During the year EY provided advice which included "remuneration recommendations" (that is, recommendations relating to the remuneration of KMP). The remuneration recommendations were provided to Boral as an input into decision making. The Committee considered the recommendations, along with other factors, in making its remuneration decisions.

The Board has adopted a protocol governing the engagement of remuneration consultants and the provision of remuneration recommendations. The purpose of this protocol is to ensure that recommendations provided by consultants are made free from undue influence by the Senior Executives to whom the recommendations relate.

The protocol provides that before Boral enters into a contract to engage a consultant to provide remuneration recommendations, the proposed consultant must be approved by the Committee or the non-executive Directors. The remuneration consultant must report directly to the Committee or the non-executive Directors. If a consultant makes a recommendation concerning the remuneration of a Senior Executive, the recommendation must be provided directly to the Committee or the non-executive Directors.

Total fees paid for the advice provided by EY which included remuneration recommendations were $123,245. Other services provided by EY related to the provision of human resources advice (including remuneration-related advice) and the fees for all other services were $126,129 for FY2013.

Fees paid to PwC totalled $48,450 and related to services for CEO & Managing Director and non-executive Director benchmarking and the valuation of performance rights.

For each of the remuneration recommendations referred to above, the Board is satisfied that the recommendations were made free from any undue influence. In addition to the internal protocol referred to above that has been adhered to, in each case, EY provided a formal declaration confirming that the recommendation was made free from undue influence by the members of the KMP to whom the recommendation related.

Remuneration philosophy

Boral's remuneration philosophy is the foundation of our remuneration framework, policies and processes. The key elements of this philosophy are:

Principle	Description
Align executive reward with Boral's performance	Remuneration policies reward executives for the creation of short-term and long-term shareholder value
Provide flexibility to meet challenging business conditions	Variable reward is "elastic" and moves up and down to reflect company and individual performance
Attract and retain high calibre executives	Remuneration is competitive to attract, motivate and retain the highest quality individuals in order to deliver Boral's business and growth strategy

Remuneration framework

The remuneration arrangements of the Senior Executives are made up of both fixed and "at risk" remuneration. This is composed of the following elements:

- fixed annual remuneration (FAR) which provides a predictable "base" level of reward;
- STI which is "at risk"; and
- LTI which is "at risk".

The "at risk" elements are based on performance against key financial measures. More detail on each of these elements and their link to performance is included in Sections 3 to 4 of this Report.

Total target remuneration

Boral's mix of fixed and "at risk" components for each of the current Senior Executives disclosed in the Report, as a percentage of total target annual remuneration for FY2013, is as follows:

	Fixed	At risk	
	FAR	STI	LTI
CEO & Managing Director	34%	33%	33%
Other current Senior Executives[a]	50 – 65%	16 – 25%	19 – 25%

a Other current Senior Executive percentages vary between individuals.

SECTION 3: SENIOR EXECUTIVE REMUNERATION ELEMENTS

Fixed Annual Remuneration (FAR)

FAR includes base salary, non-cash benefits such as provision of a vehicle (including any fringe benefits tax charges) and superannuation contributions.

Total remuneration levels are reviewed annually by the Committee and the Board through a process that ensures an executive's fixed remuneration remains competitive with the market and reflects their skills, experience, accountability and general performance.

In undertaking the review, the Committee benchmarks the remuneration of the current Senior Executives against a group of companies which it considers reflects the size and complexity of Boral and its competition for key executive talent. In determining each current Senior Executive's remuneration, the Committee considers the median remuneration within the Group and then positions current remuneration. Use of a range around the median provides flexibility to recognise capability, contribution, value to the organisation and performance of individuals, while maintaining remuneration at levels that are not more generous than necessary to retain and motivate.

STI plan

A summary of the STI plan in effect during FY2013 is provided below:

Feature	Description
Objective	• To support Boral's strategic objectives by providing rewards that are based on achievement against performance targets.
Participation	• Executives who have significant influence on the annual financial outcomes of Boral and its business units.
STI value	• The CEO & Managing Director has a target STI equal to 100% of FAR. Other Senior Executives have a target STI of between 30% and 50% of FAR. • The CEO & Managing Director has a maximum STI potential of 140% of FAR, while other Senior Executives have a maximum STI potential of 60% to 100% of FAR. • No STI awards will be made if the relevant performance targets are not met.
Assessment of performance	• The Remuneration & Nomination Committee and the Board assess the financial performance of the Group and divisions and approve the actual STI rewards to be paid to the CEO & Managing Director, his direct reports and other executives.
Funding guideline	• The Board has agreed that expenditure on STI awards should not exceed a range of 4% to 6% of annual EBIT. The Board retains discretion to adjust the remuneration outcomes up or down to ensure consistency with the Company's remuneration philosophy and to prevent any inappropriate reward outcomes.

Refer to Section 4 for more detail on STI performance conditions, outcomes and alignment with Company performance.

LTI plan

A summary of the LTI plan in effect during FY2013 is provided below:

Feature	Description
Objective	• To link long-term executive rewards with the sustained creation of shareholder value through the allocation of equity awards that are subject to the satisfaction of long-term performance conditions. • In addition, the LTI structure aims to attract and retain high quality executives and to reward executives for the achievement of performance conditions which underpin sustainable long-term performance.
Participation	• The CEO & Managing Director, other Senior Executives and other executives.
Equity type	• Awards are delivered in the form of performance rights. Upon vesting, each performance right entitles the executive to one ordinary share.
LTI value	• The CEO & Managing Director has a target LTI equal to 100% of FAR. Other Senior Executives have a target LTI equal to 25% to 50% of FAR. • The number of performance rights allocated depends on each executive's target LTI. The number is calculated using a fair market value methodology and takes into account the number of shares expected to vest at the end of the performance period (using a Monte Carlo simulation analysis in accordance with accounting standards).
Performance period	• Awards are subject to a three year forward looking performance period. For the LTI grants made in FY2013, the performance period is 1 September 2012 to 1 September 2015.
Performance hurdle	• The LTI award granted in FY2013 is measured against relative TSR. • TSR represents the change in capital value of a listed entity's share price over a period, plus reinvested dividends, expressed as a percentage of the opening value. • The compound growth in the Company's TSR over the performance measurement period is compared with the TSR performance over the same period of a comparator group (as outlined below).
TSR comparator group	• Companies comprising the S&P/ASX 100 Index as at the grant date. • The Board has the discretion to adjust the comparator group to take into account events including, but not limited to, takeovers or mergers that might occur during the performance period.
Vesting schedule	**Boral's TSR rank in S&P/ASX 100 Index** — **% of rights that vest** Below 50th percentile — Nil Between 50th and 74th percentile — Progressive vesting from 50% – 98% (2% increase for each higher percentile ranking) At or above 75th percentile — 100%
Retesting	• Rights that do not vest based on performance over the initial three year measurement period will be available for vesting based on performance over five year and seven year measurement periods. Rights that have not vested following the seven year measurement period automatically lapse. For grants made after FY2013, there will be no retesting.
Total shares issued	• The number of shares allocated on the vesting of all outstanding rights and the exercise of all outstanding options under any Boral employee share scheme may not exceed 5% of the total number of shares on issue at the time of the offer.
Cessation of employment	• For "good leavers" (including cessation of employment due to death, permanent disablement, bona fide retirement, redundancy, sale of subsidiary or business assets): – rights will remain on foot beyond termination (with a pro rata scale back for rights granted within three years prior to the cessation date); and – rights will be tested on the next test date and will lapse if they do not meet the performance hurdle. • For other leavers, rights will lapse upon cessation of employment unless the Board determines otherwise.

Forfeiture	• The Board has the discretion to partially reduce or forfeit an LTI award where an employee has their employment terminated for cause, acts fraudulently or dishonestly, or breaches their obligations to the Group.
Change of control	• The Board may exercise its discretion to allow all or some unvested rights to vest if a change of control event occurs (e.g. a takeover bid, a scheme of arrangement or other corporate action). • The Board would have regard to the performance of the Company during the vesting period up to the date of a change of control event.
Dealing restrictions	• Boral's Share Trading Policy prohibits executives from entering into hedge and other derivative transactions in relation to rights granted under the LTI plan. • Shares allocated to participants upon vesting of their LTIs may only be dealt with in accordance with the Share Trading Policy. • Any contravention of the Policy would result in disciplinary action.
Dividends	• No dividends are paid on unvested LTI awards.

Refer to Section 4 for more detail on LTI performance conditions, outcomes and alignment with Company performance.

SECTION 4: LINKING REMUNERATION TO PERFORMANCE

Overview of 2013 financial performance

The aim of the recent organisational restructure is to transform Boral into an organisation that is more responsive to the realities of a cyclical marketplace and which can remain competitive not just during the cycle highs, but also when conditions are challenging, as they have been for the past few years.

The effect of the business cycle on Boral's performance is demonstrated in the table below.

	2013	2012	2011	2010	2009
Earnings per share[a] (¢)	**13.6**	13.6	24.4	22.1	22.2
Dividends per share (¢)	**11.0**	11.0	14.5	13.5	13.0
Closing share price ($ as at 30 June)	**4.21**	2.95	4.40	4.82	4.07
Return on equity[a] (%)	**3.2**	3.0	5.6	5.0	4.8
EBIT to average funds employed (ROFE)[a] (%)	**4.7**	4.7	7.4	6.2	6.3

a Excludes financial impact of significant items.

Short-term performance – FY2013

Boral continued to use a single financial hurdle for STI awards in respect of FY2013 to create a clear line of sight for executives and transparency for shareholders around how STI awards are determined. Performance at the completion of the financial year is measured against pre-determined EBIT targets that were established as part of the Group's annual budget process.

EBIT was chosen as the financial target because the Board believes that it effectively aligns rewards for executives with the Company's strategic focus on delivering strong earnings throughout the business cycle. The focus on EBIT is considered appropriate in light of the difficult market conditions that Boral has faced over the past few years, and continues to face, particularly in the USA and Australia.

The table below provides an overview of the STI performance targets for FY2013 for current Senior Executives.

Position	Weighting and target
CEO & Managing Director and Chief Financial Officer	• 100% Group EBIT
Other current Senior Executives	• 50% Group EBIT • 50% relevant divisional EBIT

The STI performance objectives are communicated to Senior Executives at the beginning of the performance year and annual performance evaluations are conducted following the end of the financial year. For FY2013, the evaluations were conducted in July and August 2013.

For FY2013, the Group did not achieve the minimum level of EBIT performance required and no STI payments were awarded to Senior Executives for this component (i.e. Group EBIT). However, despite challenging market conditions, the Construction Materials & Cement division achieved its divisional EBIT budget (being the minimum threshold of performance required for an STI payout in FY2013) and payments were made to the current and former Divisional Managing Directors, Joseph Goss and Murray Read, respectively.

Ross Batstone was also provided with an STI award of $750,000. This payment represented 50% of his total STI opportunity and reflects his performance against defined business improvement activities. The remaining 50% was based on the achievement of a Group EBIT target, which was not met.

The table on page 53 provides details of the STI awards made for performance during FY2013.

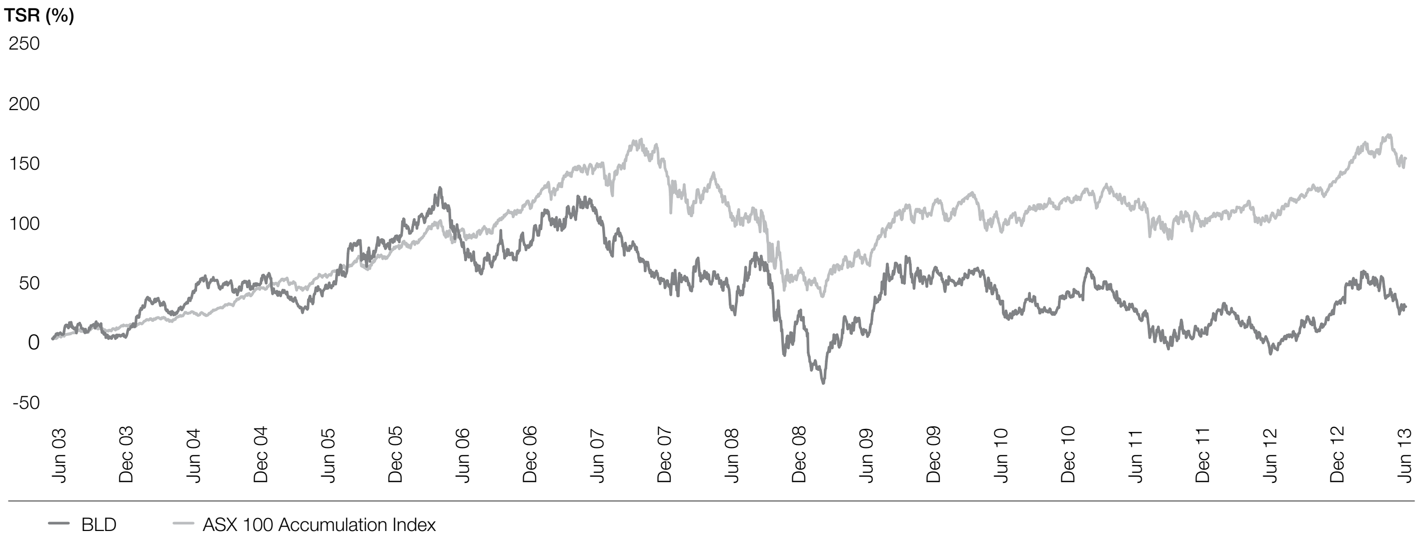
Long-term performance – FY2013

Relative TSR is the sole performance condition for the LTI award made in FY2013, as well as for the LTI awards made in previous years that were tested in FY2013. The Board believes that a relative TSR hurdle ensures alignment between comparative shareholder return and reward for the executive. It also provides a relative, external market performance measure having regard to Boral's comparative companies.

Economic conditions mostly relating to the housing and construction cycle in recent years have resulted in the Company's TSR underperforming the comparator group. The chart below demonstrates how the Company's TSR, which includes share price movements and dividends, has performed relative to the ASX 100 Accumulation Index.

In the 10 years to 30 June 2013, Boral has achieved an annual TSR of 2.4%, which is lower than that of the companies in the ASX 100 over the same period (as represented by the ASX 100 Accumulation Index).

BLD TSR vs ASX 100 Accumulation Index
10 years to 30 June 2013



The LTI grants that were available for vesting in FY2013 were the grants with respect to FY2005, FY2006, FY2007, FY2008 and FY2009.

The relative TSR performance and the vesting level for each LTI grant since October 2005 are set out in the table below. The LTI grants from November 2006 are within the seven year life and the performance hurdle may still be reached before they lapse.

The table below demonstrates the level of performance achieved for each LTI grant up to 30 June 2013.

Grant date	Expiry date	Option exercise price	Mix of options/rights	Relative TSR performance	Vesting level
Oct 05	Oct 12	$7.65	50% options 50% rights	38%	0%
Nov 06	Nov 13	$7.27	50% options 50% rights	50%	50%
Nov 07	Nov 14	$6.78	50% options 50% rights	68%	86%
Nov 08	Nov 15	N/A	100% rights	28% as at 1st test date (Nov 2011)	0%
Nov 09	Nov 16	N/A	100% rights	26% as at 1st test date (Nov 2012)	0%
Nov 10	Nov 17	N/A	100% rights	1st test date Nov 2013	N/A
Sep 11[a]	Sep 18	N/A	100% rights	1st test date Sep 2014	N/A
Sep 12	Sep 19	N/A	100% rights	1st test date Sep 2015	N/A

a The Company granted Mr Batstone 135,135 share acquisition rights on 1 September 2011 as a retention incentive, in recognition of his additional responsibilities as Divisional Managing Director of Boral Building Products in establishing a new Asian Plasterboard Division. The grant was made on terms and conditions determined by the Board and linked to service hurdles to be tested on 31 December 2012 (and not subject to a relative TSR performance hurdle). Those rights vested, and 135,135 fully paid ordinary shares were issued to Mr Batstone on 14 February 2013.

SECTION 5: SENIOR EXECUTIVE CONTRACTS AND TRANSITIONS

Remuneration structure and contract terms for Mike Kane

Mike Kane was appointed CEO & Managing Director on 1 October 2012. An overview of the terms of his employment is provided below:

Feature	Description
Total reward determination	• Benchmarked to a comparator group which is closely aligned to Boral's current market position and selected from similar companies within a range of Boral's market capitalisation. • The group includes companies from the Industrials and Materials sectors of the S&P/ASX 200 Index with a 12 month moving average market capitalisation and revenue of between 33% and 300% of Boral's.
Total reward summary	• FAR of $1.6 million as at 1 October 2012. • STI entitlement is 100% of FAR for "target" performance with a maximum of 140% of FAR for "stretch" performance. • LTI grant under the terms of the LTI plan (described at pages 41 and 46 to 47 of this Report). • At the 2012 Annual General Meeting shareholders approved a grant of 554,655 performance rights to Mr Kane as disclosed in the remuneration table on page 53. This is a nine month pro rata entitlement for FY2013, which takes account of a grant of 112,011 performance rights granted to Mr Kane in September 2012 for the first three months of FY2013 while he was in the role of President, Boral Industries USA.
Contract duration	• Ongoing contract, which can be terminated at any time by the Company upon giving 12 months' notice (or three months in the case of illness) or by Mr Kane upon giving six months' notice.
Termination of employment (without cause)	• If employment is terminated without cause, by reason of illness or death or as a result of a fundamental change, Mr Kane will receive a separation payment equal to 12 months' FAR. • In such circumstances, Mr Kane will forfeit his entitlement to any STI in respect of the year of termination (i.e. the STI is not pro-rated), unless the Board determines otherwise. • In relation to the FY2013 LTI award, any performance rights that are unvested will remain on foot and vest on the next test date if the performance hurdles are satisfied. If vesting does not occur at that time, the rights will lapse. For future LTI grants which remain unvested at the date of termination, the incentives will remain on foot in accordance with the terms of the individual grant, unless the Board determines otherwise.
Termination of employment (with cause) or resignation	• Where Mr Kane resigns, or his employment is terminated for cause, Mr Kane will not receive a separation payment. In these circumstances, Mr Kane will not be entitled to any STI in respect of the year of termination, and any unvested LTI entitlements will lapse unless the Board determines otherwise.
Relocation expenses	• Boral agreed to pay for the cost of relocating Mr Kane and his family from his base in the USA to Sydney as a result of his appointment as CEO & Managing Director, as well as reasonable rental costs for up to five years.

Mr Batstone's transition and consultancy contract

Ross Batstone held the position of CEO from 22 May 2012 until 30 September 2012, while a global search was conducted for a new CEO. The key terms of his contract and remuneration structure as a CEO were set out in last year's Remuneration Report. As at 30 September 2012, Mr Batstone ceased to be a KMP when he assumed the position of Chairman, Boral Gypsum Asia on a full-time basis. He retired as an employee of the Company on 1 July 2013.

Mr Batstone was eligible to participate in the STI plan for FY2013. The Board agreed that he met the target level of performance and that he would be entitled to receive an STI payment of $750,000.

Mr Batstone's interim CEO contract did not include an entitlement to a FY2013 grant under the Company's LTI plan; however, Mr Batstone received grants under the LTI plan in the form of options and performance rights in prior years in respect of other senior roles he held in the Company. Details of these prior grants are set out on page 54 of the Report. The Board determined that no portion of the rights granted to Mr Batstone in 2010 or 2011 under the LTI plan would lapse on his retirement, but rather are to remain on foot for their full term. These rights will vest in due course only if the applicable performance hurdles are met on the relevant test dates.

The Company granted Mr Batstone 135,135 share acquisition rights on 1 September 2011 as a retention incentive, in recognition of his additional responsibilities as Divisional Managing Director of Boral Building Products in establishing a new Asian Plasterboard Division. The grant was made on terms and conditions determined by the Board and linked to service hurdles to be tested on 31 December 2012. Those rights vested, and 135,135 fully paid ordinary shares were issued to Mr Batstone on 14 February 2013.

To ensure Boral does not lose the benefit of Mr Batstone's experience and deep business knowledge of Boral's gypsum operations in Australia and Asia, upon his retirement from the Company, Mr Batstone has been engaged under a consultancy arrangement for a further period of up to two years.

CFO transition
On 20 August 2013, the Company announced the appointment of Ms Rosaline Ng as Chief Financial Officer of Boral Limited, effective 15 September 2013. Ms Ng replaces Mr Andrew Poulter who leaves Boral for personal reasons and ceases to be classified as one of Boral's key management personnel on 15 September 2013. Mr Poulter will remain in employment and available to assist Boral through a transition period until 28 February 2014, at which time he will be entitled to receive payment of approximately one year's fixed remuneration under the terms of his contract.

Impact of other executive transitions
Mike Beardsell, Bryan Tisher and Murray Read all departed the Group in FY2013. The tables on pages 52 to 54 provide further details regarding these KMP departures.

Mr Beardsell, Mr Tisher and Mr Read each received a separation payment equivalent to 12 months' FAR.

In addition, as each departing Senior Executive is a "good leaver", their unvested LTIs will remain on foot (subject to the usual pro rata scale back arrangements under the relevant LTI plan rules) and will be tested in due course. This is not a "termination benefit" for the purposes of the statutory cap on termination benefits, as no value has crystallised in connection with termination and the former Senior Executives will only derive value from the awards to the extent the performance conditions are satisfied. However, in accordance with the treatment required under the accounting standards when a Senior Executive is terminated and their outstanding awards remain on foot, the table on page 52 shows the accelerated costs associated with their unvested performance rights and/or options.

Contract terms for other current Senior Executives
Key features of the employment arrangements for the current Senior Executives (other than the CEO & Managing Director) include:

- employment continues until terminated by either the Senior Executive or Boral;
- notice periods are typically six months, but reduce where termination is for performance reasons; and
- termination by the Company for reasons other than resignation or performance results in a termination payment of 12 months' fixed remuneration.

The entitlement of Senior Executives to unvested LTI awards is dealt with under the LTI plan rules and the specific terms of grant.

SECTION 6: SENIOR EXECUTIVE REMUNERATION TABLES

The following Senior Executive remuneration table has been prepared in accordance with the accounting standards and has been audited. The values in the table below align with the amounts expensed in Boral's financial statements.

These amounts differ from the actual remuneration outcomes table on page 43 in that LTI payments in the earlier table reflect the value of rights that actually vested during the year while the "share-based payments" below reflect the fair market value of LTI grants made calculated in accordance with the accounting standards. This includes an accelerated LTI expense for those Senior Executives who ceased employment in FY2013 but were allowed to retain their unvested LTI awards on the same terms (including performance conditions) as if they had remained employed.

Senior Executive remuneration table

A$'000s		Short term: Cash salary[c]	Short term: Short-term incentive	Short term: Non-monetary benefits[d]	Post employment: Super-annuation	Termination benefit	Share-based payments[a]: Options	Share-based payments[a]: Rights	Other long term[b]	Total
Current Senior Executives										
Mike Kane[e]	**2013**	**1,494.1**	**0.0**	**140.9**	**29.7**	**0.0**	**0.0**	**359.3**	**20.4**	**2,044.4**
	2012	462.1	196.4	30.3	66.6	0.0	0.0	85.5	0.0	840.9
Al Borm[f]	**2013**	**326.5**	**0.0**	**30.3**	**37.5**	**0.0**	**0.0**	**30.7**	**0.0**	**425.0**
Joseph Goss[g]	**2013**	**241.9**	**14.1**	**2.4**	**0.0**	**0.0**	**0.0**	**0.0**	**3.2**	**261.6**
Andrew Poulter	**2013**	**791.0**	**0.0**	**0.0**	**16.5**	**0.0**	**0.0**	**158.8**	**13.5**	**979.8**
	2012	765.4	0.0	0.0	15.8	0.0	0.0	77.8	12.7	871.7
Frederic de Rougemont[h]	**2013**	**429.1**	**0.0**	**240.0**	**95.1**	**0.0**	**0.0**	**41.6**	**0.0**	**805.8**
Darren Schulz	**2013**	**224.4**	**0.0**	**5.3**	**7.0**	**0.0**	**0.0**	**2.6**	**3.1**	**242.4**
Sub-total	**2013**	**3,507.0**	**14.1**	**418.9**	**185.8**	**0.0**	**0.0**	**593.0**	**40.2**	**4,759.0**
Former Senior Executives										
Ross Batstone[i]	**2013**	**335.6**	**750.0**	**3.5**	**39.4**	**0.0**	**1.9**	**188.9**	**5.7**	**1,325.0**
	2012	818.9	0.0	19.4	127.1	0.0	28.9	953.5[j]	13.7	1,961.5
Mike Beardsell	**2013**	**377.3**	**0.0**	**9.0**	**9.6**	**688.6**	**3.4**	**243.8**	**6.7**	**1,338.4**
	2012	658.1	0.0	19.1	15.8	0.0	13.1	173.9	11.0	891.0
Murray Read	**2013**	**548.1**	**52.3**	**0.0**	**31.3**	**770.3**	**3.4**	**273.4**	**9.3**	**1,688.1**
	2012	642.5	0.0	0.2	100.0	0.0	12.6	192.3	10.7	958.3
Bryan Tisher	**2013**	**414.6**	**0.0**	**5.9**	**9.6**	**685.2**	**5.6**	**300.0**	**7.1**	**1,428.0**
Sub-total	**2013**	**1,675.6**	**802.3**	**18.4**	**89.9**	**2,144.1**	**14.3**	**1,006.1**	**28.8**	**5,779.5**
Total	**2013**	**5,182.6**	**816.4**	**437.3**	**275.7**	**2,144.1**	**14.3**	**1,599.1**	**69.0**	**10,538.5**
Total	2012	3,347.0	196.4	69.0	325.3	0.0	54.6	1,483.0	48.1	5,523.4

a The fair market value of the options and rights is calculated at the date of grant using the Monte Carlo simulation analysis. The value is allocated to each reporting period evenly over the period of five years from the grant date. The value disclosed above is the portion of the fair market value of the options and rights allocated to the FY2013 reporting period.
b Other long term includes long service leave accruals.
c Cash salary includes all fixed salary, relocation allowances and accrued annual leave.
d Includes all non-monetary benefits, such as parking, medical insurance, home leave, housing allowances, vehicle costs, and any applicable fringe benefits tax payable by the Company upon providing these benefits.
e Mike Kane's remuneration for his period as President, Boral Industries USA during FY2013 has been converted at the foreign exchange rate of AUD1=USD1.0238 being the average conversion for the FY2013 period.
f Al Borm's remuneration for FY2013 has been converted at the foreign exchange rate of AUD1=USD1.0238 being the average conversion for the FY2013 period.
g Under the terms of his expatriate agreement, superannuation contributions have not been made for Joseph Goss.
h Frederic de Rougemont's remuneration for FY2013 has been converted at the foreign exchange rate of AUD1=EUR0.7903 being the average conversion for the FY2013 period.
i Remuneration for Ross Batstone for FY2013 is for his period as CEO only, when he was a KMP.
j Includes an expense in FY2012 for Ross Batstone for rights of $332,384 that would normally have been amortised over future years.

STI payments

The table below details the STI payments awarded for FY2013. These are typically paid in September of each year.

	2013			2012[a]		
	Cash bonus A$'000s	% vested of target STI	% forfeited of target STI	Cash bonus A$'000s	% vested of target STI	% forfeited of target STI
Current Senior Executives						
Mike Kane	**0.0**	**0**	**100**	196.4	42	58
Al Borm	**0.0**	**0**	**100**	N/A	N/A	N/A
Joseph Goss	**14.1**	**15**	**85**	N/A	N/A	N/A
Andrew Poulter	**0.0**	**0**	**100**	0.0	0	100
Frederic de Rougemont	**0.0**	**0**	**100**	N/A	N/A	N/A
Darren Schulz	**0.0**	**0**	**100**	N/A	N/A	N/A
Former Senior Executives						
Ross Batstone	**750.0**	**50**	**50**	0.0	0	100
Mike Beardsell	**0.0**	**0**	**100**	0.0	0	100
Murray Read	**52.3**	**15**	**85**	0.0	0	100
Bryan Tisher	**0.0**	**0**	**100**	N/A	N/A	N/A
Total	**816.4**	**–**	**–**	196.4	–	–

a Al Borm, Joseph Goss, Frederic de Rougemont, Darren Schulz and Bryan Tisher were not Senior Executives for the FY2012 performance period.

LTI grants and movement during the year

The following tables provide details of rights granted during the year under the LTI plan, as well as the movement during the year in options and rights granted under the LTI plan in previous financial years.

		Balance at 1 July 2012	Granted during the year as remuneration[a]	Value of grant[b]	Exercised/ vested during the year	Value of options and rights exercised/ vested[c]	Lapsed/ cancelled during the year	Value of options and rights lapsed/ cancelled[d]	Balance at 30 June 2013
		Number	Number	$	Number	$	Number	$	Number
Current Senior Executives[e]									
Mike Kane	Rights	181,002	666,666	1,599,998	–	–	–	–	**847,668**
Al Borm	Rights	48,900	34,640	83,136	–	–	–	–	**83,540**
Joseph Goss	Rights	–	–	–	–	–	–	–	**–**
Andrew Poulter	Rights	188,205	169,875	407,700	–	–	–	–	**358,080**
Frederic de Rougemont	Rights	–	104,442	250,661	–	–	–	–	**104,442**
Darren Schulz	Rights	–	13,333	31,999	–	–	–	–	**13,333**
Former Senior Executives									
Ross Batstone	Options	240,700	–	–	–	–	(71,700)	548,505	**169,000**
	Rights	659,142	–	–	(135,135)	669,351	(18,849)	95,376	**505,158**
Mike Beardsell	Options	102,000	–	–	–	–	(25,500)	195,075	**76,500**
	Rights	309,050	131,888	316,531	–	–	(325,972)	915,665	**114,966**
Murray Read	Options	99,000	–	–	–	–	(27,300)	208,845	**71,700**
	Rights	354,703	161,458	387,499	–	–	(7,175)	36,306	**508,986**
Bryan Tisher	Options	170,500	–	–	–	–	(49,400)	377,910	**121,100**
	Rights	340,718	135,000	324,000	–	–	(288,314)	735,649	**187,404**

a Rights were granted to Senior Executives on 1 September 2012, with the earliest vesting date on 1 September 2015 and the last vesting date (expiry date) of 1 September 2019.
b The fair market value of rights granted on 1 September 2012, calculated using a Monte Carlo simulation analysis, is $2.40 per right.
c Calculated per right as the market price of Boral shares on the date of vesting. No exercise price is payable in respect of rights that vest. While there were exercisable options during the year, no options were exercised by Senior Executives because the exercise price exceeded the market price for Boral shares.
d Value is calculated at fair market value of option or right on date of grant.
e No options were granted to any Senior Executives during the FY2013 period.

The number of options and rights included in the balance at 30 June 2013 for the Senior Executives is set out below:

		Year of grant							
		2006	2007	2008	2009	2010	2011	2012	**Balance at 30 June 2013**
Current Senior Executives									
Mike Kane	Rights	–	–	–	–	78,717	102,285	666,666	**847,668**
Al Borm	Rights	–	–	–	–	14,582	34,318	34,640	**83,540**
Joseph Goss[a]	Rights	–	–	–	–	–	–	–	**–**
Andrew Poulter	Rights	–	–	–	–	21,701	166,504	169,875	**358,080**
Frederic de Rougemont	Rights	–	–	–	–	–	–	104,442	**104,442**
Darren Schulz	Rights	–	–	–	–	–	–	13,333	**13,333**
Former Senior Executives									
Ross Batstone	Options	74,900	94,100	–	–	–	–	–	**169,000**
	Rights	10,232	3,427	74,624	82,463	147,569	186,843	–	**505,158**
Mike Beardsell	Options	34,100	42,400	–	–	–	–	–	**76,500**
	Rights	4,655	1,545	–	–	65,716	43,050	–	**114,966**
Murray Read[b]	Options	29,300	42,400	–	–	–	–	–	**71,700**
	Rights	4,008	1,544	29,538	29,175	125,000	158,263	161,458	**508,986**
Bryan Tisher	Options	51,800	69,300	–	–	–	–	–	**121,100**
	Rights	7,083	2,522	60,576	60,430	56,793	–	–	**187,404**

a Joseph Goss became a Senior Executive from 1 April 2013 and did not receive any rights following his appointment during FY2013.
b The balance of options and rights for Murray Read are as at 30 June 2013. Murray Read departed the Group on 1 July 2013, on which date his LTI awards became subject to a pro rata lapsing in accordance with the relevant LTI plan rules.

The unvested options and rights have a minimum value of zero if they do not reach the 50th percentile relative TSR measure. The maximum value of unvested rights is the sale price of Boral shares at the date of vesting while the maximum value of unvested options is the sale price of Boral shares at the date of exercise less the applicable exercise price.

SECTION 7: NON-EXECUTIVE DIRECTORS' REMUNERATION

The non-executive Directors receive fixed remuneration only, which includes base remuneration (Board fees) and Board Committee fees. It is structured on a total remuneration basis which is paid in the form of cash and superannuation contributions. The Directors do not receive any variable remuneration or other performance related incentives such as options or rights to shares, and no retirement benefits are provided to non-executive Directors other than superannuation contributions.

The current aggregate fee limit of $1,550,000 per annum was approved at the Company's Annual General Meeting in November 2011.

Non-executive Director fee levels for the 2013 financial year were as follows:

Position	Base remuneration	Committee fees	Total remuneration
Chairman	$390,000	$0	$390,000
Committee Chairman	$130,000	$28,540	$158,540
Director	$130,000	$14,270	$144,270

The total annual non-executive Director remuneration for the current Board of seven non-executive Directors for FY2013 was $1,339,891 including superannuation.

Non-executive Directors' remuneration is reviewed annually by the full Board. This review takes account of the recommendations of the Remuneration & Nomination Committee and external benchmarking of comparable companies. During the year, the Board took independent advice from EY regarding non-executive Directors' remuneration.

Non-executive Directors' total remuneration
The remuneration of the non-executive Directors is set out in the following table.

	2013			2012		
A$'000s	**Short-term Board and Committee fees**	**Post-employment superannuation**	**Total remuneration**	Short-term Board and Committee fees	Post-employment superannuation	Total remuneration
Directors						
Catherine Brenner	**145.4**	**13.1**	**158.5**	134.3	12.1	146.4
Brian Clark	**145.4**	**13.1**	**158.5**	140.8	12.7	153.5
Eileen Doyle	**158.5**	**14.3**	**172.8**	153.6	13.8	167.4
Bob Every, Chairman	**373.5**	**16.5**	**390.0**	366.0	15.8	381.8
Richard Longes	**132.4**	**11.9**	**144.3**	130.0	11.7	141.7
John Marlay[a]	**145.4**	**11.8**	**157.2**	142.8	12.9	155.7
Paul Rayner	**145.4**	**13.1**	**158.5**	140.8	12.6	153.4
Total	**1,246.0**	**93.8**	**1,339.8**	1,208.3	91.6	1,299.9

a John Marlay's superannuation was reduced by $1,349 in FY2013 to reflect an overpayment in the FY2012 year.

Income Statement

Boral Limited and Controlled Entities

For the year ended 30 June	Note	CONSOLIDATED 2013 $ millions	2012 $ millions
Continuing operations			
Revenue	3	**5,209.4**	4,716.2
Cost of sales		**(3,806.4)**	(3,425.4)
Selling and distribution expenses		**(871.9)**	(812.6)
Administrative expenses		**(352.9)**	(331.0)
		(5,031.2)	(4,569.0)
Other income	3	**50.8**	207.5
Other expenses	3	**(455.6)**	(119.3)
Share of net profit of associates	3,12	**17.6**	30.8
Profit/(loss) before net financing costs and income tax expense		**(209.0)**	266.2
Financial income	3	**7.6**	14.6
Financial expenses	3	**(103.6)**	(99.5)
Net financing costs		**(96.0)**	(84.9)
Profit/(loss) before income tax expense		**(305.0)**	181.3
Income tax benefit/(expense)	6	**98.0**	29.2
Profit/(loss) from continuing operations		**(207.0)**	210.5
Discontinued operations			
Profit/(loss) from discontinued operations (net of income tax)	5	**1.3**	(32.8)
Net profit/(loss)		**(205.7)**	177.7
Attributable to:			
Members of the parent entity		**(212.1)**	176.6
Non-controlling interests		**6.4**	1.1
Net profit/(loss)		**(205.7)**	177.7
Basic earnings per share	8	**(27.7c)**	23.8c
Diluted earnings per share	8	**(27.7c)**	23.6c
Continuing operations			
Basic earnings per share	8	**(27.8c)**	28.2c
Diluted earnings per share	8	**(27.8c)**	28.0c

The income statement should be read in conjunction with the accompanying notes which form an integral part of the financial statements.

Statement of Comprehensive Income

Boral Limited and Controlled Entities

For the year ended 30 June	Note	CONSOLIDATED 2013 $ millions	2012 $ millions
Net profit/(loss)		**(205.7)**	177.7
Other comprehensive income			
Items that will not be reclassified to Income Statement:			
Actuarial gain/(loss) on defined benefit plans	27	**4.5**	(9.8)
Income tax on items that will not be reclassifed to Income Statement		**(1.4)**	3.0
Items that may be reclassified subsequently to Income Statement:			
Net exchange differences from translation of foreign operations taken to equity		**116.3**	(4.4)
Foreign currency translation reserve transferred to net profit on recognition of LBGA as a subsidiary	24	**–**	30.5
Foreign currency translation reserve transferred to net profit on disposal of controlled entities	24	**3.1**	18.6
Fair value adjustment on cash flow hedges	24	**8.3**	(4.2)
Income tax on items that may be reclassified subsequently to Income Statement		**56.0**	2.5
Total comprehensive income/(loss)		**(18.9)**	213.9
Total comprehensive income is attributable to:			
Members of the parent entity		**(33.6)**	210.7
Non-controlling interests		**14.7**	3.2
Total comprehensive income/(loss)		**(18.9)**	213.9

The statement of comprehensive income should be read in conjunction with the accompanying notes which form an integral part of the financial statements.

Balance Sheet

Boral Limited and Controlled Entities

As at 30 June	Note	CONSOLIDATED 2013 $ millions	2012 $ millions
CURRENT ASSETS			
Cash and cash equivalents	9	**149.9**	205.7
Cash on deposit	9	**70.6**	–
Receivables	10	**887.8**	809.6
Inventories	11	**680.0**	656.1
Other financial assets	13	**11.6**	0.2
Other	16	**42.8**	69.0
Assets classified as held for sale	5	**–**	62.9
TOTAL CURRENT ASSETS		**1,842.7**	1,803.5
NON-CURRENT ASSETS			
Receivables	10	**16.8**	17.8
Inventories	11	**19.6**	104.9
Investments accounted for using the equity method	12	**34.6**	36.6
Other financial assets	13	**23.5**	–
Property, plant and equipment	14	**3,347.1**	3,566.7
Intangible assets	15	**849.9**	820.1
Deferred tax assets	21	**133.7**	101.2
Other	16	**48.5**	48.3
TOTAL NON-CURRENT ASSETS		**4,473.7**	4,695.6
TOTAL ASSETS		**6,316.4**	6,499.1
CURRENT LIABILITIES			
Payables	17	**760.1**	732.2
Loans and borrowings	18	**126.9**	148.3
Other financial liabilities	19	**56.1**	7.1
Current tax liabilities	20	**19.1**	22.8
Provisions	22	**212.1**	187.8
Liabilities classified as held for sale	5	**–**	44.6
TOTAL CURRENT LIABILITIES		**1,174.3**	1,142.8
NON-CURRENT LIABILITIES			
Payables	17	**9.4**	10.9
Loans and borrowings	18	**1,539.6**	1,575.1
Other financial liabilities	19	**25.5**	72.4
Deferred tax liabilities	21	**57.6**	182.5
Provisions	22	**116.5**	112.0
TOTAL NON-CURRENT LIABILITIES		**1,748.6**	1,952.9
TOTAL LIABILITIES		**2,922.9**	3,095.7
NET ASSETS		**3,393.5**	3,403.4
EQUITY			
Issued capital	23	**2,433.8**	2,368.4
Reserves	24	**74.4**	(109.2)
Retained earnings		**796.0**	1,069.9
Total parent entity interest		**3,304.2**	3,329.1
Non-controlling interests		**89.3**	74.3
TOTAL EQUITY		**3,393.5**	3,403.4

The balance sheet should be read in conjunction with the accompanying notes which form an integral part of the financial statements.

Statement of Changes in Equity

Boral Limited and Controlled Entities

For the year ended 30 June 2013	Issued capital $ millions	Reserves $ millions	Retained earnings $ millions	Total parent entity interest $ millions	Non-controlling interests $ millions	Total equity $ millions
	CONSOLIDATED					
Balance at 1 July 2012	**2,368.4**	**(109.2)**	**1,069.9**	**3,329.1**	**74.3**	**3,403.4**
Net profit/(loss)	**–**	**–**	**(212.1)**	**(212.1)**	**6.4**	**(205.7)**
Other comprehensive income						
Translation of net assets of overseas controlled entities	**–**	**187.7**	**–**	**187.7**	**8.3**	**196.0**
Translation of long-term borrowings and foreign currency forward contracts	**–**	**(79.7)**	**–**	**(79.7)**	**–**	**(79.7)**
Foreign currency translation reserve transferred to net profit on disposal of controlled entities	**–**	**3.1**	**–**	**3.1**	**–**	**3.1**
Fair value adjustment on cash flow hedges	**–**	**8.3**	**–**	**8.3**	**–**	**8.3**
Actuarial gain/(loss) on defined benefit plans	**–**	**–**	**4.5**	**4.5**	**–**	**4.5**
Income tax relating to other comprehensive income	**–**	**56.0**	**(1.4)**	**54.6**	**–**	**54.6**
Total comprehensive income	**–**	**175.4**	**(209.0)**	**(33.6)**	**14.7**	**(18.9)**
Transactions with owners in their capacity as owners						
Shares issued under the Dividend Reinvestment Plan	**64.9**	**–**	**–**	**64.9**	**–**	**64.9**
Shares issued on vesting of rights	**0.5**	**(0.5)**	**–**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**(64.9)**	**(64.9)**	**(6.0)**	**(70.9)**
Share-based payments	**–**	**8.7**	**–**	**8.7**	**–**	**8.7**
Contributions by non-controlling interests	**–**	**–**	**–**	**–**	**6.3**	**6.3**
Total transactions with owners in their capacity as owners	**65.4**	**8.2**	**(64.9)**	**8.7**	**0.3**	**9.0**
Balance at 30 June 2013	**2,433.8**	**74.4**	**796.0**	**3,304.2**	**89.3**	**3,393.5**

For the year ended 30 June 2012	Issued capital $ millions	Reserves $ millions	Retained earnings $ millions	Total parent entity interest $ millions	Non-controlling interests $ millions	Total equity $ millions
	CONSOLIDATED					
Balance at 1 July 2011	2,261.3	(159.5)	1,007.0	3,108.8	47.6	3,156.4
Net profit	–	–	176.6	176.6	1.1	177.7
Other comprehensive income						
Translation of net assets of overseas controlled entities	–	(1.5)	–	(1.5)	2.1	0.6
Translation of long-term borrowings and foreign currency forward contracts	–	(5.0)	–	(5.0)	–	(5.0)
Foreign currency translation reserve transferred to net profit on recognition of LBGA as a subsidiary	–	30.5	–	30.5	–	30.5
Foreign currency translation reserve transferred to net profit on disposal of controlled entities	–	18.6	–	18.6	–	18.6
Fair value adjustment on cash flow hedges	–	(4.2)	–	(4.2)	–	(4.2)
Actuarial gain/(loss) on defined benefit plans	–	–	(9.8)	(9.8)	–	(9.8)
Income tax relating to other comprehensive income	–	2.5	3.0	5.5	–	5.5
Total comprehensive income	–	40.9	169.8	210.7	3.2	213.9
Transactions with owners in their capacity as owners						
Shares issued under the Dividend Reinvestment Plan	106.9	–	–	106.9	–	106.9
Shares issued on vesting of rights	0.2	(0.2)	–	–	–	–
Dividends paid	–	–	(106.9)	(106.9)	(1.0)	(107.9)
Purchase of employee compensation shares	–	(1.0)	–	(1.0)	–	(1.0)
Share-based payments	–	10.6	–	10.6	–	10.6
Non-controlling interest acquired	–	–	–	–	22.8	22.8
Purchase of non-controlling interest	–	–	–	–	(0.8)	(0.8)
Non-controlling interest disposed	–	–	–	–	(2.9)	(2.9)
Contributions by non-controlling interests	–	–	–	–	5.4	5.4
Total transactions with owners in their capacity as owners	107.1	9.4	(106.9)	9.6	23.5	33.1
Balance at 30 June 2012	2,368.4	(109.2)	1,069.9	3,329.1	74.3	3,403.4

The statement of changes in equity should be read in conjunction with the accompanying notes which form an integral part of the financial statements.

Statement of Cash Flows

Boral Limited and Controlled Entities

For the year ended 30 June	Note	CONSOLIDATED 2013 $ millions	2012 $ millions
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**5,643.9**	5,426.0
Payments to suppliers and employees		**(5,203.3)**	(5,069.4)
		440.6	356.6
Dividends received		**18.6**	22.1
Interest received		**7.6**	15.1
Borrowing costs paid		**(101.8)**	(99.7)
Income taxes (paid)/received		**2.2**	(69.7)
Acquisition costs, restructure costs and legal settlements paid	35	**(73.2)**	(91.1)
NET CASH PROVIDED BY OPERATING ACTIVITIES	35	**294.0**	133.3
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(293.4)**	(408.8)
Purchase of intangibles		**(0.4)**	(5.6)
Purchase of controlled entities and businesses (net of cash acquired)	32	**–**	(700.5)
Purchase of non-controlling interest		**–**	(0.8)
Loans to associates		**1.8**	0.4
Increase in cash on deposit		**(63.9)**	–
Proceeds on disposal of non-current assets		**84.9**	64.3
Proceeds on disposal of controlled entities and businesses (net of cash disposed and transaction costs)	5	**87.8**	65.3
NET CASH USED IN INVESTING ACTIVITIES		**(183.2)**	(985.7)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**35.5**	52.1
Purchase of employee compensation shares		**–**	(1.0)
Dividends paid (net of dividends reinvested under the Dividend Reinvestment Plan of $29.4 million (2012: $54.8 million))		**(35.5)**	(52.1)
Dividends paid to non-controlling interests		**(6.0)**	(1.0)
Contributions by non-controlling interests		**6.3**	5.4
Proceeds from borrowings		**186.5**	630.9
Repayment of borrowings		**(352.8)**	(162.2)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		**(166.0)**	472.1
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(55.2)**	(380.3)
Cash and cash equivalents at the beginning of the year		**181.5**	561.2
Effects of exchange rate fluctuations on the balances of cash and cash equivalents held in foreign currencies		**9.4**	0.6
Cash and cash equivalents at the end of the year	35	**135.7**	181.5

The statement of cash flows should be read in conjunction with the accompanying notes which form an integral part of the financial statements.

Notes to the Financial Statements

Boral Limited and Controlled Entities

1. Significant accounting policies

Boral Limited (the "Company") is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The consolidated financial statements for the year ended 30 June 2013 comprise Boral Limited and its controlled entities (the "Group").

The financial statements were authorised for issue by the Directors on 10 September 2013.

The Group is a for-profit entity and is primarily involved in the manufacturing and supply of building and construction materials in Australia, Asia and the United States of America.

A. Basis of preparation

The financial statements are a general purpose financial statement which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements of the Group comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board.

The financial statements are presented in Australian dollars, which is the Company's functional currency. The functional currency is the principal currency in which subsidiaries and associates operate.

The financial statements have been prepared on the basis of historical cost, except for derivative financial assets and financial assets classified as available for sale, which have been measured at fair value. The carrying value of recognised assets and liabilities that are hedged with fair value hedges are adjusted to record changes in the fair value attributable to the risks that are being hedged.

Significant accounting judgements, estimates and assumptions: The preparation of financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements relate to the following areas:

- **Goodwill and intangibles:** Judgements are made with respect to identifying and valuing intangible assets on acquisition of new businesses. The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at each balance date. These calculations involve an estimation of the recoverable amount of a cash generating unit to which goodwill and intangibles with indefinite useful lives are allocated.
- **Provision for restoration and environmental rehabilitation:** Restoration and environmental rehabilitation costs are part of the Group's operations where natural resources are extracted. Provisions represent estimates of future costs associated with closure and rehabilitation of various sites. The provision calculation requires assumptions on closure dates, application of environmental legislation, available technologies and consultant cost estimates. The ultimate costs remain uncertain and costs may vary in response to a number of factors including changes to relevant legislation and ultimate use of the site.
- **Income taxes:** The Group is subject to income taxes in Australia and other jurisdictions in which Boral operates. In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. Changes in circumstances will alter expectations, which may impact the amount recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised.
- **Share-based payments:** The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Monte Carlo simulation option-pricing model.
- **Estimation of useful lives of assets:** Estimation of useful lives of assets has been based on historical experience. In addition, the condition of assets is assessed at least annually and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.
- **Defined benefit plans:** Various actuarial assumptions are required when determining the Group's pension schemes and other post-employment benefit obligations. These assumptions and the related carrying amounts are disclosed in the employee benefits note.

Changes in accounting policies: The Group has adopted all new and amended Australian Accounting Standards and Australian Accounting Standards Board (AASB) interpretations that are mandatory for the current reporting period and relevant to the Group.

Adoption of these standards and interpretations has not resulted in any material changes to the Group's financial statements.

New accounting standards: Several new accounting standards have been published that are not mandatory for this reporting period and have not yet been adopted by the Group:

AASB 9 Financial Instruments (2010)
AASB 10 Consolidated Financial Statements
AASB 11 Joint Arrangements
AASB 12 Disclosure of Interests in Other Entities
AASB 13 Fair Value Measurement
AASB 119 Employee Benefits (revised)
AASB 128 Investments in Associates and Joint Ventures
AASB Interpretation 20 Stripping Costs

Notes to the Financial Statements

Boral Limited and Controlled Entities

1. Significant accounting policies (continued)

The impact of these changes is still being fully assessed; however, initial assessments indicate that there will be no significant impact on the Group's financial statements.

B. Principles of consolidation

Subsidiaries: Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases.

Associates: Associates are those entities for which the Group has significant influence, but not control, over the financial and operating policies. The financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Jointly controlled operations and assets: The interests of the Group in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls and the liabilities that it incurs, and the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

Transactions eliminated on consolidation: Intragroup balances and transactions, and any unrealised gains and losses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses arising from transactions with associates are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Business combinations: The acquisition method of accounting is used to account for all business combinations.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date.

On an acquisition-by-acquisition basis the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. Where the excess is negative, a bargain purchase gain is recognised immediately in the Income Statement.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the Income Statement.

C. Revenue recognition

Revenue is recognised at fair value of the consideration received net of the amount of goods and services tax (GST).

Sale of goods revenue: Sale of goods revenue is recognised (net of returns, discounts and allowances) when the significant risks and rewards of ownership have been transferred to the buyer, which is the date goods are delivered to the customer.

Rendering of services revenue: Revenue from rendering services is recognised in proportion to the stage of completion of the contract when the stage of contract completion can be reliably measured. An expected loss is recognised immediately as an expense.

Land development projects: Revenue from the sale of land development projects is recognised when all of the following conditions have been met: contracts are exchanged; a significant non-refundable deposit is received; and material conditions contained within the contract are met.

Dividends: Revenue from dividends from other investments is recognised once the right to payment is established.

D. Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the Income Statement on a straight-line basis over the expected lives of the related assets.

E. Income tax

Income tax disclosed in the Income Statement comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect to previous years.

1. Significant accounting policies (continued)

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profits and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation: Boral Limited and its wholly owned Australian controlled entities have elected to enter into tax consolidation effective 1 July 2002. As a consequence, all members of the tax consolidated group are taxed as a single entity. The head entity is Boral Limited.

Taxation of financial arrangements (TOFA): *The Tax Law Amendment (Taxation of Financial Arrangements) Act 2009* (TOFA legislation) applies to certain financial arrangements of a company for income years commencing on or after 1 July 2010. TOFA changes the tax treatment of financial arrangements, including the treatment of hedging transactions. The Group has not made any elections under the TOFA legislation and as a result there is no material impact on the financial statements.

F. Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

G. Net financing costs

Financing costs include interest payable on borrowings calculated using the effective interest rate method, finance charges in respect of finance leases, exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs and differences relating to the unwinding of the discount of assets and liabilities measured at amortised cost.

Financing costs are recognised as an expense in the period in which they are incurred, unless they relate to a qualifying asset. Financing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

Financial income is recognised as it accrues, taking into account the effective yield on the financial asset.

H. Foreign currencies

Transactions: Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Income Statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Translation: The financial statements of foreign operations are translated to Australian dollars as follows:

- assets (including goodwill) and liabilities for each balance sheet are translated at the closing rate at the date of that balance sheet;
- all resulting exchange differences are recognised as a separate component of equity (foreign currency translation reserve); and
- income and expenses for each Income Statement are translated at average exchange rates approximating the rates prevailing on the transaction dates.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve. When a foreign operation is sold, a proportionate share of such exchange differences are recognised in the Income Statement as part of the gain or loss on sale.

I. Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less allowance for impairment. An allowance for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the allowance is recognised in the Income Statement.

J. Inventories

Inventories and work in progress are valued at the lower of cost (including materials, labour and appropriate overheads) and net realisable value. Cost is determined predominantly on the first-in-first-out basis of valuation. Net realisable value is determined on the basis of each entity's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

Notes to the Financial Statements

Boral Limited and Controlled Entities

1. Significant accounting policies (continued)

Land development projects: Land development projects are stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, development and holding costs during development. Costs incurred after completion of development are expensed as incurred.

K. Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increase in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the Income Statement.

L. Impairment

The carrying value of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill, the recoverable amount is assessed at each balance date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement, unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the Income Statement. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value of money using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Discount rates of 12.8% (2012: 12.8%) for the Australian businesses and 13.9% (2012: 13.9%) for the US businesses were applied for impairments recognised for the year ended 30 June 2013.

In respect of assets valued at fair value less costs to sell, the assets are valued based on indicative offers.

Reversals of impairment: An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent of the asset's carrying amount net of depreciation or amortisation, as if no impairment loss has been recognised.

M. Intangible assets

Goodwill: Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Negative goodwill arising on an acquisition is recognised directly in the Income Statement.

Other intangible assets: Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation: Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each annual balance sheet date. Other intangible assets are amortised from the date that they are available for use.

N. Deferred expenses

Expenditure is deferred to the extent that it is considered probable that future economic benefits embodied in the expenditure will eventuate and can be reliably measured. Deferred expenses including mine stripping costs, development of quarry infrastructure and deferred maintenance are amortised over the period in which the related benefits are expected to be realised. The carrying value of deferred expenditure is reviewed in accordance with the policy set out under impairment.

O. Investments

All investments are initially recognised at cost being the fair value of consideration given and include acquisition costs associated with the investment.

After initial recognition, investments which are classified as available for sale are measured at fair value. Gains and losses on available for sale investments are recognised as a separate component of equity until the investment is sold, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the Income Statement.

For investments that are actively traded in organised financial markets, the fair value is determined by reference to the Stock Exchange quoted market bid prices at the close of business at the balance sheet date.

1. Significant accounting policies (continued)

P. Property, plant and equipment

Owned assets: Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. Assessment of impairment loss is made in accordance with the impairment policy.

The cost of property, plant and equipment includes the cost of decommissioning and restoration costs at the end of their economic lives if a present legal or constructive obligation exists.

When an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased plant and equipment: Leases under which the Group assumes substantially all the risk and rewards of ownership are classified as finance leases. Other leases are classified as operating leases. Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

Operating leases are not capitalised and lease costs are expensed.

Depreciation: Items of property, plant and equipment, including buildings and leasehold property but excluding freehold land, are depreciated using the straight-line method over their expected useful lives. Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

The depreciation and amortisation rates used for each class of asset are as follows:

	2013	2012
Buildings	**1 – 10%**	1 – 10%
Timber licences and mineral reserves	**1 – 5%**	1 – 5%
Plant and equipment	**5 – 33.3%**	5 – 33.3%

Q. Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Payables are stated at their amortised cost.

R. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Subsequent to initial recognition, borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowings on an effective interest basis.

S. Employee benefits

Wages and salaries: The provision for employee entitlement to wages and salaries represents the amount which the Group has a present obligation to pay resulting from employees' services provided up to the balance date.

Annual leave, long service leave and retirement benefits: The provision for employee entitlements in respect of long service leave and retirement benefits represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

Provisions for employee entitlements which are not expected to be settled within 12 months are calculated using expected future increases in wage and salary rates, including related on-costs and expected settlement dates based on turnover history and are discounted using the rates attached to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

Superannuation: The Group contributes to several defined benefit and defined contribution superannuation plans.

Defined contribution plan obligations are recognised as an expense in the Income Statement as incurred.

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted.

All actuarial gains and losses that arise in calculating the Group's obligation in respect of the plan are recognised directly in retained earnings.

When the calculation results in plan assets exceeding liabilities for the Group, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Share-based payments: The Group provides benefits to senior executives in the form of share-based payment transactions, whereby senior executives render services in exchange for options and/or rights over shares.

The cost of the share-based payments with employees is measured by reference to the fair value at the date at which they are granted. The fair value is measured at grant date and recognised as an expense over the expected vesting period with a corresponding increase in equity. The amount recognised is adjusted to reflect the actual number of options that vest, except for those that fail to vest due to market conditions not being achieved.

The fair value at grant date is independently determined using a pricing model that takes into account the exercise price, the terms of the share-based payment, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the payment, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the share-based payment.

For shares issued under the Employee Share Plan, the difference between the market value of shares and the discount price issued to employees is recognised as an employee benefits expense with a corresponding increase in equity.

Notes to the Financial Statements

Boral Limited and Controlled Entities

1. Significant accounting policies (continued)

T. Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is applied, increases in the balance of provisions attributable to the passage of time are recognised as an interest expense.

Restoration and environmental rehabilitation: Provision is made to recognise the fair value of the liability for restoration and environmental rehabilitation of areas from which natural resources are extracted. The associated asset retirement costs are capitalised as part of the carrying amount of the related long-lived asset and amortised over the life of the related asset. At the end of each year, the liability is increased to reflect the passage of time and adjusted to reflect changes in the estimated future cash flows underlying the initial fair value measurement. Provisions are also made for the expected cost of environmental rehabilitation of sites identified as being contaminated as a result of prior activities at the time when the exposure is identified and estimated clean-up costs can be reliably assessed.

Onerous contracts: An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Present obligations arising under onerous contracts are recognised and measured as a provision.

U. Derivative financial instruments

The Group is exposed to changes in interest rates, foreign exchange rates and commodity prices from its activities. The Group uses the following derivative financial instruments to hedge these risks: interest rate swaps, forward rate agreements, interest rate options, forward foreign exchange contracts and futures commodity fixed price swap contracts.

The Group does not enter into derivative financial instrument transactions for trading purposes. However, financial instruments entered into to hedge an underlying exposure which does not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either; hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge), hedges of highly probable forecast transactions (cash flow hedge), and hedges of net investment in foreign operations.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values of cash flows or hedged items.

Fair value hedge: Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedge: The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts accumulated in equity are recycled in the Income Statement in the periods when the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost and carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.

Hedge of net investment in a foreign operation: The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity. The ineffective portion is recognised immediately in the Income Statement.

Derivatives that do not qualify for hedge accounting: Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Income Statement.

V. Share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Transaction costs directly attributable to the issue of ordinary shares are recognised directly to equity, as a reduction of the share proceeds received, net of any tax effects.

W. Earnings per share

Basic earnings per share (EPS) is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, by the weighted average number of ordinary shares of Boral Limited, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue.

X. Comparative figures

Where necessary to facilitate comparison, comparative figures have been adjusted to conform with changes in presentation in the current financial year.

Y. Rounding of amounts to the nearest $100,000

Boral Limited is an entity of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and, in accordance with the Class Order, amounts in the financial statements and Directors' Report have been rounded off to the nearest one hundred thousand dollars, unless otherwise stated.

2. Segments

Operating segments are based on internal reporting to the Chief Executive Officer in assessing performance and determining the allocation of resources. During the year, a number of restructuring activities were undertaken to simplify the Group and focus on core activities. This resulted in changes to the Group's management reporting structure, and therefore the reportable segments have been amended to comply with requirements of the relevant accounting standard. As a result, two new segments have been created:

Construction Materials & Cement – which consolidates the activities of the former Construction Materials and Cement operations into a single division.

Boral Gypsum – which consists of the Group's Australian and Asian plasterboard operations. The remaining Australian Building Product businesses have been aggregated into the redefined Building Products segment.

Comparative segment information has been restated to align with the current structure.

The following summary describes the operations of the Group's reportable segments:

Construction Materials & Cement	– Quarries, concrete, asphalt, transport, landfill, property, cement and concrete placing.
Building Products	– Australian bricks, roof tiles, masonry, timber products and windows.
Boral Gypsum*	– Australian and Asian plasterboard.
Boral USA	– Bricks, cultured stone, roof tiles, fly ash, concrete and quarries.
Discontinued Operations	– Asian Construction Materials, East Coast masonry and Queensland roofing.
Unallocated	– Non-trading operations and unallocated corporate costs.

* Results from Boral Gypsum Asia (BGA) were equity accounted until 9 December 2011 when the Group acquired the remaining 50% interest from Lafarge.

The major end use markets for Boral's products include residential and non-residential construction and the engineering and infrastructure markets.

Inter-segment pricing is determined on an arm's length basis.

The Group has a large number of customers to which it provides products, with no single customer responsible for more than 10% of the Group's revenue.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

In presenting information on a geographical basis, segment revenues are based on the geographical location of customers, while segment assets are based on the geographical location of assets.

	CONSOLIDATED	
	2013 $ millions	2012 $ millions
Reconciliations of reportable segment revenues and profits		
External revenue	**5,286.5**	5,010.3
Less revenue from discontinued operations	**(77.1)**	(294.1)
Revenue from continuing operations	**5,209.4**	4,716.2
Profit before tax		
Profit/(loss) before net financing costs and income tax expense from reportable segments	**(205.8)**	223.2
Loss from discontinued operations	**8.8**	1.3
Significant items applicable to discontinued operations	**(12.0)**	41.7
Profit/(loss) before net financing costs and income tax expense from continuing operations	**(209.0)**	266.2
Net financing costs from continuing operations	**(96.0)**	(84.9)
Profit/(loss) before tax from continuing operations	**(305.0)**	181.3

Notes to the Financial Statements

Boral Limited and Controlled Entities

2. Segments (continued)

	TOTAL REVENUE		INTERNAL REVENUE		EXTERNAL REVENUE	
	2013 $ millions	2012 $ millions	2013 $ millions	2012 $ millions	2013 $ millions	2012 $ millions
Construction Materials & Cement	**3,176.0**	2,956.0	**33.7**	54.3	**3,142.3**	2,901.7
Building Products	**593.3**	659.9	**0.9**	–	**592.4**	659.9
Boral Gypsum	**919.3**	655.9	**–**	–	**919.3**	655.9
Boral USA	**555.4**	499.4	**–**	0.7	**555.4**	498.7
Discontinued Operations	**77.1**	295.7	**–**	1.6	**77.1**	294.1
	5,321.1	5,066.9	**34.6**	56.6	**5,286.5**	5,010.3

	OPERATING PROFIT (EXCLUDING ASSOCIATES)		EQUITY ACCOUNTED RESULTS OF ASSOCIATES		PROFIT BEFORE NET FINANCING COSTS AND INCOME TAX EXPENSE	
	2013 $ millions	2012 $ millions	2013 $ millions	2012 $ millions	2013 $ millions	2012 $ millions
Construction Materials & Cement	**269.0**	230.1	**11.7**	12.7	**280.7**	242.8
Building Products	**(40.1)**	(5.2)	**–**	–	**(40.1)**	(5.2)
Boral Gypsum	**72.6**	47.0	**10.0**	18.8	**82.6**	65.8
Boral USA	**(63.6)**	(83.0)	**(0.6)**	(0.7)	**(64.2)**	(83.7)
Discontinued Operations	**(8.8)**	(1.3)	**–**	–	**(8.8)**	(1.3)
Unallocated	**(22.4)**	(18.8)	**–**	–	**(22.4)**	(18.8)
	206.7	168.8	**21.1**	30.8	**227.8**	199.6
Significant items (refer to note 4)	**(430.1)**	23.6	**(3.5)**	–	**(433.6)**	23.6
	(223.4)	192.4	**17.6**	30.8	**(205.8)**	223.2

	SEGMENT ASSETS (EXCLUDING INVESTMENTS IN ASSOCIATES)		EQUITY ACCOUNTED INVESTMENTS IN ASSOCIATES		TOTAL ASSETS	
	2013 $ millions	2012 $ millions	2013 $ millions	2012 $ millions	2013 $ millions	2012 $ millions
Construction Materials & Cement	**2,752.2**	2,813.3	**20.7**	20.2	**2,772.9**	2,833.5
Building Products	**570.5**	827.1	**–**	–	**570.5**	827.1
Boral Gypsum	**1,707.7**	1,585.1	**13.9**	12.7	**1,721.6**	1,597.8
Boral USA	**842.5**	829.1	**–**	3.7	**842.5**	832.8
Discontinued Operations	**–**	62.9	**–**	–	**–**	62.9
Unallocated	**54.7**	38.1	**–**	–	**54.7**	38.1
	5,927.6	6,155.6	**34.6**	36.6	**5,962.2**	6,192.2
Cash and cash equivalents and cash on deposit	**220.5**	205.7	**–**	–	**220.5**	205.7
Tax assets	**133.7**	101.2	**–**	–	**133.7**	101.2
	6,281.8	6,462.5	**34.6**	36.6	**6,316.4**	6,499.1

2. Segments (continued)

	LIABILITIES		ACQUISITION OF SEGMENT ASSETS*		DEPRECIATION AND AMORTISATION	
	2013 $ millions	2012 $ millions	2013 $ millions	2012 $ millions	2013 $ millions	2012 $ millions
Construction Materials and Cement	**533.5**	506.8	**205.9**	241.5	**169.9**	154.0
Building Products	**130.2**	152.3	**21.6**	30.8	**37.2**	38.5
Boral Gypsum	**174.6**	159.5	**46.0**	94.4	**41.9**	24.5
Boral USA	**134.9**	117.4	**18.1**	30.8	**41.3**	42.4
Discontinued Operations	**–**	44.6	**2.1**	11.0	**–**	13.3
Unallocated	**206.5**	186.4	**0.1**	5.9	**0.8**	0.7
	1,179.7	1,167.0	**293.8**	414.4	**291.1**	273.4
Loans and borrowings	**1,666.5**	1,723.4	**–**	–	**–**	–
Tax liabilities	**76.7**	205.3	**–**	–	**–**	–
	2,922.9	3,095.7	**293.8**	414.4	**291.1**	273.4

* Excludes amounts attributable to the acquisition of controlled entities and businesses as detailed in note 32.

Geographical information
For the year ended 30 June 2013, the Group's trading revenue from external customers in Australia amounted to $4,070.0 million (2012: $3,913.9 million), with $584.0 million (2012: $303.6 million) from the Plasterboard Asia operations, $555.4 million (2012: $498.7 million) relating to operations in the USA and $77.1 million (2012: $294.1 million) relating to discontinued operations. The Group's non-current assets (excluding deferred tax assets and other financial assets) in Australia amounted to $2,566.2 million (2012: $2,942.3 million), with $1,134.1 million (2012: $1,024.3 million) in Asia and $616.2 million (2012: $627.8 million) in the USA.

3. Profit for the period

		CONSOLIDATED	
For the year ended 30 June	Note	2013 $ millions	2012 $ millions
REVENUE FROM CONTINUING OPERATIONS			
Sale of goods		**5,112.3**	4,627.6
Rendering of services		**97.1**	88.6
Revenue from continuing operations		**5,209.4**	4,716.2
OTHER INCOME FROM CONTINUING OPERATIONS			
Significant items	4	**13.1**	184.5
Net profit on sale of assets		**31.6**	15.0
Other income		**6.1**	8.0
Other income from continuing operations		**50.8**	207.5
OTHER EXPENSES FROM CONTINUING OPERATIONS			
Significant items	4	**455.2**	119.2
Net foreign exchange loss		**0.4**	0.1
Other expenses from continuing operations		**455.6**	119.3
SHARE OF NET PROFIT OF ASSOCIATES			
Share of associates' net profit	12	**21.1**	30.8
Impairment disclosed as significant item	4	**(3.5)**	–
		17.6	30.8

Notes to the Financial Statements

Boral Limited and Controlled Entities

3. Profit for the period (continued)

For the year ended 30 June	CONSOLIDATED 2013 $ millions	2012 $ millions
DEPRECIATION AND AMORTISATION EXPENSES		
Land and buildings	**20.2**	18.2
Plant and equipment	**263.5**	250.2
Mineral reserves and licences	**3.2**	1.6
Leased assets capitalised	**0.1**	–
Other intangibles	**4.1**	3.4
	291.1	273.4
Less depreciation and amortisation expenses from discontinued operations	**–**	(13.3)
	291.1	260.1
NET FINANCING COSTS FROM CONTINUING OPERATIONS		
Interest income received or receivable from:		
Associated entities	**0.5**	0.6
Other parties (cash at bank and bank short-term deposits)	**7.1**	14.0
	7.6	14.6
Interest expense paid or payable to:		
Other parties (bank overdrafts, bank loans and other loans)*	**101.1**	95.9
Unwinding of discount	**2.5**	3.6
	103.6	99.5
Net financing costs from continuing operations	**(96.0)**	(84.9)

* In addition, interest of $3.6 million (2012: $4.1 million) was paid to other parties and capitalised in respect of qualifying assets. The capitalisation rate used was 6.0% (2012: 6.0%).

OTHER CHARGES		
Employee benefits expense*	**1,137.6**	1,110.1
Operating lease rental charges	**110.3**	119.6
Bad and doubtful debts expense	**8.8**	4.7

* Employee benefits expense includes salaries and wages, defined benefit and defined contribution expenses together with share-based payments and other entitlements including termination payments.

4. Significant items

For the year ended 30 June	Note	CONSOLIDATED 2013 $ millions	2012 $ millions
Net profit/(loss) includes the following items whose disclosure is relevant in explaining the financial performance of the Group:			
Continuing operations			
Gain on fair value remeasurement of initial LBGA shareholding		**–**	158.1
Gain on fair value of purchase price commitment for Cultured Stone		**–**	26.4
Acquisition and integration costs		**–**	(28.8)
Gain on settlement of insurance claims		**13.1**	–
Curtailment of clinker operations at Waurn Ponds and reassessment of coal supply arrangements	(i)	**(130.3)**	–
Organisational restructure costs	(ii)	**(59.8)**	–
Impairment of assets, businesses and restructuring costs			
Goodwill		**(32.4)**	(20.0)
Property, plant and equipment		**(165.9)**	(38.7)
Investments accounted for using the equity method		**(3.5)**	–
Inventory		**(47.6)**	(11.6)
Restructure and closure costs		**(13.9)**	(23.8)
	(iii)	**(263.3)**	(94.1)
Loss on sale of Oklahoma assets – USA		**(5.3)**	–
Loss on sale of Best Block business – USA		**–**	(2.3)
Resolution of onerous fly ash contract – USA		**–**	6.0
Summary of significant items from continuing operations			
Profit/(loss) before tax		**(445.6)**	65.3
Income tax benefit		**117.5**	38.8
Net significant items from continuing operations		**(328.1)**	104.1
Discontinued operations			
Gain on disposal of Asian Construction Materials businesses		**12.0**	34.2
Gain on sale of East Coast Masonry businesses		**–**	3.4
Impairment of assets, businesses and restructuring costs			
Property, plant and equipment		**–**	(37.2)
Inventory		**–**	(15.0)
Restructure and closure costs		**–**	(27.1)
		–	(79.3)
Summary of significant items from discontinued operations			
Profit/(loss) before tax		**12.0**	(41.7)
Income tax benefit/(expense)		**(0.4)**	13.0
Net significant items from discontinued operations		**11.6**	(28.7)
Summary of significant items			
Profit/(loss) before tax		**(433.6)**	23.6
Income tax benefit		**117.1**	51.8
Net significant items		**(316.5)**	75.4

Notes to the Financial Statements

Boral Limited and Controlled Entities

4. Significant items (continued)

2013 Significant items

(i) Curtailment of clinker operations at Waurn Ponds and reassessment of Berrima coal supply arrangements

Impairment and exit costs associated with the cessation of clinker manufacture at the Victorian Waurn Ponds operations together with impairments and costs associated with reassessment of coal supply arrangements in Cement NSW resulted in asset write-downs of $96.9 million and other charges and costs of $33.4 million.

(ii) Organisational restructure costs

During the year, the Group incurred costs and redundancies associated with a coordinated Group-wide organisation restructure program to simplify business structures and improve operational efficiency together with implementation costs of outsourcing the Group's Australian IT operations. This resulted in costs of $58.7 million and asset write-downs of $1.1 million.

(iii) Impairment of assets, businesses and restructuring costs

A structural decline in the Australian Bricks, Timber and Windows markets together with increased competition in Western Australia resulted in impairments of Building Products' assets (including $32.4 million of goodwill). The Bricks' businesses were impaired by $132.5 million, Timber impaired by $36.3 million and Windows by $6.3 million. Exit from the Engineered Flooring, Woodchips and Queensland distribution businesses resulted in a further $33.6 million of restructuring costs and inventory write-downs.

In Construction Materials & Cement, land development costs of $30.2 million associated with land development in NSW were written off.

In the USA, the recovery has progressed slower than expected, resulting in the impairments of $24.4 million in respect of excess tile production capacity in Mexico, Trinidad and Ione, California.

With the exception of the Windows business, which has been assessed on a fair value less costs to sell basis, the impairments have been based on value in use calculations.

2012 Significant items

Gain on fair value remeasurement of initial LBGA shareholding

On 9 December 2011, the Group acquired the remaining 50% shareholding in Lafarge Boral Gypsum in Asia Sdn Bhd (LBGA). On acquisition of the remaining 50% interest in LBGA, this initial investment was remeasured to fair value in accordance with Australian Accounting Standard AASB 3 *Business Combinations*, which resulted in a gain to the Group. The gain is net of the derecognition of the foreign currency reserve of $30.5 million associated with this initial investment.

Gain on fair value of purchase price commitment for Cultured Stone

The present value of the future purchase price commitment in respect of the remaining 50% interest in the USA Cultured Stone business has been remeasured to fair value as at 30 June 2012, based on current and expected operating results, resulting in a gain of $26.4 million.

Acquisition and integration costs

In 2012, the Group incurred costs (including stamp duty), associated with the acquisition and integration of the Asian Plasterboard operations, Wagners' Construction Material concrete and quarry assets, and Sunshine Coast Quarries' concrete assets and quarries. The acquisition costs are included in other expenses in the Income Statement for the prior period.

Impairment of assets, businesses and restructuring costs – continuing operations

Deterioration in returns from a number of businesses resulted in a reassessment of long-term manufacturing capacity requirements in both Australia and the USA.

In the USA, this resulted in a charge of $15.9 million in respect of two USA brick plants and in light of ongoing depressed trading conditions in the USA construction materials markets in Oklahoma and Denver, the goodwill associated with the USA construction materials businesses was reassessed resulting in a $20.0 million impairment charge reflecting lower margins and increased competition.

In Australia, this resulted in a charge of $37.0 million in respect of the Galong lime plant that was closed and subsequently sold during the year and $21.2 million of restructure costs, predominantly redundancies associated with closing manufacturing capacity in the Australian Building Products businesses of $13.8 million, together with Corporate restructure costs of $7.4 million.

Impairment of assets, businesses and restructuring costs – discontinued operations

On 28 February 2012, the Group announced the closure of its Roofing manufacturing and distribution operations in Queensland following a review of the long-term financial performance and low industry capacity utilisation. In addition, the Group announced that it proposed to divest of its East Coast Masonry business and focus the Australian Building Products division on those areas with market leadership positions in high growth markets. This resulted in impairment of assets of $52.2 million together with closure and restructure costs of $27.1 million.

4. Significant items (continued)

Summary of significant items before interest and tax by segment	CONSOLIDATED 2013 $ millions	2012 $ millions
Construction Materials & Cement	**(157.0)**	(37.0)
Building Products	**(199.1)**	(13.8)
Boral Gypsum	**–**	158.1
Boral USA	**(29.7)**	(5.8)
Discontinued Operations	**12.0**	(41.7)
Unallocated	**(59.8)**	(36.2)
	(433.6)	23.6

5. Discontinued operations, assets held for sale and business disposals

During the year, the Group divested its remaining Asian Construction Materials operations in Thailand, finalised the sale of the Indonesian operations, and divested its East Coast Masonry business.

	Note	CONSOLIDATED 2013 $ millions	2012 $ millions
Results of discontinued operations			
Revenue		**77.1**	294.1
Expenses		**(85.9)**	(295.4)
		(8.8)	(1.3)
Impairment of assets, businesses and restructuring costs	4	**–**	(79.3)
Gain on sale of discontinued operations	4	**12.0**	37.6
Profit/(loss) before net financing costs and income tax expense		**3.2**	(43.0)
Net financing costs		**(1.4)**	(3.5)
Profit/(loss) before income tax expense		**1.8**	(46.5)
Income tax (expense)/benefit	6	**(0.5)**	13.7
Net profit/(loss)		**1.3**	(32.8)
Attributable to:			
Members of the parent entity		**1.3**	(33.1)
Non-controlling interest		**–**	0.3
Net profit/(loss)		**1.3**	(32.8)
Basic and diluted earnings/(loss) per share		**0.1c**	(4.4c)
Cash flows from discontinued operations			
Net cash from operating activities		**3.4**	12.5
Net cash from investing activities		**70.1**	54.1
Net cash from discontinued operations		**73.5**	66.6
Assets and liabilities classified as held for sale			
Property, plant and equipment		**–**	15.1
Intangible assets		**–**	0.9
Inventories		**–**	11.2
Trade and other receivables		**–**	32.3
Other assets		**–**	3.4
Assets classified as held for sale		**–**	62.9
Payables		**–**	18.8
Provisions		**–**	25.8
Liabilities classified as held for sale		**–**	44.6
Net assets		**–**	18.3

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Boral Limited and Controlled Entities

5. Discontinued operations, assets held for sale and business disposals (continued)

Disposal of discontinued businesses
During the year, the Group divested its remaining Asian Construction Materials operations in Thailand, finalised the sale of the Indonesian operations, and divested its East Coast Masonry business.

	CONSOLIDATED	
	2013 millions	2012 $ millions
Consideration	**76.5**	97.2
Cash	**(4.3)**	–
Trade and other receivables	**(50.1)**	(20.2)
Inventories	**(13.1)**	(7.6)
Property, plant and equipment	**(4.0)**	(35.3)
Intangible assets	**(0.9)**	–
Other assets	**(3.0)**	(10.8)
Payables	**13.8**	17.5
Deferred taxes	**–**	(0.9)
Provisions	**0.2**	13.4
Net assets disposed	**(61.4)**	(43.9)
Foreign currency translation reserve transferred to net profit on disposal of controlled entities	**(3.1)**	(18.6)
Non-controlling interest	**–**	2.9
Gain on disposal of discontinued operations before income tax expense	**12.0**	37.6
Consideration	**76.5**	97.2
Cash and cash equivalents disposed	**(4.3)**	–
Less: Deferred consideration to be received	**–**	(31.9)
Consideration (net of transaction costs)	**72.2**	65.3

Disposal of Oklahoma Concrete
In June 2013, the Group sold its Oklahoma Concrete business for net cash proceeds of $15.6 million and generated a loss before tax of $5.3 million.

The disposal of the Oklahoma Concrete business has not been recorded as a discontinued operation as it is not considered as a material business of the Group.

Summary of consideration (after transaction costs)		
Discontinued businesses	**72.2**	65.3
Controlled businesses	**15.6**	–
Total	**87.8**	65.3

6. Income tax expense/(benefit)

For the year ended 30 June	Note	CONSOLIDATED 2013 $ millions	2012 $ millions
(i) Income tax expense/(benefit)			
Current income tax expense/(benefit)		**(8.8)**	(31.7)
Deferred income tax expense/(benefit)		**(91.0)**	(3.8)
Under/(over) provision for tax in previous years		**2.3**	(7.4)
Income tax expense/(benefit) attributable to profit/(loss)		**(97.5)**	(42.9)
(ii) Reconciliation of income tax expense/(benefit) to prima facie tax			
Income tax expense/(benefit) on profit/(loss):			
– at Australian tax rate 30% (2012: 30%)		**(91.0)**	40.4
– adjustment for difference between Australian and overseas tax rates		**(12.6)**	(9.3)
Income tax expense/(benefit) on pre-tax profit at standard rates		**(103.6)**	31.1
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:			
Tax losses not recognised/(recovered)		**0.5**	2.7
Non-deductible depreciation and amortisation		**0.2**	1.5
Capital gains/(losses) brought to account		**(8.7)**	(5.8)
Non-deductible asset impairments and write-downs		**15.5**	–
Non-assessable fair value gains		**–**	(56.6)
Share of associates' net profit and franked dividends (excluding significant items)		**(6.2)**	(9.2)
Other items		**2.5**	0.8
Income tax expense/(benefit) on profit		**(99.8)**	(35.5)
Under/(over) provision for tax in previous years		**2.3**	(7.4)
Income tax expense/(benefit) attributable to profit		**(97.5)**	(42.9)
Income tax expense/(benefit) from continuing operations			
Income tax expense/(benefit) excluding significant items		**19.5**	9.6
Income tax expense/(benefit) relating to significant items	4	**(117.5)**	(38.8)
		(98.0)	(29.2)
Income tax expense/(benefit) from discontinued operations			
Income tax expense/(benefit) excluding significant items		**0.1**	(0.7)
Income tax expense/(benefit) relating to significant items	4	**0.4**	(13.0)
	5	**0.5**	(13.7)
		(97.5)	(42.9)
(iii) Tax amounts recognised directly in equity			
The following deferred tax amounts were charged/(credited) directly to equity during the year in respect of:			
Actuarial adjustment on defined benefit plans		**1.4**	(3.0)
Net exchange differences taken to equity		**(58.3)**	(1.5)
Fair value adjustment on cash flow hedges		**2.3**	(1.0)
Recognised in comprehensive income		**(54.6)**	(5.5)

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Boral Limited and Controlled Entities

7. Dividends

Dividends recognised by the Group are:

	Amount per share	Total amount $ millions	Franked amount per share	Date of payment
2013				
2012 final – ordinary	**3.5 cents**	**26.6**	**3.5 cents**	**28 September 2012**
2013 interim – ordinary	**5.0 cents**	**38.3**	**5.0 cents**	**25 March 2013**
Total		**64.9**		
2012				
2011 final – ordinary	7.0 cents	51.1	7.0 cents	27 September 2011
2012 interim – ordinary	7.5 cents	55.8	7.5 cents	5 April 2012
Total		106.9		

Subsequent event
Since the end of the financial year, the Directors declared the following dividend:

2013 final – ordinary	**6.0 cents**	**46.4**	**6.0 cents**	**27 September 2013**

The financial effect of the final dividend for the year ended 30 June 2013 has not been brought to account in the financial statements for the year but will be recognised in subsequent financial reports.

Dividend franking account
The balance of the franking account of Boral Limited as at 30 June 2013 is $44.9 million (2012: $70.8 million) after adjusting for franking credits/(debits) that will arise from:

- the payment/refund of the amount of the current tax liability;
- the receipt of dividends recognised as receivables at year end;

and before taking into account the franking credits associated with payment of the final dividend declared subsequent to year end.

The impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $19.9 million (2012: $11.4 million).

Dividend Reinvestment Plan
The Group's Dividend Reinvestment Plan will operate in respect of the payment of the final dividend and the last date for the receipt of an election notice for participation in the plan is 2 September 2013.

8. Earnings per share

Classification of securities as ordinary shares
Only ordinary shares have been included in basic earnings per share (EPS).

Classification of securities as potential ordinary shares
Options outstanding under the Executive Share Option Plan and Share Performance Rights have been classified as potential ordinary shares and are included in diluted earnings per share only.

	CONSOLIDATED	
	2013 $ millions	2012 $ millions
Earnings reconciliation		
Net profit before significant items and non-controlling interests	**110.8**	102.3
Profit attributable to non-controlling interests	**(6.4)**	(1.1)
Net profit excluding significant items	**104.4**	101.2
Net significant items	**(316.5)**	75.4
Net profit/(loss) attributable to members of the parent entity	**(212.1)**	176.6
Earnings reconciliation – continuing operations		
Net profit before significant items and non-controlling interests	**121.1**	106.4
Profit attributable to non-controlling interests	**(6.4)**	(0.8)
Net profit excluding significant items	**114.7**	105.6
Net significant items	**(328.1)**	104.1
Net profit/(loss) attributable to members of the parent entity – continuing operations	**(213.4)**	209.7

	CONSOLIDATED	
	2013	2012
Weighted average number of ordinary shares used as the denominator		
Number for basic earnings per share	**766,598,996**	743,487,487
Effect of potential ordinary shares	**6,437,744**	6,101,791
Number for diluted earnings per share	**773,036,740**	749,589,278
Basic earnings per share	**(27.7c)**	23.8c
Diluted earnings per share	**(27.7c)**	23.6c
Basic earnings per share (excluding significant items)	**13.6c**	13.6c
Diluted earnings per share (excluding significant items)	**13.5c**	13.5c
Basic earnings per share (continuing operations)	**(27.8c)**	28.2c
Diluted earnings per share (continuing operations)	**(27.8c)**	28.0c

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

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Boral Limited and Controlled Entities

9. Cash and cash equivalents and cash on deposit

	CONSOLIDATED	
	2013 $ millions	2012 $ millions
Cash at bank and on hand	**95.5**	106.9
Bank short-term deposits	**54.4**	98.8
Cash and cash equivalents	**149.9**	205.7
Cash on deposit	**70.6**	–
	220.5	205.7

The bank short-term deposits mature within 90 days and pay interest at a weighted average interest rate of 2.37% (2012: 3.47%).

The cash on deposit with banks mature within 180 days and pay interest at a weighted average interest rate of 2.69% (2012: Nil).

10. Receivables

	CONSOLIDATED	
	2013 $ millions	2012 $ millions
Current		
Trade receivables	**807.1**	706.1
Associated entities	**20.6**	19.5
	827.7	725.6
Less: Allowance for impairment	**(15.6)**	(12.8)
	812.1	712.8
Other receivables	**78.8**	100.2
Less: Allowance for impairment	**(3.1)**	(3.4)
	75.7	96.8
	887.8	809.6

The Group requires all customers to pay in accordance with agreed payment terms. Included in the Group's trade receivables are debtors with a carrying value of $117.1 million (2012: $78.3 million), which are past due but not impaired. These relate to a number of debtors with no significant change in credit quality or history of default. The ageing analysis is as follows:

	CONSOLIDATED	
	2013 $ millions	2012 $ millions
Trade receivables – past due 0 – 60 days	**104.3**	73.3
Trade receivables – past due > 60 days	**12.8**	5.0

10. Receivables (continued)

Allowance for impairment
An allowance for impairment of trade receivables is raised when there is objective evidence that an individual receivable is impaired. Indicators of impairment would include significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments.

The movement in the allowance for impairment in respect to trade receivables during the year was as follows:

	CONSOLIDATED	
	2013 $ millions	2012 $ millions
Balance at the beginning of the year	**(12.8)**	(18.9)
Amounts written off during the year	**6.6**	7.9
Increase recognised in Income Statement	**(8.8)**	(4.7)
Acquisitions of entities or operations	**–**	(3.5)
Disposals of entities or operations	**–**	2.7
Transferred to assets held for sale	**–**	4.0
Net foreign currency exchange differences	**(0.6)**	(0.3)
Balance at the end of the year	**(15.6)**	(12.8)
Non-current		
Loans to associated entities	**7.8**	8.3
Other receivables	**9.0**	9.5
	16.8	17.8

No amounts owing by associates or included in other receivables were past due as at 30 June 2013.

11. Inventories

	CONSOLIDATED	
	2013 $ millions	2012 $ millions
Current		
Raw materials and consumable stores	**196.0**	186.5
Work in progress	**47.8**	62.3
Finished goods	**377.3**	390.3
Land development projects	**58.9**	17.0
	680.0	656.1
Non-current		
Land development projects	**19.6**	104.9
Land development projects comprises:		
Cost of acquisition	**15.5**	21.6
Development costs capitalised	**63.0**	100.3
	78.5	121.9

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12. Investments accounted for using the equity method

				CONSOLIDATED			
				OWNERSHIP INTEREST		INVESTMENT CARRYING AMOUNT	
Name	Principal activity	Country of incorporation	Balance date	2013 %	2012 %	2013 $ millions	2012 $ millions
Details of investments in associates							
Bitumen Importers Australia Pty Ltd	Bitumen importer	Australia	30-Jun	**50**	50	**0.4**	–
Caribbean Roof Tile Company Limited	Roof tiles	Trinidad	31-Dec	**50**	50	**–**	3.7
Flyash Australia Pty Ltd	Fly ash collection	Australia	31-Dec	**50**	50	**2.9**	2.9
Gypsum Resources Australia Pty Ltd	Gypsum mining	Australia	30-Jun	**50**	50	**–**	–
Highland Pine Products Pty Ltd	Timber	Australia	30-Jun	**50**	50	**–**	–
Penrith Lakes Development Corporation Ltd	Quarrying	Australia	30-Jun	**40**	40	**–**	–
Rondo Building Services Pty Ltd	Rollform systems	Australia	30-Jun	**50**	50	**13.9**	12.7
South East Asphalt Pty Ltd	Asphalt	Australia	30-Jun	**50**	50	**0.8**	0.8
Sunstate Cement Ltd	Cement manufacturer	Australia	30-Jun	**50**	50	**16.6**	16.5
US Tile LLC	Roof tiles	USA	31-Dec	**50**	50	**–**	–
TOTAL						**34.6**	36.6

		CONSOLIDATED	
	Note	2013 $ millions	2012 $ millions
Movements in carrying value of associates			
Balance at the beginning of the year		**36.6**	240.2
Associates becoming controlled entities during the year		**–**	(209.9)
Share of associates' net profit		**21.1**	30.8
Impairment disclosed as significant item	4	**(3.5)**	–
Dividends from associates		**(18.6)**	(22.1)
Results from associates recognised against non-current receivables/provisions		**(1.6)**	(0.6)
Share of associates' movement in currency reserve		**0.3**	(13.4)
Effect of exchange rate and other changes		**0.3**	11.6
Balance at the end of the year		**34.6**	36.6

When the Group's share of losses from an associate exceed the Group's investment in the relevant associate, the losses are taken against any long-term receivables relating to the associate and if the Group's obligation for losses exceeds this amount, they are recorded as a provision in the Group's financial statements to the extent that the Group has an obligation to fund the liability.

12. Investments accounted for using the equity method (continued)

Summary of performance and financial position of associates*

The Group's share of aggregate revenue, profits, assets and liabilities of associates is as follows:

	Note	CONSOLIDATED 2013 $ millions	2012 $ millions
Share of associates' revenue		**167.1**	301.2
Share of associates' profit before income tax expense		**29.7**	44.1
Share of associates' income tax expense		**(8.6)**	(12.4)
Share of associates' non-controlling interest		**–**	(0.9)
		21.1	30.8
Impairment disclosed as significant item	4	**(3.5)**	–
Share of associates' net profit – equity accounted		**17.6**	30.8

* Results from Lafarge Boral Gypsum in Asia Sdn Bhd were equity accounted until 9 December 2011 when the Group acquired the remaining 50% interest from Lafarge and the entity became a controlled entity.

Share of associates' net assets		
Current assets	**57.7**	55.3
Non-current assets	**81.8**	89.1
Total assets	**139.5**	144.4
Current liabilities	**42.4**	47.2
Non-current liabilities	**62.5**	60.6
Total liabilities	**104.9**	107.8
Net assets	**34.6**	36.6

Share of associates' commitments		
Share of associates' capital expenditure commitments contracted but not provided for:		
Not later than one year	**0.8**	0.1
Share of associates' operating lease commitments payable:		
Not later than one year	**4.1**	3.7
Later than one year but not later than five years	**12.1**	9.4
Later than five years	**3.7**	4.5
	19.9	17.6

13. Other financial assets

	CONSOLIDATED 2013 $ millions	2012 $ millions
Current		
Derivative financial assets	**11.6**	0.2
Non-current		
Derivative financial assets	**23.5**	–

Notes to the Financial Statements

Boral Limited and Controlled Entities

14. Property, plant and equipment

	CONSOLIDATED 2013 $ millions	CONSOLIDATED 2012 $ millions
Land and buildings		
At cost	**1,434.1**	1,377.5
Less: Accumulated depreciation, amortisation and impairment	**(189.8)**	(146.3)
	1,244.3	1,231.2
Mineral reserves and licences		
At cost	**148.1**	150.3
Less: Accumulated amortisation and impairment	**(17.2)**	(14.6)
	130.9	135.7
Plant and equipment		
At cost	**4,594.7**	4,607.9
Less: Accumulated depreciation and impairment	**(2,627.6)**	(2,408.2)
	1,967.1	2,199.7
Leased plant and equipment capitalised	**5.1**	0.5
Less: Accumulated amortisation	**(0.3)**	(0.4)
	4.8	0.1
	1,971.9	2,199.8
Total	**3,347.1**	3,566.7
Reconciliations		
Land and buildings		
Balance at the beginning of the year	**1,231.2**	1,035.9
Additions	**24.7**	4.3
Disposals	**(29.0)**	(11.1)
Acquisitions of entities or operations	**–**	202.8
Disposals of entities or operations	**–**	(0.3)
Transferred from other property, plant and equipment	**25.1**	43.6
Impairment disclosed as significant items	**(32.1)**	(27.3)
Transferred to assets held for sale	**–**	(9.9)
Depreciation expense	**(20.2)**	(18.2)
Net foreign currency exchange differences	**44.6**	11.4
Balance at the end of the year	**1,244.3**	1,231.2

14. Property, plant and equipment (continued)

	CONSOLIDATED	
	2013 $ millions	2012 $ millions
Mineral reserves and licences		
Balance at the beginning of the year	**135.7**	74.4
Disposals	**–**	(6.2)
Acquisitions of entities or operations	**–**	67.6
Transferred from other property, plant and equipment	**1.4**	0.4
Impairment disclosed as significant items	**(5.6)**	–
Amortisation expense	**(3.2)**	(1.6)
Net foreign currency exchange differences	**2.6**	1.1
Balance at the end of the year	**130.9**	135.7
Plant and equipment		
Balance at the beginning of the year	**2,199.8**	1,784.6
Additions	**268.7**	404.5
Disposals	**(18.0)**	(31.7)
Acquisitions of entities or operations	**–**	410.1
Disposals of entities or operations	**–**	(35.0)
Transferred to other property, plant and equipment	**(26.5)**	(44.0)
Impairment disclosed as significant items	**(226.2)**	(48.6)
Transferred to assets held for sale	**–**	(5.2)
Transfer (to)/from other assets or liabilities	**(4.3)**	0.8
Write-down of plant and equipment	**(5.0)**	–
Depreciation expense	**(263.6)**	(250.2)
Net foreign currency exchange differences	**47.0**	14.5
Balance at the end of the year	**1,971.9**	2,199.8

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15. Intangible assets

	CONSOLIDATED	
	2013 $ millions	2012 $ millions
Goodwill	**825.8**	797.3
Other intangible assets	**59.8**	54.6
Less: Accumulated amortisation	**(35.7)**	(31.8)
	24.1	22.8
Total	**849.9**	820.1
Reconciliation of movements in goodwill		
Balance at the beginning of the year	**797.3**	243.7
Acquisitions of entities or operations	**–**	572.3
Impairment disclosed as significant items	**(32.4)**	(20.0)
Goodwill disposed	**(6.1)**	(4.1)
Net foreign currency exchange differences	**67.0**	5.4
Balance at the end of the year	**825.8**	797.3

Impairment testing for cash generating units containing goodwill
For the purposes of the impairment testing, goodwill is allocated to the Group's operating divisions according to business types and geographical span of operations. The aggregate carrying amounts of goodwill allocated to each Cash Generating Unit (CGU) are as follows:

Boral Gypsum Asia	**628.0**	571.4
US Bricks	**87.5**	79.6
Other*	**110.3**	146.3
	825.8	797.3

* Relates to multiple business units, none of which are considered individually significant.

Key assumptions
The recoverable amount of CGUs is the higher of the asset's fair value less costs to sell and its value in use. Value in use calculations use pre-tax cash flow projections based on financial budgets and plans approved by management. Cash flows for the Asian plasterboard business are projected over five years. Whilst recognising the cyclical nature of the USA building industry, cash flow projections for the US Bricks business cover a period of seven years, reflecting a full business cycle. Cash flows beyond the projection period are extrapolated using growth rates of between 2.5% and 4.0% for Asian plasterboard, and 0.8% for US Bricks. These growth rates do not exceed the long-term average growth rate for the industry in which the CGU operates.

The Group's weighted cost of capital is used as a starting point for determining the discount rate with appropriate adjustments for the risk profile relating to the relevant segments and the countries in which they operate. The discount rates applied to pre-tax cash flows range from 13.9% for US Bricks to 15% for Asian plasterboard.

The key assumptions relate to:

- housing starts and market share for the bricks business in the USA; and
- plasterboard demand, plasterboard intensity and economic activity in the Asian plasterboard business.

These assumptions have been determined with reference to current performance and taking into account external forecasts. Housing starts and plasterboard demand forecasts utilised in the cash flow projections are based on historical experiences in the relevant geographies.

The recoverable amount of the CGUs based on value in use exceeds their carrying values as at 30 June 2013. Due to the recent acquisition, the value in use calculation for the Asian plasterboard business shows minimal headroom and therefore any reasonable adverse change in the key assumptions would reduce the recoverable amount below carrying value. Management believes no reasonable changes in the key assumptions on which the estimates for the US Bricks business are based would cause the carrying amount to exceed the recoverable amount.

15. Intangible assets (continued)

Segment summary of goodwill

	CONSOLIDATED 2013 $ millions	CONSOLIDATED 2012 $ millions
Construction Materials & Cement	**70.2**	70.2
Building Products	**–**	32.4
Boral Gypsum	**640.6**	584.0
Boral USA	**115.0**	110.7
	825.8	797.3
Reconciliation of movements in other intangible assets		
Balance at the beginning of the year	**22.8**	12.2
Additions	**0.4**	5.6
Australian carbon credit units	**2.9**	–
Acquisitions of entities or operations	**–**	6.6
Amortisation expense	**(4.1)**	(3.4)
Transferred to assets held for sale	**–**	(0.9)
Transfer from other assets	**(0.2)**	1.0
Net foreign currency exchange differences	**2.3**	1.7
Balance at the end of the year	**24.1**	22.8

Other intangible assets
Other intangible assets relate predominantly to brand names, technology, software development and government grant of carbon credits. Where appropriate, other intangible assets are amortised at rates from 5% to 20%. Amortisation expense is included in "depreciation and amortisation" as disclosed in note 3.

16. Other assets

	CONSOLIDATED 2013 $ millions	CONSOLIDATED 2012 $ millions
Current		
Deferred expenses	**17.7**	32.0
Deposits and prepayments	**25.1**	37.0
	42.8	69.0
Non-current		
Deferred expenses	**48.5**	48.3

Amortisation rates
Deferred expenses are generally amortised at rates between 20% and 60%, although some minor amounts of deferred expenses, including development of quarry infrastructure, are amortised at rates between 5% and 10%.

Notes to the Financial Statements

Boral Limited and Controlled Entities

17. Payables

	CONSOLIDATED	
	2013 $ millions	2012 $ millions
Current		
Trade creditors	**757.6**	726.6
Due to associated entities	**2.5**	5.6
	760.1	732.2
Non-current		
Deferred income	**9.4**	10.9
	9.4	10.9

18. Loans and borrowings

	CONSOLIDATED	
	2013 $ millions	2012 $ millions
Current		
Bank overdrafts – unsecured	**14.2**	24.2
Bank loans – unsecured	**54.4**	120.6
Other loans – unsecured	**56.9**	3.2
Finance lease liabilities	**1.4**	0.3
	126.9	148.3
Non-current		
Bank loans – unsecured	**432.2**	668.5
Other loans – unsecured	**1,101.0**	906.0
Finance lease liabilities	**6.4**	0.6
	1,539.6	1,575.1

For more information about the Group's financing arrangements, refer to note 28.

19. Other financial liabilities

	CONSOLIDATED	
	2013 $ millions	2012 $ millions
Current		
Derivative financial liabilities	**8.0**	7.1
Future purchase liability – Cultured Stone	**48.1**	–
	56.1	7.1
Non-current		
Derivative financial liabilities	**25.5**	29.6
Future purchase liability – Cultured Stone	**–**	42.8
	25.5	72.4

20. Current tax liabilities

	CONSOLIDATED 2013 $ millions	2012 $ millions
Current		
Current tax liability	**19.1**	22.8

21. Deferred tax assets and liabilities

	CONSOLIDATED 2013 $ millions	2012 $ millions
Recognised deferred tax balances		
Deferred tax asset	**133.7**	101.2
Deferred tax liability	**(57.6)**	(182.5)
	76.1	(81.3)
Unrecognised deferred tax assets		
Deferred tax assets not recognised:		
The potential deferred tax asset has not been taken into account in respect of tax losses where recovery is not probable*	**143.5**	93.0

* The potential benefit of the deferred tax asset will only be obtained if:
  (i) the relevant entities derive future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the Group in accordance with tax law in the jurisdiction in which the company operates;
  (ii) the relevant Group entities continue to comply with the conditions for deductibility imposed by the law;
  (iii) no changes in tax legislation adversely affect the relevant entities in realising the asset.

The gross amount of capital and revenue tax losses carried forward that have not been recognised and the range of expiry dates for recovery by tax jurisdiction are as follows:

Tax jurisdiction	Expiry date	CONSOLIDATED 2013 $ millions	2012 $ millions
Australia*	No restriction	**99.7**	32.5
China	31 Dec 2013 – 31 Dec 2017	**33.6**	11.1
Germany	No restriction	**50.9**	44.8
India	31 Mar 2013 – 31 Mar 2020	**2.9**	11.5
Thailand	30 Jun 2013 – 30 Jun 2017	**–**	4.3
United Kingdom*	No restriction	**38.3**	35.8
United States of America*	30 Jun 2016	**6.9**	6.3
United States of America	30 Jun 2029 – 30 June 2033	**203.7**	133.4
Vietnam	31 Dec 2013 – 31 Dec 2014	**1.7**	2.1

* Unbooked capital losses.

Notes to the Financial Statements

Boral Limited and Controlled Entities

21. Deferred tax assets and liabilities (continued)

MOVEMENT IN TEMPORARY DIFFERENCES DURING THE YEAR

	CONSOLIDATED				
As at 30 June 2013	Balance at the beginning of the year $ millions	Recognised in income $ millions	Recognised in equity $ millions	Other movements $ millions	Balance at the end of the year $ millions
Receivables	**5.4**	**(1.7)**	**–**	**–**	**3.7**
Inventories	**(28.0)**	**13.2**	**–**	**–**	**(14.8)**
Property, plant and equipment	**(157.4)**	**56.2**	**–**	**(8.0)**	**(109.2)**
Intangible assets	**(14.3)**	**(9.2)**	**–**	**(2.3)**	**(25.8)**
Payables	**3.9**	**(0.6)**	**–**	**–**	**3.3**
Loans and borrowings	**0.2**	**0.9**	**(2.3)**	**–**	**(1.2)**
Provisions	**95.0**	**(2.2)**	**–**	**1.6**	**94.4**
Other	**(24.1)**	**2.4**	**(1.4)**	**–**	**(23.1)**
Unrealised foreign exchange	**(111.2)**	**(0.2)**	**58.3**	**–**	**(53.1)**
Tax losses carried forward	**149.2**	**32.2**	**–**	**20.5**	**201.9**
	(81.3)	**91.0**	**54.6**	**11.8**	**76.1**

	CONSOLIDATED				
As at 30 June 2012	Balance at the beginning of the year $ millions	Recognised in income $ millions	Recognised in equity $ millions	Other movements $ millions	Balance at the end of the year $ millions
Receivables	5.8	(0.5)	–	0.1	5.4
Inventories	(32.6)	4.6	–	–	(28.0)
Property, plant and equipment	(144.9)	11.7	–	(24.2)	(157.4)
Intangible assets	(21.8)	8.6	–	(1.1)	(14.3)
Payables	5.4	(1.5)	–	–	3.9
Loans and borrowings	0.2	(0.5)	1.0	(0.5)	0.2
Provisions	108.1	(13.4)	–	0.3	95.0
Other	(22.3)	(4.6)	3.0	(0.2)	(24.1)
Unrealised foreign exchange	(107.1)	(5.2)	1.5	(0.4)	(111.2)
Tax losses carried forward	136.3	4.6	–	8.3	149.2
	(72.9)	3.8	5.5	(17.7)	(81.3)

22. Provisions

	CONSOLIDATED	
	2013 $ millions	2012 $ millions
Current		
Employee benefits	**132.2**	137.7
Rationalisation and restructuring	**13.8**	7.7
Claims	**10.3**	9.4
Restoration and environmental rehabilitation	**39.8**	23.3
Other	**16.0**	9.7
	212.1	187.8
Non-current		
Employee benefits	**25.3**	38.5
Claims	**1.5**	3.7
Restoration and environmental rehabilitation	**48.2**	44.3
Other	**41.5**	25.5
	116.5	112.0

Rationalisation and restructuring
Provisions for rationalisation and restructuring are recognised when a detailed plan has been approved and the restructuring has either commenced or been publicly announced, or firm contracts related to the restructuring have been entered into. Costs related to ongoing activities are not provided for.

Claims
Provisions are raised for liabilities arising from the ordinary course of business, in relation to claims against the Group, including insurance, legal and other claims. Where recoveries are expected in respect of such claims, these are included in other receivables.

Restoration and environmental rehabilitation
Provisions are made for the fair value of the liability for restoration and rehabilitation of areas from which natural resources are extracted. The basis for accounting is set out in note 1. Provisions are also made for the expected cost of environmental rehabilitation of sites identified as being contaminated as a result of prior activities. The liability is recognised when the environmental exposure is identified and the estimated clean-up costs can be reliably assessed.

Other
Other includes provision for onerous contracts and the Group's share of an associate's equity accounted losses.

Notes to the Financial Statements

Boral Limited and Controlled Entities

22. Provisions (continued)

Reconciliations

	CONSOLIDATED	
	2013 $ millions	2012 $ millions
Rationalisation and restructuring		
Balance at the beginning of the year	**7.7**	9.0
Provisions made during the year	**9.3**	9.2
Transfer to liabilities held for sale	**–**	(4.2)
Payments made during the year	**(3.2)**	(6.3)
Balance at the end of the year	**13.8**	7.7
Claims		
Balance at the beginning of the year	**13.1**	11.6
Provisions made during the year	**4.3**	2.3
Remeasurement of provision	**(1.8)**	–
Payments made during the year	**(4.1)**	(0.9)
Net foreign currency exchange differences	**0.3**	0.1
Balance at the end of the year	**11.8**	13.1
Restoration and environmental rehabilitation		
Balance at the beginning of the year	**67.6**	74.0
Provisions made during the year	**24.8**	6.1
Unwind of discount	**1.5**	1.4
Transfer to liabilities held for sale	**–**	(3.3)
Payments made during the year	**(5.9)**	(10.6)
Balance at the end of the year	**88.0**	67.6
Other		
Balance at the beginning of the year	**35.2**	56.7
Provisions made during the year	**12.3**	13.4
Transfer from/(to) liabilities held for sale	**12.6**	(13.7)
Payments made during the year	**(3.0)**	(22.7)
Transferred from investments accounted for using the equity method	**0.4**	0.4
Net foreign currency exchange differences	**–**	1.1
Balance at the end of the year	**57.5**	35.2

23. Issued capital

	CONSOLIDATED 2013 $ millions	2012 $ millions
Issued and paid up capital		
774,000,641 (2012: 758,572,140) ordinary shares, fully paid	**2,433.8**	2,368.4
Movements in ordinary issued capital		
Balance at the beginning of the year	**2,368.4**	2,261.3
6,973,870 (2012: 14,626,401) shares issued under the Dividend Reinvestment Plan	**29.4**	54.8
8,319,496 (2012: 13,971,102) shares issued under the Dividend Reinvestment Plan underwriting agreement	**35.5**	52.1
135,135 (2012: 48,647) shares issued on vesting of rights	**0.5**	0.2
Balance at the end of the year	**2,433.8**	2,368.4

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of a winding up of Boral Limited, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

Movements in employee compensation shares

	2013	2012
Balance at the beginning of the year	**–**	–
135,135 (2012: 228,625) share acquisition rights vested	**0.5**	1.0
135,135 (2012: Nil) shares issued on vesting of rights	**(0.5)**	–
Nil (2012: 228,625) shares purchased on-market	**–**	(1.0)
Balance at the end of the year	**–**	–

The employee equity compensation account represents the balance of Boral shares held by the Group which as at the end of the year have not vested to Group employees and therefore are controlled by the Group.

Notes to the Financial Statements

Boral Limited and Controlled Entities

24. Reserves

	CONSOLIDATED	
	2013 $ millions	2012 $ millions
Foreign currency translation reserve	**81.9**	(87.5)
Hedging reserve – cash flow hedges	**2.4**	(3.6)
Other reserve	**(66.3)**	(66.3)
Share-based payments reserve	**56.4**	48.2
	74.4	(109.2)
Reconciliations		
Foreign currency translation reserve		
Balance at the beginning of the year	**(87.5)**	(131.6)
Net loss on translation of assets and liabilities of overseas entities	**187.7**	(1.5)
Foreign currency translation reserve transferred to net profit on recognition of LBGA as a subsidiary	**–**	30.5
Foreign currency translation reserve transferred to net profit on disposal of controlled entities	**3.1**	18.6
Net gain on translation of long-term borrowings and foreign currency forward contracts net of tax benefit $58.3 million (2012: $1.5 million)	**(21.4)**	(3.5)
Balance at the end of the year	**81.9**	(87.5)
Hedging reserve		
Balance at the beginning of the year	**(3.6)**	(0.4)
Transferred to the Income Statement	**1.3**	1.2
Transferred to initial carrying amount of hedged item	**7.3**	0.1
Losses taken directly to equity	**(0.3)**	(5.5)
Tax benefit/(expense)	**(2.3)**	1.0
Balance at the end of the year	**2.4**	(3.6)
Other reserve		
Balance at the beginning of the year	**(66.3)**	(66.3)
Balance at the end of the year	**(66.3)**	(66.3)
Share-based payments reserve		
Balance at the beginning of the year	**48.2**	38.8
Option/rights expense	**8.7**	10.6
Purchase of employee compensation shares	**–**	(1.0)
Transfer to share capital on vesting of rights	**(0.5)**	(0.2)
Balance at the end of the year	**56.4**	48.2

Nature and purpose of reserves

Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the Group, together with foreign exchange differences from the translation of liabilities that hedge the Group's net investment in a foreign subsidiary.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Other reserve

The other reserve relates to the Cultured Stone acquisition.

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options and rights issued.

25. Contingent liabilities

Details of contingent liabilities and contingent assets where the probability of future payments/receipts is not considered remote are set out below.

	CONSOLIDATED	
	2013 $ millions	2012 $ millions
Unsecured contingent liabilities:		
Bank guarantees	**6.1**	5.6
Other items	**1.3**	1.6
	7.4	7.2

The Company has given to its bankers letters of responsibility in respect of accommodation provided from time to time by the banks to controlled entities.

A number of sites within the Group and its associates have been identified as contaminated, generally as a result of prior activities conducted at the sites, and review and appropriate implementation of clean-up requirements for these is ongoing. For sites where the requirements can be assessed, estimated clean-up costs have been expensed or provided for. For some sites, the requirements cannot be reliably assessed at this stage.

Certain entities within the Group are subject to various lawsuits and claims in the ordinary course of business.

Consistent with other companies of the size and diversity of Boral, the Group is the subject of periodic information requests, investigations and audit activity by the Australian Taxation Office (ATO) and taxation authorities in other jurisdictions in which Boral operates.

The Group has considered all of the above claims and, where appropriate, sought independent advice and believes it holds appropriate provisions.

Deed of Cross Guarantee

Under the terms of ASIC Class Order 98/1418, certain wholly owned controlled entities have been granted relief from the requirement to prepare audited financial reports. Boral Limited has entered into an approved deed of indemnity for the cross-guarantee of liabilities with those controlled entities identified in note 33.

The consolidated statement of comprehensive income and consolidated balance sheet, comprising Boral Limited and controlled entities which are a party to the Deed of Cross Guarantee, after eliminating all transactions between parties to the Deed, at 30 June 2013 are set out in note 37.

Notes to the Financial Statements

Boral Limited and Controlled Entities

26. Commitments

	CONSOLIDATED	
	2013 $ millions	2012 $ millions
Capital expenditure commitments		
Contracted but not provided for are payable as follows:		
Not later than one year	**40.8**	129.1
Later than one year but not later than five years	**0.1**	26.7
	40.9	155.8

The capital expenditure commitments are in respect of the purchase of plant and equipment.

	2013 $ millions	2012 $ millions
Finance leases		
Lease commitments in respect of finance leases are payable as follows:		
Not later than one year	**1.8**	0.3
Later than one year but not later than five years	**7.1**	0.7
	8.9	1.0
Less: Future finance charges and executory costs	**(1.1)**	(0.1)
	7.8	0.9
Operating leases		
Lease commitments in respect of operating leases are payable as follows:		
Not later than one year	**84.6**	91.9
Later than one year but not later than five years	**156.2**	187.8
Later than five years	**44.3**	55.4
	285.1	335.1

The Group leases property, equipment and vehicles under operating leases expiring from one to 15 years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated. Some leases involve lease payments comprising a base amount plus an incremental contingent rental. Contingent rentals are based on the Consumer Price Index or operating criteria.

27. Employee benefits

Boral Senior Executive Option Plan

The Boral Senior Executive Option Plan provides for executives to receive options over ordinary shares.

Each option entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company.

Certain further details of the options granted are given in the Directors' Report.

The options are only exercisable to the extent to which the exercise hurdle is satisfied. Different exercise hurdles apply to the various tranches of options and satisfaction of these hurdles is dependent on increases in the Boral share price and dividends which affect the Boral Total Shareholder Return (TSR). The performance of the TSR of Boral Limited is compared to the TSR of a reference group of companies from time to time comprising the ASX Top 100 to determine how many options are exercisable.

Set out below are summaries of options granted under the plan.

Tranche	Grant date	Expiry date	Exercise price	Balance at beginning of the year	Issued during the year	Lapsed during the year	Exercised during the year	Balance at end of the year	Vested and exercisable
				Number	Number	Number	Number	Number	Number
Consolidated – 2013									
(xv)	**31/10/2005**	**31/10/2012**	**$7.65**	**2,479,300**	**–**	**(2,479,300)**	**–**	**–**	**–**
(xvi)	**6/11/2006**	**6/11/2013**	**$7.27**	**3,720,400**	**–**	**(136,100)**	**–**	**3,584,300**	**1,792,150**
(xvii)	**6/11/2007**	**6/11/2014**	**$6.78**	**4,816,200**	**–**	**(193,100)**	**–**	**4,623,100**	**3,975,866**
				11,015,900	**–**	**(2,808,500)**	**–**	**8,207,400**	**5,768,016**
Consolidated – 2012									
(xiv)	29/10/2004	29/10/2011	$6.55	1,536,700	–	(1,536,700)	–	–	–
(xv)	31/10/2005	31/10/2012	$7.65	2,552,700	–	(73,400)	–	2,479,300	–
(xvi)	6/11/2006	6/11/2013	$7.27	3,823,900	–	(103,500)	–	3,720,400	1,902,700
(xvii)	6/11/2007	6/11/2014	$6.78	4,989,800	–	(173,600)	–	4,816,200	4,239,552
				12,903,100	–	(1,887,200)	–	11,015,900	6,142,252

There were no options exercised or shares issued to employees on the exercise of options during the financial year or in the preceding financial year.

Notes to the Financial Statements

Boral Limited and Controlled Entities

27. Employee benefits (continued)

Share Acquisition Rights
Share Acquisition Rights (SARs) were introduced in October 2004 to provide an alternative Long Term Incentive (LTI) to options. SARs are granted to executives following similar principles to those of the Option Plan. SARs can be granted in lieu of options, with the number granted calculated in the same way, ie based on a percentage of fixed remuneration and the fair market value of a SAR.

During the current year, SARs were issued under the Boral Long Term Incentive Plan. The SARs issued during the year were each valued at $2.40 using a Monte Carlo simulation option-pricing formula. The value of SARs awarded has been independently determined at grant date after considering the likelihood of meeting performance hurdles.

The following represents the inputs to the pricing model used in estimating fair value:

	2013	2012
Grant date share price	**$3.50**	$3.70
Risk-free rate	**2.58 – 2.72%**	4.01 – 4.28%
Dividend yield	**3.18%**	4.39%
Volatility factor	**35%**	30%

Set out below are summaries of share acquisition rights granted under the plans.

Tranche	Grant date	Expiry date	Exercise price	Balance at beginning of the year	Issued during the year	Cancelled during the year	Exercised during the year	Balance at end of the year	Vested and exercisable
				Number	Number	Number	Number	Number	Number
Consolidated – 2013									
(ii)	**31/10/2005**	**31/10/2012**	**$0.00**	**651,744**	**–**	**(651,744)**	**–**	**–**	**–**
(iii)	**6/11/2006**	**6/11/2013**	**$0.00**	**223,625**	**–**	**(18,576)**	**–**	**205,049**	**–**
(iv)	**6/11/2007**	**6/11/2014**	**$0.00**	**77,277**	**–**	**(7,027)**	**–**	**70,250**	**–**
(v)	**3/11/2008**	**3/11/2015**	**$0.00**	**1,474,011**	**–**	**(236,374)**	**–**	**1,237,637**	**–**
(vi)	**5/11/2009**	**5/11/2016**	**$0.00**	**2,074,034**	**–**	**(285,245)**	**–**	**1,788,789**	**–**
(vii)	**12/11/2010**	**12/11/2017**	**$0.00**	**2,841,776**	**–**	**(401,429)**	**–**	**2,440,347**	**–**
(viii)	**1/9/2011**	**1/9/2018**	**$0.00**	**4,522,150**	**–**	**(947,642)**	**–**	**3,574,508**	**–**
(ix)	**1/9/2011**	**31/12/2012***	**$0.00**	**135,135**	**–**	**–**	**(135,135)**	**–**	**–**
(x)	**1/9/2012**	**1/9/2019**	**$0.00**	**–**	**4,432,920**	**(874,013)**	**–**	**3,558,907**	**–**
				11,999,752	**4,432,920**	**(3,422,050)**	**(135,135)**	**12,875,487**	**–**
Consolidated – 2012									
(i)	29/10/2004	29/10/2011	$0.00	438,121	–	(160,849)	(277,272)	–	–
(ii)	31/10/2005	31/10/2012	$0.00	671,039	–	(19,295)	–	651,744	–
(iii)	6/11/2006	6/11/2013	$0.00	237,776	–	(14,151)	–	223,625	–
(iv)	6/11/2007	6/11/2014	$0.00	83,594	–	(6,317)	–	77,277	–
(v)	3/11/2008	3/11/2015	$0.00	1,586,280	–	(112,269)	–	1,474,011	–
(vi)	5/11/2009	5/11/2016	$0.00	2,176,056	–	(102,022)	–	2,074,034	–
(vii)	12/11/2010	12/11/2017	$0.00	2,994,226	–	(152,450)	–	2,841,776	–
(viii)	1/9/2011	1/9/2018	$0.00	–	4,680,635	(158,485)	–	4,522,150	–
(ix)	1/9/2011	31/12/2012*	$0.00	–	135,135	–	–	135,135	–
				8,187,092	4,815,770	(725,838)	(277,272)	11,999,752	–

* The Company granted Ross Batstone 135,135 SARs on 1 September 2011 as a retention incentive, in recognition of his additional responsibilities as Divisional Managing Director of Boral Building Products in establishing a new Asian Plasterboard Division. The grant was made on terms and conditions determined by the Board and linked to service hurdles to be tested on 31 December 2012. During 2013, the SARs vested and 135,135 fully paid shares were issued on 14 February 2013 at a weighted average price of $4.9532 per share.

During the year ended 30 June 2013, the consolidated entity recognised an expense of $8.7 million (2012: $10.6 million) in relation to share-based payments.

27. Employee benefits (continued)

Superannuation

At 30 June 2013, there were in existence a number of superannuation plans in Australia and overseas established by the Group, or in which the Group participates, for the benefit of employees.

The Boral Industries Inc. Pension Plan is a defined benefit plan. During the year, approval was gained to terminate the plan. Employees who elected a lump sum distribution were paid out and Boral purchased annuities for the remaining participants and the plan has now been terminated.

Boral Super is a sub-plan of the Plum Superannuation Fund; it has a defined benefit plan and an accumulation plan. In April 2013, Boral Limited formally advised the Trustee of the Boral Super sub-plan of the Plum Superannuation Fund that under Rule 4.5(d)(1) it intended to terminate contributions in respect of defined benefit members and under Rule 4.2(c) to reclassify these defined benefit members as accumulation members with effect as at 30 June 2013.

The principal types of benefit provided for under the plans are lump sums payable on retirement, termination, death or total disability. Contributions to the plans by both employees and entities in the Group are based on percentages of the salaries or wages of employees. Entities in the Group contribute to the plans in accordance with the governing Trust Deeds subject to certain rights to vary, suspend or terminate such contributions and thus are not legally obliged to contribute to those plans. In the case of the two defined benefit plans, employer contributions were based on the advice of the plans' actuaries.

The Group makes contributions to defined contribution plans. The amount recognised as an expense for the year ended 30 June 2013 was $50.1 million (2012: $47.9 million).

The following sets out details in respect of the defined benefit plans only.

The amounts recognised in the balance sheet are determined as follows:

	CONSOLIDATED	
	2013 $ millions	2012 $ millions
Net liability for defined benefit obligation at the beginning of the year	**(17.2)**	(7.3)
Expense recognised in the income statement	**(3.1)**	(4.7)
Actuarial gains/(losses) recognised in retained earnings	**4.5**	(9.8)
Employer contributions	**15.6**	4.7
Net foreign currency exchange differences	**0.2**	(0.1)
Net liability for defined benefit obligation at the end of the year	**–**	(17.2)

The accrued benefits, fund assets and vested benefits were determined based on amounts calculated by the actuary projected forward to 30 June 2013.

Contributions to the Boral Super sub-plan and the Boral Industries Inc. plan were based on actuarial advice. On closure of the plans, any shortfall in the defined benefit obligation was paid by the Group.

Notes to the Financial Statements

Boral Limited and Controlled Entities

27. Employee benefits (continued)

Superannuation (continued)

	CONSOLIDATED	
	2013 $ millions	2012 $ millions
Reconciliation of the net liability recognised in the balance sheet		
Defined benefit obligation	**–**	(76.6)
Fair value of plan assets	**–**	59.4
Net liability	**–**	(17.2)
Movements in the present value of the defined benefit obligation		
Balance at the beginning of the year	**76.6**	73.0
Current service cost	**4.1**	5.0
Interest cost	**0.2**	2.6
Contributions by plan participants	**0.2**	0.2
Actuarial (gains)/losses	**(4.5)**	8.8
Benefits paid	**(15.4)**	(13.6)
Settlements	**(61.0)**	–
Net foreign currency exchange differences	**(0.2)**	0.6
Balance at the end of the year	**–**	76.6
Movements in the fair value of plan assets		
Balance at the beginning of the year	**59.4**	65.7
Expected return on plan assets	**1.2**	2.9
Actuarial gains/(losses)	**–**	(1.0)
Employer contributions	**15.6**	4.7
Contributions by plan participants	**0.2**	0.2
Benefits paid	**(15.4)**	(13.6)
Settlements	**(61.0)**	–
Net foreign currency exchange differences	**–**	0.5
Balance at the end of the year	**–**	59.4
Expense recognised in the income statement		
Current service cost	**4.1**	5.0
Interest cost	**0.2**	2.6
Expected return on plan assets	**(1.2)**	(2.9)
Defined benefit superannuation expense	**3.1**	4.7
Cumulative amounts recognised in equity before tax		
Balance at beginning of the year	**(32.2)**	(22.1)
Actuarial gains/(losses)	**4.5**	(9.8)
Settlements	**28.4**	–
Net foreign currency exchange differences	**(0.7)**	(0.3)
Cumulative actuarial losses	**–**	(32.2)
Actual return on plan assets	**1.3**	1.9

27. Employee benefits (continued)

Superannuation (continued)
Plan assets
The percentage invested in each class of the plan assets was:

	BORAL SUPER SUB-PLAN		BORAL INDUSTRIES INC. PLAN	
	2013	2012	2013	2012
Equity securities	–	–	–	10.9%
Debt securities	–	100.0%	–	89.1%
Property securities	–	–	–	–
Other securities	–	–	–	–

There are no amounts included in the fair value of plan assets relating to Boral Limited's own financial instruments, or any property occupied by, or other assets used by the Group.

	BORAL SUPER SUB-PLAN		BORAL INDUSTRIES INC. PLAN	
	2013	2012	2013	2012
Principal actuarial assumptions at the balance sheet date				
Discount rate	–	2.7%	–	5.3%
Expected rate of return on plan assets	–	2.7%	–	6.0%
Expected salary increase rate	–	4.0%	–	3.0%

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each asset class. The returns used for each class are net of investment tax and investment fees. The above calculations are performed by a qualified actuary using the projected unit credit method.

Historical information

	CONSOLIDATED				
	2013 $ millions	2012 $ millions	2011 $ millions	2010 $ millions	2009 $ millions
Present value of defined benefit obligation	–	(76.6)	(73.0)	(82.5)	(83.8)
Fair value of plan assets	–	59.4	65.7	69.1	67.3
Net asset/(liability)	–	(17.2)	(7.3)	(13.4)	(16.5)
Experience adjustments on plan assets – gain/(loss)	–	(1.0)	2.1	4.4	(20.4)
Experience adjustments on plan liabilities – gain/(loss)	**4.5**	(8.8)	0.7	(6.0)	(2.2)

Notes to the Financial Statements

Boral Limited and Controlled Entities

28. Loans and borrowings

TERM AND DEBT REPAYMENT SCHEDULE

Terms and conditions of outstanding loans were as follows:

				CONSOLIDATED			
	Currency	Effective interest rate 2013	Calendar year of maturity	30 June 2013 Carrying amount $ millions	Fair value $ millions	30 June 2012 Carrying amount $ millions	Fair value $ millions
Current							
Bank overdrafts – unsecured	Multi	4.58%	2013 – 2014	**14.2**	**14.2**	24.2	24.2
Bank loans – unsecured	USD	–	–	**–**	**–**	9.8	9.8
Bank loans – unsecured	THB	–	–	**–**	**–**	50.1	50.1
Bank loans – unsecured	Multi	5.29%	2013 – 2014	**54.4**	**54.4**	60.7	60.7
US senior notes – unsecured	USD	7.01%	2014	**56.2**	**59.1**	2.8	2.8
Other loans – unsecured	Multi	5.05%	2013 – 2014	**0.7**	**0.7**	0.4	0.4
Finance lease liabilities	Multi	6.53%	2013 – 2014	**1.4**	**1.4**	0.3	0.3
				126.9	**129.8**	148.3	148.3
Non-current							
Syndicated term credit facility – unsecured	USD	2.34%	2015	**75.6**	**75.6**	150.0	150.0
Syndicated loan facility – unsecured	AUD	4.85%	2016	**300.0**	**300.0**	461.3	461.3
Bank loans – unsecured	Multi	6.21%	2014 – 2017	**56.6**	**56.9**	57.2	57.4
US senior notes – unsecured	USD	6.31%	2014 – 2020	**930.4**	**1,004.1**	905.7	1,003.5
CHF notes – unsecured	CHF	2.25%	2020	**166.8**	**172.4**	–	–
Other loans – unsecured	AUD	9.03%	2014 – 2022	**3.8**	**3.8**	0.3	0.3
Finance lease liabilities	Multi	6.23%	2014 – 2018	**6.4**	**6.4**	0.6	0.6
				1,539.6	**1,619.2**	1,575.1	1,673.1
Total				**1,666.5**	**1,749.0**	1,723.4	1,821.4

US SENIOR NOTES – UNSECURED

Borrower	Notional amount US$ millions	Issue date	Interest rate	Maturity date	AUD equivalent $ millions
Boral USA	52.0	05/2002	7.01%	05/2014	56.2
Boral USA	200.0	05/2005	5.42%	05/2015	216.0
Boral USA	53.5	05/2002	7.11%	05/2017	57.8
Boral USA	30.0	04/2008	7.12%	04/2018	32.4
Boral USA	76.2	04/2008	7.22%	04/2020	82.3
Boral Limited	200.0	05/2005	5.52%	05/2017	244.3
Boral Limited	276.0	04/2008	7.12%	04/2018	297.6
Total	**887.7**				**986.6**

CHF NOTES – UNSECURED

Borrower	Notional amount CHF millions	Issue date	Interest rate	Maturity date	AUD equivalent $ millions
Boral Limited	**150.0**	02/2013	2.25%	02/2020	**166.8**

28. Loans and borrowings (continued)

BANK FACILITIES

Syndicated term credit facility

A committed A$500 million, subsequently reduced to A$350 million and US$195 million (aggregate equivalent A$561 million) syndicated term credit facility was established on 14 February 2011 for general corporate purposes. The maturity date of the facility is 13 February 2015.

Syndicated loan facility

A committed A$500 million multi-currency syndicated loan facility was established on 24 November 2011 to provide liquidity for general corporate purposes. The original maturity date of the facility was 23 November 2015 and has since been extended to 23 November 2016.

Bi-lateral loan facilities

Approximately US$159.8 million (equivalent A$172.6 million) of committed and uncommitted facilities from a number of banks in various currencies have been provided to Boral Gypsum Asia (BGA) and its subsidiaries for general corporate purposes.

Bank overdraft, lease liabilities and other

The Group operates unsecured bank overdraft facility arrangements in Australia and Asia that have combined limits of A$99.6 million. The facilities within Australia are conducted on a set-off basis. All facilities are subject to annual review where repayment can occur on demand by the lending bank. Finance leases within Australia and Asia are subject to lease terms of various maturities.

For each of the above named facilities, the Group has complied with the respective borrowing covenants throughout the year ended 30 June 2013.

29. Financial instruments

FINANCIAL RISK MANAGEMENT

Boral's Treasury operates as a service centre providing funding, risk management and specialist Treasury advice to the Group with the objective of ensuring Boral's strategic and operational objectives are met. The Group's business activities are exposed to a variety of financial risks, including credit, liquidity, foreign currency, interest rate and commodity price risks. Derivative instruments are used to manage these financial risks. The Group does not use derivative or financial instruments for trading or speculative purposes.

The use of financial derivatives is controlled by policies approved by Boral's Board of Directors. The policies provide specific direction in relation to financial risk management, including foreign currency, interest rate, commodity price, credit and liquidity risk.

FAIR VALUE

Certain estimates and judgements are required to calculate the fair values. The fair value amounts shown below are not necessarily indicative of the amounts that the Group would realise upon disposal nor do they indicate the Group's intent or ability to dispose the financial instrument.

The following describes the methodology adopted to derive fair values:

Cash flow and fair value hedges

Commodity swaps and options: the fair value is derived using conventional market formulae based on the closing market price applicable to the respective commodity.

Forward exchange contracts and foreign currency swaps: the fair value is derived using conventional market formulae based on the closing market price applicable to the respective currency.

Interest rate swaps: the present value of expected cash flows has been used to determine fair value using yield curves derived from market sources that accurately reflect their term to maturity.

Cash, deposits, loans and receivables, payables and short-term borrowings

The carrying value of these financial instruments approximate fair value.

Long-term borrowings

The present value of expected cash flows has been adopted to determine fair value using interest rates derived from market sources that accurately reflect their term to maturity.

CREDIT RISK

Exposure to credit risk

Management has a counterparty credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis.

Credit risk relating to cash at bank and derivative contracts is minimised by using financial counterparties that have a long-term credit rating greater than A-/A3 although allowance is given for up to 10% of total cash or A$20 million (whichever is lower) to be deposited with financial counterparties with a rating below A-/A3. Additionally, no more than 40% of Boral's total credit exposure is to be with any individual eligible counterparty.

Notes to the Financial Statements

Boral Limited and Controlled Entities

29. Financial instruments (continued)

CREDIT RISK (continued)

The carrying amount of non-derivative financial assets represents the maximum credit exposure and at the reporting date the maximum exposure was:

	CONSOLIDATED			
	Carrying amount 2013 $ millions	Fair value 2013 $ millions	Carrying amount 2012 $ millions	Fair value 2012 $ millions
Loans to and receivables from associates	**28.4**	**28.4**	27.8	27.8
Trade and other receivables	**876.2**	**876.2**	799.6	799.6
Cash and cash equivalents	**149.9**	**149.9**	205.7	205.7
Cash on deposit	**70.6**	**70.6**	–	–
	1,125.1	**1,125.1**	1,033.1	1,033.1

The following table indicates maximum credit exposure, the periods in which the cash flows associated with derivative financial assets are expected to occur and the impact on profit or loss:

	CONSOLIDATED							
30 June 2013	**Carrying amount $ millions**	**Fair value $ millions**	**Contractual cash flows $ millions**	**6 months or less $ millions**	**6-12 months $ millions**	**1-2 years $ millions**	**2-5 years $ millions**	**More than 5 years $ millions**
Derivative financial assets								
Foreign exchange contracts designated as cash flow hedges	**5.0**	**5.0**	**5.1**	**3.3**	**1.8**	**–**	**–**	**–**
Commodity swaps designated as cash flow hedges	**3.6**	**3.6**	**3.6**	**1.5**	**1.2**	**0.9**	**–**	**–**
Cross currency swaps designated as fair value hedges	**26.5**	**26.5**	**59.2**	**1.5**	**2.5**	**0.2**	**–**	**55.0**
	35.1	**35.1**	**67.9**	**6.3**	**5.5**	**1.1**	**–**	**55.0**

	CONSOLIDATED							
30 June 2012	**Carrying amount $ millions**	**Fair value $ millions**	**Contractual cash flows $ millions**	**6 months or less $ millions**	**6-12 months $ millions**	**1-2 years $ millions**	**2-5 years $ millions**	**More than 5 years $ millions**
Derivative financial assets								
Foreign exchange contracts designated as cash flow hedges	0.2	0.2	0.2	0.2	–	–	–	–
	0.2	0.2	0.2	0.2	–	–	–	–

29. Financial instruments (continued)

LIQUIDITY RISK

Liquidity risk is the risk that the Company has insufficient funds to meet its financial obligations when they fall due. It is also associated with planning for unforeseen events or business disruptions that may cause pressure on liquidity. The Group manages this risk by ensuring that: (i) Boral has a well spread debt maturity profile with a target of > 3.5 years; (ii) Short-term debt (< 1 year) is not to exceed 20% of the sum of Total Debt plus Committed Undrawn Facilities > 1 year; (iii) Committed Undrawn Facilities plus cash is > A$500 million. The following are the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements:

	CONSOLIDATED						
30 June 2013	Carrying amount $ millions	Contractual cash flows $ millions	6 months or less $ millions	6-12 months $ millions	1-2 years $ millions	2-5 years $ millions	More than 5 years $ millions
Non-derivative financial liabilities							
Bank overdrafts – unsecured	**14.2**	**(14.4)**	**(4.4)**	**(10.0)**	**–**	**–**	**–**
Bank loans – unsecured	**486.6**	**(545.9)**	**(45.9)**	**(37.0)**	**(127.5)**	**(335.5)**	**–**
US senior notes – unsecured	**986.6**	**(1,199.0)**	**(20.0)**	**(86.8)**	**(273.2)**	**(724.8)**	**(94.2)**
CHF notes – unsecured	**166.8**	**(197.0)**	**–**	**(2.5)**	**(3.9)**	**(11.6)**	**(179.0)**
Other loans – unsecured	**4.5**	**(6.3)**	**(0.9)**	**(0.1)**	**(0.6)**	**(1.9)**	**(2.8)**
Finance lease liabilities	**7.8**	**(8.4)**	**(0.9)**	**(0.9)**	**(1.8)**	**(4.8)**	**–**
Future purchase liability – Cultured Stone	**48.1**	**(48.1)**	**–**	**(48.1)**	**–**	**–**	**–**
Trade and other payables	**760.1**	**(760.1)**	**(760.1)**	**–**	**–**	**–**	**–**
Derivative financial liabilities							
Foreign exchange contracts designated as cash flow hedges	**0.5**	**(0.5)**	**(0.4)**	**(0.1)**	**–**	**–**	**–**
Commodity swaps designated as cash flow hedges	**0.5**	**(0.5)**	**(0.2)**	**(0.3)**	**–**	**–**	**–**
Cross currency swaps designated as cash flow hedges	**10.9**	**(12.1)**	**(3.0)**	**0.2**	**(2.4)**	**(5.7)**	**(1.2)**
Cross currency swaps designated as fair value hedges	**19.5**	**(43.8)**	**(2.1)**	**(0.8)**	**(3.1)**	**(37.8)**	**–**
Interest rate swaps designated as cash flow hedges	**2.1**	**(2.1)**	**(0.7)**	**(0.8)**	**(0.6)**	**–**	**–**
	2,508.2	**(2,838.2)**	**(838.6)**	**(187.2)**	**(413.1)**	**(1,122.1)**	**(277.2)**

	CONSOLIDATED						
30 June 2012	Carrying amount $ millions	Contractual cash flows $ millions	6 months or less $ millions	6-12 months $ millions	1-2 years $ millions	2-5 years $ millions	More than 5 years $ millions
Non-derivative financial liabilities							
Bank overdrafts – unsecured	24.2	(25.0)	(5.0)	(20.0)	–	–	–
Bank loans – unsecured	789.1	(889.7)	(89.0)	(65.9)	(48.3)	(686.5)	–
US senior notes – unsecured	908.5	(1,156.3)	(27.9)	(27.9)	(106.7)	(580.5)	(413.3)
Other loans – unsecured	0.7	(0.7)	(0.2)	(0.2)	(0.3)	–	–
Finance lease liabilities	0.9	(1.0)	(0.2)	(0.1)	(0.2)	(0.5)	–
Future purchase liability – Cultured Stone	42.8	(44.2)	–	–	(44.2)	–	–
Trade and other payables	732.2	(732.2)	(732.2)	–	–	–	–
Derivative financial liabilities							
Foreign exchange contracts designated as cash flow hedges	1.3	(1.3)	(1.1)	(0.2)	–	–	–
Commodity swaps designated as cash flow hedges	7.2	(7.4)	(4.1)	(2.2)	(1.1)	–	–
Cross currency swaps designated as cash flow hedges	3.2	(3.6)	(0.3)	(0.4)	(0.8)	(2.1)	–
Cross currency swaps designated as fair value hedges	23.3	(36.0)	0.5	1.3	2.7	(40.5)	–
Interest rate swaps designated as cash flow hedges	1.7	(1.7)	(0.2)	(0.4)	(0.7)	(0.4)	–
	2,535.1	(2,899.1)	(859.7)	(116.0)	(199.6)	(1,310.5)	(413.3)

Notes to the Financial Statements

Boral Limited and Controlled Entities

29. Financial instruments (continued)

LIQUIDITY RISK (continued)
Capital risk management
The capital management objectives of the Group are directed towards ensuring that the Group continues as a financial going concern together with returns to shareholders by the adoption of an appropriate capital structure.

On an ongoing basis, the capital structure is reviewed to ensure that the capital components comprising equity and debt are optimised.

MARKET RISK
Currency risk
The Group is exposed to foreign currency risk. This occurs as a result of purchase of raw materials, interest expense related to non AUD borrowings, imported plant and equipment, some export related receivables and the translation of its investment in overseas assets.

The Group manages this risk by adopting the following policies:

(a) All global operational FX exposures are regarded as being within discretionary parameters. If hedging is elected then maximum hedging levels of 75% for Year 1 (months 1 to 12) and 50% for Year 2 (months 13 to 24) apply. The maximum hedging term permitted is two years.

(b) Capital expenditure related foreign currency exposures > A$0.5 million must be 100% hedged at the time of Capex approval. The maximum permitted term for a hedge transaction is two years.

(c) Net investments, including net intercompany loans, in overseas domiciled investments are hedged, regulatory conditions and available hedge instruments permitting.

The Group uses forward exchange contracts to hedge foreign exchange risk. Most of the forward exchange contracts have maturities of less than one year. Where necessary and in accordance with policy compliance, forward exchange contracts can be rolled over at maturity.

The Group primarily uses external foreign currency denominated borrowings, cross currency swaps and forward exchange contracts to hedge the Group's net investment in overseas domiciled assets. The related exchange gains/losses on foreign currency movements are taken primarily to the Foreign Currency Translation Reserve.

The Group's foreign currency exposure for overseas assets at balance date was as follows, based on notional amounts:

	CONSOLIDATED				
	USD	Euro	GBP	NZD	Multi*
Currency	Equivalent to A$ millions				
30 June 2013					
Balance sheet					
Net investment in overseas domiciled Boral subsidiaries	**344.5**	**1.7**	**(1.7)**	**(0.2)**	**1,110.3**
Foreign currency borrowings	**(618.0)**	**–**	**–**	**–**	**–**
Cross currency swaps	**271.3**	**–**	**–**	**–**	**–**
	(2.2)	**1.7**	**(1.7)**	**(0.2)**	**1,110.3**

* Exposure relates to net assets of Boral Gypsum Asia, which are denominated in multiple Asian currencies.

	CONSOLIDATED					
	USD	Euro	GBP	NZD	THB	Multi*
Currency	Equivalent to A$ millions					
30 June 2012						
Balance sheet						
Net investment in overseas domiciled Boral subsidiaries	391.1	1.6	(1.7)	1.6	(17.3)	940.0
Forward exchange contracts	9.8	–	–	–	–	–
Foreign currency borrowings	(650.3)	–	–	–	–	–
Cross currency swaps	253.8	–	–	–	–	–
	4.4	1.6	(1.7)	1.6	(17.3)	940.0

29. Financial instruments (continued)

MARKET RISK (continued)

Based on notional amounts, the forward exchange contracts taken out to hedge foreign exchange risk at balance date were as follows:

	Notional amounts AUD		Average exchange rate	
	2013 $ millions	2012 $ millions	2013	2012
US dollars				
Buy US dollars/sell Australian dollars				
One year or less	**41.0**	14.6	**1.0184**	0.9968
Sell US dollars/buy Australian dollars				
One year or less	**72.9**	21.2	**0.9263**	1.0348
Buy US dollars/sell MYR				
One year or less	**–**	5.9	**–**	–
Euros				
Buy Euros/sell Australian dollars				
One year or less	**5.8**	6.4	**0.7765**	0.7434
JPY				
Buy JPY/sell Australian dollars				
One year or less	**–**	1.1	**–**	81.9100
THB				
Sell US dollars/buy THB				
One year or less	**8.9**	7.4	**–**	–
Sell SGD/buy THB				
One year or less	**1.2**	1.2	**–**	–
KRW				
Buy US dollars/sell KRW				
One year or less	**8.5**	6.7	**–**	–
Sell US dollars/buy KRW				
One year or less	**11.2**	10.0	**–**	–

The forward exchange contracts are considered to be highly effective hedges as they are matched against underlying foreign currency cash flows such as future interest payments, purchases and sales. Any gains or losses on the forward contracts attributed to the hedged risk are taken directly to equity. When goods and services are delivered, the amount recognised in equity is adjusted to the interest expense, inventory or plant and equipment accounts. There was no significant cash flow hedge ineffectiveness in the current or prior year.

As at balance date, the Group's US senior notes interest payables were hedged using forward exchange contracts. Other foreign currency cash, payables and receivables were A$25.2 million at 30 June 2013 (2012: A$13.3 million). The related exchange gains/losses on foreign currency movements are taken primarily to the Income Statement.

Sensitivity

At 30 June 2013, had the Australian dollar weakened/strengthened by 10% against the respective foreign currencies where all other variables remain constant, the Group's pre-tax change to earnings would have been a (loss)/gain respectively of around equivalent A$2.1 million (2012: equivalent A$1.2 million) and equity would have increased/decreased respectively by around equivalent A$114.6 million (2012: equivalent A$97.6 million).

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2013	2012	2013	2012
USD	**1.0238**	1.0347	**0.9257**	1.0175
Euro	**0.7903**	0.7742	**0.7094**	0.8075
GBP	**0.6531**	0.6529	**0.6069**	0.6496
NZD	**1.2456**	1.2752	**1.1857**	1.2739
THB	**31.1687**	31.9775	**28.7150**	32.3460

Notes to the Financial Statements

Boral Limited and Controlled Entities

29. Financial instruments (continued)

INTEREST RATE RISK

The Group adopts a policy that ensures a minimum of 35% and a maximum of 75% of its borrowings are hedged with fixed interest rates at all times. Implementation of interest rate derivative instruments provides the Group with the flexibility to raise term borrowings at fixed or variable interest rates where subsequently these borrowings can be converted to either variable or fixed rates of interest. This achieves fixed interest rate borrowings consistent with the target range of between 35% and 75% of borrowings.

Interest rate swaps denominated in AUD and USD and cross currency swaps denominated in USD/AUD and CHF/AUD have been transacted to assist with achieving an appropriate mix of fixed and floating interest rate borrowings. The interest rate derivative instruments mature progressively over the next seven years. The duration applicable to the interest rate and cross currency swaps is consistent with maturities applicable to the underlying borrowings.

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was:

	CONSOLIDATED	
	2013 Carrying amount $ millions	2012 Carrying amount $ millions
Fixed rate instruments		
Bank loans – unsecured	**9.6**	–
US senior notes – unsecured [1]	**986.6**	908.5
CHF notes – unsecured [2]	**166.8**	–
Other loans – unsecured	**4.5**	0.7
Finance lease liabilities	**7.8**	0.9
	1,175.3	910.1
Variable rate instruments		
Bank overdrafts – unsecured	**14.2**	24.2
Bank loans – unsecured [3, 4]	**477.0**	789.1
	491.2	813.3
	1,666.5	1,723.4

1 US$225 million (equivalent A$271.3 million) fixed rate senior notes due May 2015 and May 2017 have been swapped to AUD floating rates via cross currency swaps.

2 CHF150 million (equivalent A$166.8 million) fixed rate notes due February 2020 have been swapped to AUD floating rate via cross currency swaps.

3 A$300 million of floating rate debt drawn under the A$500 million syndicated term credit facility has been swapped to fixed rates via interest rate swaps.

4 US$20 million (equivalent A$21.6 million) floating rate bank loan has been swapped to fixed rate via an interest rate swap.

Interest rate derivatives		
Pay fixed interest rate derivatives		
Pay fixed against A$ BBSY	**1.6**	0.7
Pay fixed against US$ LIBOR	**0.5**	1.0
	2.1	1.7
Pay variable interest rate derivatives		
Cross currency swap pay floating A$ BBSW	**3.9**	26.5
	3.9	26.5

Sensitivity

At 30 June 2013, if interest rates had changed by +/- 1% pa from the year end rates with all other variables held constant, the Group's pre-tax profit for the year would have been A$0.5 million higher/lower (2012: A$0.3 million) and the change in equity would have been A$7.4 million (2012: A$2.7 million) mainly as a result of a higher interest cost applying to interest rate derivatives.

29. Financial instruments (continued)

INTEREST RATE RISK (continued)
INTEREST RATES USED FOR DETERMINING FAIR VALUE
Where appropriate, the Group uses BBSW, LIBOR and Treasury Bond yield curves as of 30 June 2013 plus an adequate credit spread to discount financial instruments. The interest rates used are as follows:

	2013 % pa	2012 % pa
Derivatives	**0.27 – 5.8**	0.47 – 5.22
Interest bearing loans and borrowings	**0.00 – 11.00**	0.00 – 12.70
Finance leases	**3.14 – 14.68**	3.14 – 14.78

COMMODITY PRICE RISK
The Group is exposed to commodity price risk that is associated with the purchase of petroleum, natural gas, electricity and aluminium purchases under variable price contract arrangements. The Group adopts a policy where the only commodity exposure where compulsory hedging applies is diesel for the Australia Business and this hedging is to be in AUD. All other global commodity exposures fall within discretionary hedging parameters. If hedging is elected then a minimum of 50% of the Australian Diesel exposure is to be hedged for a period of not less than six months with maximum hedging levels of 75% for Year 1 (months 1 to 12) and 50% for Year 2 (months 13 to 24). The maximum permitted term for a hedge transaction is two years.

The Group uses commodity swaps to hedge commodity price risk. All of the commodity swaps have maturities of less than two years.

Commodities hedging activities
Notional value of commodity derivative instruments at year end is as follows:

	CONSOLIDATED	
	2013 $ millions	2012 $ millions
Singapore gasoil 0.5%	**48.1**	68.7
Natural gas (NYMEX)	**5.4**	–
Electricity	**3.1**	–
Details of balance sheet carrying value/fair value of instruments hedging commodities price risk:		
Assets		
Commodity swaps designated as cash flow hedges	**3.6**	–
Liabilities		
Commodity swaps designated as cash flow hedges	**(0.5)**	(7.2)
	3.1	(7.2)

The commodity swaps are considered to be highly effective hedges as they are matched against forward commodity purchases. The ineffective portion of the hedges transferred to the Income Statement was Nil in 2013 (2012: A$0.1 million).

Sensitivity
At 30 June 2013, if the commodity price had changed by +/- 10% from the year end prices with all other variables held constant, the Group's pre-tax earnings for the year would be unchanged (2012: unchanged) and the change in equity would have been A$5.9 million (2012: A$6.1 million).

Notes to the Financial Statements

Boral Limited and Controlled Entities

29. Financial instruments (continued)

THE FAIR VALUE HIERARCHY

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data.

The Group's financial instruments that are measured and recognised at fair value include:

- financial assets, including derivatives used for hedging (forward exchange contracts, commodity swaps, cross currency swaps);
- financial liabilities, including derivatives used for hedging (forward exchange contracts, commodity swaps, interest rate swaps, cross currency swaps).

The following table presents the Group's financial assets and liabilities that are measured at fair value:

30 June 2013	Level 1 $ millions	Level 2 $ millions	Level 3 $ millions	Total $ millions
Assets				
Derivatives used for hedging	**–**	**35.1**	**–**	**35.1**
Total assets	**–**	**35.1**	**–**	**35.1**
Liabilities				
Derivatives used for hedging	**–**	**33.5**	**–**	**33.5**
Total liabilities	**–**	**33.5**	**–**	**33.5**

30 June 2012	Level 1 $ millions	Level 2 $ millions	Level 3 $ millions	Total $ millions
Assets				
Derivatives used for hedging	–	0.2	–	0.2
Total assets	–	0.2	–	0.2
Liabilities				
Derivatives at fair value through profit or loss	–	–	–	–
Derivatives used for hedging	–	36.7	–	36.7
Total liabilities	–	36.7	–	36.7

30. Key management personnel disclosures

The following were key management personnel of the Group during the reporting period and unless otherwise indicated for the entire period:

DIRECTORS
Current Directors

Bob Every AO	Chairman and Non-executive Director
Mike Kane*	CEO and Managing Director (appointed 1 October 2012)
Catherine Brenner	Non-executive Director
Brian Clark	Non-executive Director
Eileen Doyle	Non-executive Director
Richard Longes	Non-executive Director
John Marlay	Non-executive Director
Paul Rayner	Non-executive Director

* Mr Mike Kane held the position of President and CEO Boral USA until 1 October 2012, on which date he was appointed as CEO and Managing Director.

EXECUTIVES
Current Executives

Al Borm	President and CEO Boral USA (appointed 1 October 2012)
Joseph Goss	Divisional Managing Director – Boral Construction Materials & Cement (appointed 1 April 2013)
Darren Schulz	Executive General Manager – Boral Building Products (appointed 1 February 2013)
Frederic de Rougemont	CEO Boral Gypsum Asia until 1 October 2012, on which date he was appointed as Divisional Managing Director – Boral Gypsum
Andrew Poulter	Chief Financial Officer

Former Executives
Mr Ross Batstone held the position of Chief Executive from 22 May to 30 September 2012. From 1 October 2012, he took on the role of Chairman, Boral Gypsum Asia until his retirement effective 1 July 2013.

Mr Mike Beardsell held the position of Divisional Managing Director – Boral Cement until 31 January 2013, when he departed the Group after his role was made redundant.

Mr Murray Read held the position of Divisional Managing Director – Boral Construction Materials until 31 March 2013, on which date he moved into a temporary transitional role before departing the Group on 1 July 2013 after his role was made redundant.

Mr Bryan Tisher held the position of Divisional Managing Director – Boral Building Products until 6 February 2013, when he departed the Group after his role was made redundant.

KEY MANAGEMENT PERSONNEL COMPENSATION
The key management personnel compensation included in “employee benefits expense” in note 3 is as follows:

	CONSOLIDATED	
	2013 $'000	2012 $'000
Short-term employee benefits	**7,682.3**	6,693.1
Post-employment benefits	**369.5**	432.7
Termination benefits	**2,144.1**	1,888.3
Share-based payments	**1,613.4**	5,079.1
Long-term employee benefits	**69.0**	79.1
	11,878.3	14,172.3

June 2012 comparatives include key management personnel for that year.

Notes to the Financial Statements

Boral Limited and Controlled Entities

30. Key management personnel disclosures (continued)

INDIVIDUAL DIRECTORS' AND EXECUTIVES' COMPENSATION DISCLOSURES

Information regarding individual Directors' and executives' compensation is provided in the Remuneration Report section of the Directors' Report.

LOANS TO KEY MANAGEMENT PERSONNEL

There were no loans made or outstanding to key management personnel.

EQUITY INSTRUMENTS

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the Remuneration Report that forms part of the Directors' Report.

(ii) Option holdings

The number of options (being executive options) over ordinary shares in Boral Limited held during the financial year by each Director of Boral Limited and each of the key management personnel of the Group are set out below:

		Balance at the beginning of the year	Granted during the year as remuneration	Exercised during the year	Lapsed/ cancelled during the year	Balance at the end of the year	Vested and exercisable at the end of the year
		Number	Number	Number	Number	Number	Number
Current Director							
Mike Kane	**2013**	**–**	**–**	**–**	**–**	**–**	**–**
	2012	–	–	–	–	–	–
Current Executives							
Al Borm	**2013**	**–**	**–**	**–**	**–**	**–**	**–**
Joseph Goss	**2013**	**–**	**–**	**–**	**–**	**–**	**–**
Darren Schulz	**2013**	**–**	**–**	**–**	**–**	**–**	**–**
Frederic de Rougemont	**2013**	**–**	**–**	**–**	**–**	**–**	**–**
Andrew Poulter	**2013**	**–**	**–**	**–**	**–**	**–**	**–**
	2012	–	–	–	–	–	–
Former Executives							
Ross Batstone [a]	**2013**	**240,700**	**–**	**–**	**–**	**240,700**	**118,376**
	2012	297,500	–	–	(56,800)	240,700	118,376
Mike Beardsell [a]	**2013**	**102,000**	**–**	**–**	**(25,500)**	**76,500**	**53,514**
	2012	113,100	–	–	(11,100)	102,000	53,514
Murray Read [a]	**2013**	**99,000**	**–**	**–**	**(27,300)**	**71,700**	**51,114**
	2012	123,200	–	–	(24,200)	99,000	51,114
Bryan Tisher [a]	**2013**	**170,500**	**–**	**–**	**(49,400)**	**121,100**	**85,498**

a Option holding at the date of ceasing to be an executive included in key management personnel.

30. Key management personnel disclosures (continued)

EQUITY INSTRUMENTS (continued)
(ii) Option holdings (continued)
Shares provided on exercise of options
During the financial year, there were no shares issued on the exercise of options granted as compensation.

(iii) Share Acquisition Rights
The number of Share Acquisition Rights (SARs) in Boral Limited held during the financial year by each Director of Boral Limited and each of the key management personnel of the Group are set out below:

		Balance at the beginning of the year	Rights granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Balance at the end of the year	Vested and exercisable at the end of the year
		Number	Number	Number	Number	Number	Number
Current Director							
Mike Kane	**2013**	**181,002**	**666,666**	**–**	**–**	**847,668**	**–**
	2012	78,717	102,285	–	–	181,002	–
Current Executives							
Al Borm	**2013**	**48,900**[a]	**34,640**[a]	**–**	**–**	**83,540**	**–**
Joseph Goss	**2013**	**–**	**–**	**–**	**–**	**–**	**–**
Darren Schulz	**2013**	**–**	**13,333**[a]	**–**	**–**	**13,333**	**–**
Frederic de Rougemont	**2013**	**–**	**104,442**	**–**	**–**	**104,442**	**–**
Andrew Poulter	**2013**	**188,205**	**169,875**	**–**	**–**	**358,080**	**–**
	2012	21,701	166,504	–	–	188,205	–
Former Executives							
Ross Batstone[b]	**2013**	**659,142**	**–**	**–**	**–**	**659,142**	**–**
	2012	352,382	321,978	(8,218)	(7,000)	659,142	–
Mike Beardsell[b]	**2013**	**309,050**	**131,888**	**–**	**(325,972)**	**114,966**	**–**
	2012	182,746	129,280	(1,607)	(1,369)	309,050	–
Murray Read[b]	**2013**	**354,703**	**161,458**	**–**	**(7,175)**	**508,986**	**–**
	2012	202,935	158,263	(3,507)	(2,988)	354,703	–
Bryan Tisher[b]	**2013**	**340,718**	**135,000**	**–**	**(288,314)**	**187,404**	**–**

a Initial rights holding at the date of commencing as an executive included in key management personnel.

b Final shareholding at the date of ceasing to be an executive included in key management personnel. Mr Ross Batstone ceased to be an executive included in key management personnel from 1 October 2012. After this time, Mr Batstone received 135,135 shares upon the vesting of 135,135 SARs.

Notes to the Financial Statements

Boral Limited and Controlled Entities

30. Key management personnel disclosures (continued)

EQUITY INSTRUMENTS (continued)
(iv) Shareholdings
The number of shares held in Boral Limited during the financial year by each Director of Boral Limited and each of the key management personnel of the Group, including their personally related entities, are set out below:

		Balance at the beginning of the year	Received during the year on the exercise of options/SARs	Allocation in Non-Executive Directors' Share Plan[a]	Other changes during the year	Balance at the end of the year
		Number	Number	Number	Number	Number
Current Directors						
Bob Every AO	**2013**	**70,221**	**–**	**–**	**–**	**70,221**
	2012	70,221	–	–	–	70,221
Mike Kane	**2013**	**–**	**–**	**–**	**10,100**	**10,100**
	2012	–	–	–	–	–
Catherine Brenner	**2013**	**5,195**	**–**	**–**	**10,106**	**15,301**
	2012	5,000	–	–	195	5,195
Brian Clark	**2013**	**74,546**	**–**	**–**	**1,411**	**75,957**
	2012	71,937	–	–	2,609	74,546
Eileen Doyle	**2013**	**1,282**	**–**	**–**	**13,776**	**15,058**
	2012	1,234	–	–	48	1,282
Richard Longes	**2013**	**28,341**	**–**	**–**	**10,333**	**38,674**
	2012	27,725	–	–	616	28,341
John Marlay	**2013**	**4,969**	**–**	**–**	**20,079**	**25,048**
	2012	4,781	–	–	188	4,969
Paul Rayner	**2013**	**29,189**	**–**	**–**	**20,558**	**49,747**
	2012	28,156	–	–	1,033	29,189

a Directors will only be entitled to a transfer of the shares in accordance with the terms and conditions of the plan.

30. Key management personnel disclosures (continued)

EQUITY INSTRUMENTS (continued)
(iv) Shareholdings (continued)

		Balance at the beginning of the year	Received during the year on the exercise of options/SARs	Other changes during the year	Balance at the end of the year
		Number	Number	Number	Number
Current Executives					
Al Borm	**2013**	**–**	**–**	**–**	**–**
Joseph Goss	**2013**	**–**	**–**	**–**	**–**
Darren Schulz	**2013**	**–**	**–**	**–**	**–**
Frederic de Rougemont	**2013**	**–**	**–**	**–**	**–**
Andrew Poulter	**2013**	**10,186**	**–**	**207**	**10,393**
	2012	10,000	–	186	10,186
Former Executives					
Ross Batstone [a]	**2013**	**713,895**	**–**	**–**	**713,895**
	2012	705,677	8,218	–	713,895
Mike Beardsell [b]	**2013**	**88,573**	**–**	**–**	**88,573**
	2012	86,966	1,607	–	88,573
Murray Read [b]	**2013**	**214,796**	**–**	**–**	**214,796**
	2012	231,289	3,507	(20,000)	214,796
Bryan Tisher [b]	**2013**	**126**	**–**	**–**	**126**

a Final shareholding at the date of ceasing to be an executive included in key management personnel. Mr Ross Batstone ceased to be an executive included in key management personnel from 1 October 2012. After this time, Mr Batstone received 135,135 shares upon the vesting of 135,135 SARs, giving him a balance of 849,030 shares at the end of financial year 2013.

b Final shareholding at the date of ceasing to be an executive included in key management personnel.

Notes to the Financial Statements

Boral Limited and Controlled Entities

31. Auditors' remuneration

	CONSOLIDATED	
	2013 $'000	2012 $'000
Audit services:		
KPMG Australia – audit and review of financial reports	**1,355**	1,431
KPMG overseas firms – audit and review of financial reports	**910**	539
KPMG Australia – other assurance services	**108**	103
KPMG overseas firms – other assurance services	**3**	–
Other auditors – audit and review of financial reports	**–**	649
	2,376	2,722
Other services:		
KPMG Australia – taxation services	**160**	86
KPMG Australia – due diligence	**217**	513
KPMG Australia – advisory	**36**	35
KPMG Australia – other	**16**	11
KPMG overseas firms – due diligence	**–**	130
KPMG overseas firms – taxation services	**58**	162
	487	937
	2,863	3,659

32. Acquisition/disposal of controlled entities

The following controlled entities were acquired or disposed of during the financial year ended 30 June 2013:

Entities acquired:
There were no acquisitions during the year ended 30 June 2013.

	Date of disposal
Entities disposed:	
PT Pion Quarry Nusantara	Aug 2012
Thailand Construction Materials	Dec 2012
Boral Concrete & Quarry Limited	
Ratchiburi Enterprise Company Ltd	

	Date of loss of control
Entities deregistered:	
Boral Timber Inc.	Jun 2013
Boral Investments Ltd	Jun 2013
LBGA Trading (Singapore) Pte Ltd	Jun 2013
MLOP Pty Ltd (in liquidation)	Aug 2012
Boral Johns Perry Ltd (in liquidation)	Aug 2012
Dowell Australia Ltd (in liquidation)	Aug 2012

Name changes during the financial period:

Boral Material Technologies Inc.	to	Boral Material Technologies LLC

32. Acquisition/disposal of controlled entities (continued)

The following controlled entities were acquired or disposed of during the financial year ended 30 June 2012:

	2012 $ millions
Entities acquired:	
Lafarge Boral Gypsum in Asia Sdn Bhd	531.4
Wagners – concrete and quarry	166.2
Sunshine Coast quarries	83.0
Less: Net cash acquired	(62.8)
Less: Cash paid – deposit in prior year	(17.3)
Total purchase consideration	700.5

	Date of disposal
Entities disposed:	
Indonesian Construction Materials	Mar 2012
Pt Jaya Readymix	
PT Boral Pipe and Precast Indonesia	
PT Boral Indonesia	
Boral Best Block LLC	Jun 2012

			Date of loss of control
Entities deregistered:			
Boral Building Services Pte Ltd			Aug 2011
Boral Asia Pacific Pte Ltd			Nov 2011
United States Tile Co.			Apr 2012
Boral Tile LLC			Apr 2012
Boral Benefits Management Inc.			Jun 2012
Boral Bricks of Texas LP	merged into	Boral Bricks Holdings Inc.	Jun 2012
Boral Bricks Holdings Inc.	merged into	Boral Bricks Inc.	Jun 2012
Boral Material Technologies of Texas LP	merged into	BMT Holdings Inc.	Jun 2012
BMT Holdings Inc.	merged into	Boral Material Technologies Inc.	Jun 2012

Name changes during the financial period:		
MonierLifetile LLC	to	Boral Roofing LLC
MonierLifetile S.R.L. de C.V.	to	Boral Roofing de Mexico S. de R.L. de C.V.
Boral Quarry Products (Thailand) Ltd	to	Boral Concrete & Quarry Limited
Lafarge Boral Gypsum in Asia Sdn Bhd	to	Boral Gypsum Asia Sdn Bhd
Lafarge Gypsum in Asia Limited	to	BGA Holdings Limited
Lafarge Gypsum (Shanghai) Co Ltd	to	Boral Plasterboard (Shanghai) Co Ltd
Lafarge Gypsum (Chengdu) Co Ltd	to	Boral Gypsum (Chengdu) Co Ltd
Lafarge Boral Gypsum India Private Ltd	to	Boral Gypsum India Private Ltd
Lafarge Boral Gypsum Vietnam Co Ltd	to	Boral Gypsum Vietnam Co Ltd
Lafarge Prestia Co Ltd	to	Boral Prestia Co Ltd
Lafarge Plasterboard System Co Ltd	to	Boral Plasterboard System Co Ltd
Lafarge Gypsum Korea Co Ltd	to	Boral Gypsum Korea Co Ltd
West Gypsum (Chongqing) Co Ltd	to	Boral Gypsum (Chongqing) Co Ltd
Lafarge Plasterboard System (Shanghai) Co Ltd	to	Boral Gypsum (Shanghai) Co Ltd
Lafarge Gypsum (Shandong) Co Ltd	to	Boral Gypsum (Shandong) Co Ltd
Lafarge Boral Management Services Shanghai Ltd	to	Boral Management Services (Shanghai) Co Ltd

Notes to the Financial Statements

Boral Limited and Controlled Entities

33. Controlled entities

The financial statements of the following entities have been consolidated to determine the results of the consolidated entity.

		Beneficial ownership by	
	Country of incorporation	Consolidated entity 2013 %	Consolidated entity 2012 %
Boral Limited	Australia		
Boral Cement Limited > *	Australia	**100**	100
Barnu Pty Ltd *	Australia	**100**	100
Boral Building Materials Pty Ltd > *	Australia	**100**	100
Boral International Pty Ltd > *	Australia	**100**	100
PT Pion Quarry Nusantara ****	Indonesia	**–**	100
MJI (Thailand) Ltd	Thailand	**100**	100
Boral Concrete (Thailand) Ltd	Thailand	**100**	100
Boral Concrete & Quarry Limited ****	Thailand	**–**	100
Ratchiburi Enterprise Company Ltd ****	Thailand	**–**	100
Boral USA <	USA	**100**	100
Boral International Holdings Inc.	USA	**100**	100
Boral Construction Materials LLC	USA	**100**	100
Ready Mixed Concrete Company	USA	**100**	100
Sprat-Platte Ranch Co. LLLP	USA	**100**	100
Morton Lakes LLC	USA	**100**	100
Aggregate Investments LLC	USA	**100**	100
BCM Oklahoma LLC	USA	**100**	100
McCanne Ditch and Reservoir Company	USA	**100**	100
Boral Industries Inc.	USA	**100**	100
Boral Finance Inc.	USA	**100**	100
Boral Timber Inc. ***	USA	**–**	100
Boral Lifetile Inc.	USA	**100**	100
Boral Concrete Tile Inc.	USA	**100**	100
Boral Roofing LLC	USA	**100**	100
Boral Roofing de Mexico S. de R.L. de C.V.	Mexico	**100**	100
E.U.M. Teja de Concreto Servicio Compania S.R.L. de C.V.	Mexico	**100**	100
Tile Service Company LLC	USA	**100**	100
Boral Bricks Inc.	USA	**100**	100
Dennis Brick Distributors	USA	**50**	50
Boral Composites Inc.	USA	**100**	100
Boral Material Technologies LLC	USA	**100**	100
Boral Stone LLC	USA	**100**	100
Boral Stone Products LLC	USA	**50**	50
Boral IP Holdings LLC **	USA	**100**	–
Boral (UK) Ltd	UK	**100**	100
Boral Investments Ltd ***	Jersey	**–**	100
Boral Investments BV	Netherlands	**100**	100
Boral Industrie GmbH	Germany	**100**	100
Boral Klinker GmbH	Germany	**100**	100
Boral Mecklenburger Ziegel GmbH	Germany	**100**	100
Boral Industries Ltd	NZ	**100**	100
Boral Building Products (NZ) Ltd	NZ	**100**	100

33. Controlled entities (continued)

	Country of incorporation	Beneficial ownership by Consolidated entity 2013 %	Beneficial ownership by Consolidated entity 2012 %
Boral Gypsum Asia Sdn Bhd	Malaysia	**100**	100
Boral Management Services Shanghai Co Ltd	China	**100**	100
Boral Building Materials (Malaysia) Sdn Bhd	Malaysia	**100**	100
Boral Plasterboard (Malaysia) Sdn Bhd	Malaysia	**100**	100
Boral Plasterboard (Marketing) Sdn Bhd	Malaysia	**100**	100
Siam Gypsum Industry Co Ltd	Thailand	**71**	71
Siam Gypsum Industry (Saraburi) Co Ltd	Thailand	**71**	71
Siam Gypsum Industry (Songkla) Co Ltd	Thailand	**71**	71
Siam Gypsum Industry Development Co Ltd	Thailand	**71**	71
Gypsum Business Limited	Thailand	**100**	100
Boonyavajara Mining Co Ltd	Thailand	**100**	100
Boral Prestia Co Ltd	Thailand	**100**	100
Boral Middle East FZE	UAE	**100**	100
Boral Middle East (Dubai) LLC	UAE	**49**	49
PT Petrojaya Boral Plasterboard	Indonesia	**100**	100
BGA Holdings Limited	Labuan	**100**	100
China Plasterboard Corporation	British Virgin Islands	**100**	100
Boral Plasterboard (Shanghai) Co Ltd	China	**96.8**	96.8
Boral Gypsum (Chongqing) Co Ltd	China	**100**	100
Boral Gypsum (Chengdu) Co Ltd	China	**100**	100
Boral Gypsum (Shanghai) Co Ltd	China	**100**	100
Boral Gypsum India Private Ltd	India	**100**	100
Boral Gypsum (Shandong) Co Ltd	China	**100**	100
LBGA Trading (Singapore) Pte Ltd ***	Singapore	**–**	60
Boral Gypsum Korea Co Ltd	South Korea	**100**	100
South Korean Plasterboard Corporation	Labuan	**100**	100
Boral Plasterboard System Co Ltd	South Korea	**100**	100
Siamsum Corporation	Labuan	**100**	100
Boral Gypsum Vietnam Co Ltd	Vietnam	**100**	100
Boral Plasterboard Philippines Inc	Philippines	**100**	100
Boral Australian Gypsum Ltd > *	Australia	**100**	100
Waratah Gypsum Pty Ltd (in liquidation)	Australia	**100**	100
Boral Plaster Fixing Pty Ltd *	Australia	**100**	100
Lympike Pty Ltd *	Australia	**100**	100

Notes to the Financial Statements

Boral Limited and Controlled Entities

33. Controlled entities (continued)

	Country of incorporation	Beneficial ownership by Consolidated entity 2013 %	Beneficial ownership by Consolidated entity 2012 %
Boral Investments Pty Ltd > *	Australia	**100**	100
Boral Construction Materials Ltd > *	Australia	**100**	100
Boral Resources (WA) Ltd > *	Australia	**100**	100
Boral Contracting Pty Ltd *	Australia	**100**	100
Boral Construction Related Businesses Pty Ltd > *	Australia	**100**	100
Boral Resources (Vic) Pty Ltd > *	Australia	**100**	100
Bayview Quarries Pty Ltd *	Australia	**100**	100
Boral Resources (Qld) Pty Ltd > *	Australia	**100**	100
Allen's Asphalt Pty Ltd > *	Australia	**100**	100
Q-Crete Premix Pty Ltd **	Australia	**100**	–
Boral Resources (NSW) Pty Ltd > *	Australia	**100**	100
Dunmore Sand & Soil Pty Ltd *	Australia	**100**	100
Boral Recycling Pty Ltd > *	Australia	**100**	100
De Martin & Gasparini Pty Ltd > *	Australia	**100**	100
De Martin & Gasparini Concrete Placers Pty Ltd *	Australia	**100**	100
De Martin & Gasparini Pumping Pty Ltd *	Australia	**100**	100
De Martin & Gasparini Contractors Pty Ltd *	Australia	**100**	100
Boral Precast Holdings Pty Ltd > *	Australia	**100**	100
Boral Construction Materials Group Ltd > *	Australia	**100**	100
Concrite Pty Ltd > *	Australia	**100**	100
Boral Resources (SA) Ltd > *	Australia	**100**	100
Bitumax Pty Ltd > *	Australia	**100**	100
Road Surfaces Group Pty Ltd > *	Australia	**100**	100
Alsafe Premix Concrete Pty Ltd > *	Australia	**100**	100
Boral Transport Ltd > *	Australia	**100**	100
Boral Corporate Services Pty Ltd	Australia	**100**	100
Bitupave Ltd > *	Australia	**100**	100
Boral Resources (Country) Pty Ltd > *	Australia	**100**	100
MLOP Pty Ltd (in liquidation) ***	Australia	**–**	100
Bayview Pty Ltd *	Australia	**100**	100
Dandenong Quarries Pty Ltd *	Australia	**100**	100
Boral Insurance Pty Ltd	Australia	**100**	100
Boral Johns Perry Ltd (in liquidation) ***	Australia	**–**	100
Allen Taylor & Company Ltd > *	Australia	**100**	100
Oberon Softwood Holdings Pty Ltd > *	Australia	**100**	100
Duncan's Holdings Ltd > *	Australia	**100**	100
Boral Bricks Pty Ltd > *	Australia	**100**	100
Boral Masonry Ltd > *	Australia	**100**	100

33. Controlled entities (continued)

	Country of incorporation	Beneficial ownership by Consolidated entity 2013 %	Consolidated entity 2012 %
Boral Hollostone Masonry (South Aust) Pty Ltd > *	Australia	**100**	100
Boral Montoro Pty Ltd > *	Australia	**100**	100
Boral Window Systems Ltd > *	Australia	**100**	100
Dowell Australia Ltd (in liquidation) ***	Australia	**–**	100
Boral Timber Fibre Exports Pty Ltd > *	Australia	**100**	100
Boral Shared Business Services Pty Ltd > *	Australia	**100**	100
Boral Building Products Ltd > *	Australia	**100**	100
Boral Bricks Western Australia Pty Ltd > *	Australia	**100**	100
Boral IP Holdings (Australia) Pty Ltd **	Australia	**100**	–

\> Granted relief by the Australian Securities and Investments Commission from specified accounting requirements in accordance with Class Order (refer to note 36).

* Entered into cross guarantee with Boral Limited (refer to note 37).

** Incorporated during the year.

*** Deregistered during the year.

**** Disposed of during the year.

< A Delaware general partnership.

All the shares held by Boral Limited in controlled entities are ordinary shares.

34. Related party disclosures

CONTROLLED ENTITIES

Interests held in controlled entities are set out in note 33.

ASSOCIATED ENTITIES

Interests held in associated entities are set out in note 12. The business activities of a number of these entities are conducted under joint venture arrangements. Associated entities conduct business transactions with various controlled entities. Such transactions include purchases and sales of certain products, dividends and interest. All such transactions are conducted on the basis of normal commercial terms and conditions.

DIRECTOR TRANSACTIONS WITH THE GROUP

Transactions entered into during the year with Directors of Boral Limited and the Group are within normal employee, customer or supplier relationships on terms and conditions no more favourable than dealings in the same circumstances on an arm's length basis and include:

- the receipt of dividends from Boral Limited;
- participation in the Boral Long Term Incentive Plan;
- terms and conditions of employment;
- reimbursement of expenses;
- purchases of goods and services.

A number of Directors of the Company hold directorships in other entities. Several of these entities transacted with the Group on terms and conditions no more favourable than those available on an arm's length basis.

Notes to the Financial Statements

Boral Limited and Controlled Entities

35. Notes to statement of cash flows

		Note	CONSOLIDATED 2013 $ millions	2012 $ millions
(i)	Reconciliation of cash and cash equivalents:			
	Cash includes cash on hand, at bank and short-term deposits, net of outstanding bank overdrafts. Cash as at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:			
	Cash and cash equivalents	9	**149.9**	205.7
	Bank overdrafts	18	**(14.2)**	(24.2)
			135.7	181.5
	The Group also holds $70.6 million (2012: Nil) of bank deposits maturing in less than 180 days.			
(ii)	Reconciliation of net profit/(loss) to net cash provided by operating activities:			
	Net profit/(loss)		**(205.7)**	177.7
	Adjustments for non-cash items:			
	Depreciation and amortisation		**291.1**	273.4
	Discount unwinding		**2.5**	3.6
	Gain on sale of assets		**(38.2)**	(50.3)
	Fair value adjustment		**–**	(184.5)
	Impairment of assets, businesses and demolition costs		**386.3**	196.2
	Share-based payment expense		**8.7**	10.6
	Fixed asset impairment		**5.0**	–
	Non-cash equity income		**(2.5)**	(8.7)
	Net cash provided by operating activities before change in assets and liabilities		**447.2**	418.0
	Changes in assets and liabilities net of effects from acquisitions/disposals			
	– Receivables		**(70.4)**	16.9
	– Inventories		**10.2**	(56.1)
	– Payables		**(1.7)**	(35.6)
	– Provisions		**(26.6)**	(82.3)
	– Current and deferred taxes		**(95.3)**	(112.6)
	– Other		**30.6**	(15.0)
	Net cash provided by operating activities		**294.0**	133.3
(iii)	The following non-cash financing and investing activities have not been included in the statement of cash flows:			
	Dividends reinvested under the Dividend Reinvestment Plan		**29.4**	54.8
(iv)	Acquisition costs, restructure costs and legal settlements paid			
	During the year, the Group incurred costs associated with:			
	Acquisition and integration costs		**–**	(35.3)
	Restructure and business closure costs		**(73.2)**	(36.9)
	Legal settlements and associated costs		**–**	(18.9)
			(73.2)	(91.1)

(v) Details of credit standby arrangements and loan facilities are included in note 28.

36. Parent entity disclosures

For the year ended 30 June	BORAL LIMITED 2013 $ millions	2012 $ millions
RESULT OF THE PARENT ENTITY		
Profit after tax	**46.3**	1.1
Other comprehensive income after tax	**(1.8)**	(1.2)
Total comprehensive income/(loss) for the period	**44.5**	(0.1)
FINANCIAL POSITION OF PARENT ENTITY		
Current assets	**6,503.6**	7,124.3
Non-current assets	**440.1**	505.4
Total assets	**6,943.7**	7,629.7
Current liabilities	**2,447.9**	3,073.1
Non-current liabilities	**1,155.5**	1,269.5
Total liabilities	**3,603.4**	4,342.6
Net assets	**3,340.3**	3,287.1
Issued capital	**2,433.8**	2,368.4
Reserves	**54.5**	51.0
Retained earnings	**852.0**	867.7
Total equity	**3,340.3**	3,287.1

PARENT ENTITY CONTINGENCIES
Details of contingent liabilities and contingent assets where the probability of future payments/receipts is not considered remote are set out below.

Unsecured contingent liabilities:		
Bank guarantees	**6.1**	5.2

The Company has given to its bankers letters of responsibility in respect of accommodation provided from time to time by the banks to controlled entities.

Certain entities within the Company are subject to various lawsuits and claims in the ordinary course of business.

Consistent with other companies of the size and diversity of Boral, the Company is the subject of periodic information requests, investigations and audit activity by the Australian Taxation Office (ATO) and taxation authorities in other jurisdictions in which Boral operates.

The Company has considered all of the above claims and, where appropriate, sought independent advice and believes it holds appropriate provisions.

Parent entity guarantees in respect of debts of its subsidiaries
Under the terms of ASIC Class Order 98/1418, certain wholly owned controlled entities have been granted relief from the requirement to prepare audited financial reports. The Company has entered into an approved deed of indemnity for the cross-guarantee of liabilities with those controlled entities identified in note 33.

Parent entity capital commitments
The parent entity does not have any capital commitments for acquisition of property, plant and equipment at 30 June 2013 (2012: Nil).

Notes to the Financial Statements

Boral Limited and Controlled Entities

37. Deed of cross guarantee

The following consolidated statement of comprehensive income and balance sheet comprises Boral Limited and its controlled entities which are party to the Deed of Cross Guarantee (refer to note 33), after eliminating all transactions between parties to the Deed.

	CONSOLIDATED	
	2013 $ millions	2012 $ millions
STATEMENT OF COMPREHENSIVE INCOME		
Continuing operations		
Revenue	**4,069.8**	3,907.0
Loss before income tax expense	**(383.2)**	(368.2)
Income tax (expense)/benefit	**194.6**	(37.4)
Loss from continuing operations	**(188.6)**	(405.6)
Discontinued operations		
Loss from discontinued operations (net of income tax)	**(10.8)**	(60.0)
Net loss	**(199.4)**	(465.6)
Other comprehensive income		
Items that will not be reclassified to Income Statement:		
Actuarial gain/(loss) on defined benefit plans	**4.1**	(6.6)
Income tax on items that will not be reclassified to Income Statement	**(1.2)**	2.1
Items that may be reclassified subsequently to Income Statement:		
Exchange differences from translation of foreign operations taken to equity	**1.3**	29.1
Fair value adjustment on cash flow hedges	**7.7**	(3.3)
Income tax on items that may be reclassified subsequently to Income Statement	**(2.5)**	0.9
Total comprehensive income/(loss)	**(190.0)**	(443.4)
Attributable to:		
Members of the parent entity	**(190.0)**	(443.4)
Non-controlling interest	**–**	–
	(190.0)	(443.4)
Reconciliation of movements in retained earnings		
Balance at the beginning of the year	**1,062.9**	1,639.9
Net profit attributable to members of the parent entity	**(199.4)**	(465.6)
Dividends recognised during the year	**(64.9)**	(106.9)
Actuarial gains on defined benefit plans, net of tax	**2.9**	(4.5)
Balance at the end of the year	**801.5**	1,062.9

37. Deed of cross guarantee (continued)

	CONSOLIDATED	
	2013 $ millions	2012 $ millions
BALANCE SHEET		
CURRENT ASSETS		
Cash and cash equivalents	**15.4**	50.1
Receivables	**725.0**	661.2
Inventories	**411.6**	483.7
Other	**36.6**	60.2
Assets classified as held for sale	**–**	32.8
TOTAL CURRENT ASSETS	**1,188.6**	1,288.0
NON-CURRENT ASSETS		
Receivables	**8.2**	8.7
Inventories	**94.0**	104.9
Investments accounted for using the equity method	**34.6**	42.7
Other financial assets	**2,410.5**	2,755.8
Property, plant and equipment	**2,366.5**	2,625.4
Intangible assets	**87.1**	118.4
Other	**47.1**	45.4
TOTAL NON-CURRENT ASSETS	**5,048.0**	5,701.3
TOTAL ASSETS	**6,236.6**	6,989.3
CURRENT LIABILITIES		
Payables	**1,052.5**	1,483.9
Loans and borrowings	**1.7**	0.4
Current tax liabilities	**2.0**	57.0
Provisions	**197.3**	176.4
Liabilities classified as held for sale	**–**	29.6
TOTAL CURRENT LIABILITIES	**1,253.5**	1,747.3
NON-CURRENT LIABILITIES		
Payables	**34.7**	46.3
Loans and borrowings	**1,538.3**	1,520.1
Deferred tax liabilities	**54.6**	160.6
Provisions	**103.4**	81.1
TOTAL NON-CURRENT LIABILITIES	**1,731.0**	1,808.1
TOTAL LIABILITIES	**2,984.5**	3,555.4
NET ASSETS	**3,252.1**	3,433.9
EQUITY		
Issued capital	**2,433.8**	2,368.4
Reserves	**16.8**	2.6
Retained earnings	**801.5**	1,062.9
TOTAL EQUITY	**3,252.1**	3,433.9

Statutory Statements

Boral Limited and Controlled Entities

Directors' Declaration

1. In the opinion of the Directors of Boral Limited:
   (a) the consolidated financial statements and notes set out on pages 56 to 123 and the Remuneration Report in the Directors' Report, set out on pages 39 to 55, are in accordance with the *Corporations Act 2001*, including:
      (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
   (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that Boral Limited and the controlled entities identified in note 33 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between Boral Limited and those controlled entities pursuant to ASIC Class Order 98/1418.
3. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 30 June 2013.
4. The Directors draw attention to note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Dr Bob Every AO
Director

Mike Kane
Director

Sydney, 10 September 2013

Independent Auditor's Report to the Members of Boral Limited

Report on the Financial Report

We have audited the accompanying financial report of Boral Limited ("the Company"), which comprises the consolidated balance sheet as at 30 June 2013, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 37 comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in clause 19 of the Directors' Report for the year ended 30 June 2013. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of Boral Limited for the year ended 30 June 2013 complies, with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

G Boydell

Greg Boydell
Partner

Sydney, 10 September 2013

Shareholder Information

Boral Limited and Controlled Entities

Shareholder communications

Enquiries or notifications by shareholders regarding their shareholdings or dividends should be directed to Boral's share registry:

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

Hand deliveries to:
Level 12, 680 George Street
Sydney NSW 2000 Australia

Telephone 1300 730 644
International +61 1300 730 644
Facsimile (02) 9287 0303
International +61 2 9287 0303

Shareholders can also send questions to the share registry via email.

Internet: www.linkmarketservices.com.au

Email: boral@linkmarketservices.com.au

Online services

You can access information and update information about your holdings in Boral Limited via the internet by visiting Link Market Services' website www.linkmarketservices.com.au or Boral's website www.boral.com.au

Some of the services available online include: check current and previous holding balances, choose your preferred Annual Report option, update address details, update bank details, confirm whether you have lodged your TFN, ABN or exemption, check the share prices and graphs or download a variety of forms.

Dividends

The final dividend for FY2013 of 6.0 cents per share will be paid by Boral on 27 September 2013. The dividend will be fully franked.

Dividend Reinvestment Plan (DRP)
As an alternative to receiving cash dividends, shareholders may elect to participate in the DRP. The DRP enables shareholders to use cash dividends to acquire additional fully paid Boral shares. If a shareholder wishes to participate in the DRP or alter their participation, they must notify the share registry in writing. DRP election forms can be obtained by contacting Link Market Services. Features of the DRP can be found on Boral's website.

Dividend payments
As foreshadowed in Boral's 2011 Annual Report, Boral implemented direct credit as the preferred method for the payment of cash dividends, effective from the interim dividend paid on 5 April 2012.

For those shareholders with a registered address in Australia or New Zealand, dividend payments will only be made by direct credit to your nominated bank account (rather than by cheque posted to your registered address). To provide or update your bank account details, please contact the share registry or visit its website at www.linkmarketservices.com.au

For those shareholders without a registered address in Australia or New Zealand, if you wish your dividends to be paid directly to a bank, building society or credit union account in Australia or New Zealand, please contact the share registry or visit its website at www.linkmarketservices.com.au for an application form. The payments are electronically credited on the dividend payment date and confirmed by payment advices mailed to the shareholder's registered address. All instructions received remain in force until amended or cancelled in writing.

Shareholders are also reminded to bank dividend cheques as soon as possible. Dividend cheques that are not banked are required to be handed over to the Chief Commissioner of State Revenue under the *Unclaimed Money Act 1995* (NSW).

Tax File Number (TFN), Australian Business Number (ABN) or exemption
You are strongly advised to lodge your TFN, ABN or exemption. If you choose not to lodge these details with the share registry, then Boral Limited is obliged to deduct tax at the highest marginal rate (plus the Medicare levy) from the unfranked portion of any dividend payment. Certain pensioners are exempt from supplying their TFNs. You can confirm whether you have lodged your TFN, ABN or exemption via the internet at www.linkmarketservices.com.au

Uncertificated forms of shareholding

Two forms of uncertificated holdings are available to Boral shareholders:

Issuer Sponsored Holdings: This type of holding is sponsored by Boral and provides shareholders with the advantages of uncertificated holdings without the need to be sponsored by any particular stockbroker.

Broker Sponsored Holdings (CHESS): Shareholders may arrange to be sponsored by a stockbroker (or certain other financial institutions) and are required to sign a sponsorship agreement appointing the sponsor as their "controlling participant" for the purposes of CHESS. This type of holding is likely to attract regular stock market traders or those shareholders who have their share portfolio managed by a stockbroker.

Holding statements are issued to shareholders not later than five business days after the end of any month in which transactions alter the balance of a holding. Shareholders requiring replacement holding statements should be directed to their controlling participant.

Shareholders communicating with the share registry should have to hand their Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as it appears on the Issuer Sponsored/CHESS holding statements or dividend advices. For security reasons, shareholders should keep their Securityholder Reference Numbers confidential.

Annual report mailing list

Shareholders (whether Issuer or Broker Sponsored) not wishing to receive the Annual Report should advise the share registry in writing so that their names can be removed from the mailing list. Shareholders are also able to update their preference via the Link Market Services or Boral websites, and can nominate to receive email notification of the release of the Annual Report and then access it via a link. The share registry can provide forms for making annual report delivery elections.

While companies are not required to send annual reports to shareholders other than those who have elected to receive them, any shareholder who has not made an election is sent an easy-to-read summary of the Annual Report, called the Boral Review.

Change of address

Shareholders who are Issuer Sponsored should notify any change of address to the share registry promptly. This can be done via the Link Market Services website or in writing quoting their Securityholder Reference Number, previous address and new address. Application forms for Change of Address are also available for download via the Link Market Services or Boral websites. Broker Sponsored (CHESS) holders must advise their sponsoring broker of the change.

Information on Boral

Boral has a comprehensive internet site featuring news items, announcements, corporate information and a wide range of product and service information. Boral's internet address is www.boral.com.au

The Annual Report is the main source of information for shareholders. Other sources of information include:

- February – the interim results announcement for the December half year.
- August – the annual results announcement for the year ended 30 June.
- October/November – the Annual General Meeting.

Requests for publications and other enquiries about Boral's affairs should be addressed to:

Corporate Affairs Manager
Boral Limited
GPO Box 910
Sydney NSW 2001

Enquiries can also be made via email: info@boral.com.au or visit Boral's website at www.boral.com.au

Share trading and price

Boral shares are traded on the Australian Securities Exchange Limited (ASX). The stock code under which they are traded is "BLD" and the details of trading activity are published in most daily newspapers under that abbreviation.

Share sale facility

A means for Issuer Sponsored shareholders, particularly small shareholders, to sell their entire Boral shareholding is to use the share registry's sale facility by contacting Link Market Services' Share Sale Centre on 1300 730 644.

American depositary receipts (ADRs)

In the USA, Boral shares are traded in the over-the-counter market in the form of ADRs issued by the depositary, The Bank of New York. Each ADR represents four ordinary Boral shares.

Share information as at 22 August 2013

Substantial shareholders
Ellerston Capital Limited, by a notice of initial substantial holder dated 24 June 2013, advised that it and its associates were entitled to 42,953,576 ordinary shares.

Franklin Resources Inc., by a notice of initial substantial holder dated 16 May 2013, advised that it and its associates were entitled to 38,993,689 ordinary shares.

Commonwealth Bank of Australia, by a notice of change of interests of substantial holder dated 28 February 2013, advised that it and its associates were entitled to 72,671,322 ordinary shares.

The Capital Group Companies Inc., by a notice of initial substantial holder dated 18 December 2012, advised that it and its associates were entitled to 40,943,587 ordinary shares.

Prudential plc, by a notice of change of interests of substantial holder dated 19 October 2011, advised that it and its associates were entitled to 44,427,035 ordinary shares.

Ausbil Dexia Limited, by a notice of change of interests of substantial holder dated 9 November 2010, advised that it and its associates were entitled to 44,499,371 ordinary shares.

Shareholder Information

Boral Limited and Controlled Entities

Distribution schedule of shareholders as at 22 August 2013

Size of shareholding		Number of shareholders	% of ordinary shares
(a)	in the categories –		
	1 to 1,000	25,406	1.65
	1,001 to 5,000	26,819	7.97
	5,001 to 10,000	4,819	4.42
	10,001 to 100,000	2,882	7.71
	100,001 and over	119	78.25
		60,045	100.00
(b)	holding less than a marketable parcel (118 shares)	1,507	0.01

Voting rights – ordinary shares
On a show of hands, every person present, who is a member or proxy, attorney or representative of a member, shall have one vote and on a poll every member who is present in person or by proxy, attorney or representative shall have one vote for each share held by him or her.

On-market buy-back
There is no current on-market buy-back of ordinary shares.

Twenty largest shareholders as at 22 August 2013

		Ordinary shares	% of ordinary shares
1	J P Morgan Nominees Australia Limited	145,168,789	18.76
2	HSBC Custody Nominees (Australia) Limited	130,624,810	16.88
3	National Nominees Limited	125,011,728	16.15
4	Citicorp Nominees Pty Limited	94,328,665	12.19
5	BNP Paribas Nominees Pty Limited	32,655,477	4.22
6	RBC Dexia Investor Services Australia Nominees Pty Limited	24,994,803	3.23
7	AMP Life Limited	4,741,844	0.61
8	UBS Wealth Management Australia Nominees Pty Ltd	4,320,706	0.56
9	Australian Foundation Investment Company Limited	4,008,492	0.52
10	The Senior Master of the Supreme Court (Common Fund No 3 A/C)	3,545,765	0.46
11	Argo Investments Limited	3,035,213	0.39
12	Invia Custodian Pty Limited	2,995,069	0.39
13	QIC Limited	2,580,525	0.33
14	Equitas Nominees Pty Limited (PB-600744 A/C)	2,450,738	0.32
15	Gwynvill Investments Pty Ltd	2,037,750	0.26
16	Bond Street Custodians Limited	1,754,778	0.23
17	Milton Corporation Limited	1,627,463	0.21
18	Djerriwarrh Investments Limited	1,152,519	0.15
19	Konann Pty Ltd (Peter White Family No 2 A/C)	1,027,198	0.13
20	Share Direct Nominees Pty Ltd (10026 A/C)	981,185	0.13

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Financial History

Boral Limited and Controlled Entities

30 June	2013 $ millions	2012 $ millions	2011 $ millions	2010 $ millions	2009 $ millions	2008 $ millions	2007 $ millions	2006 $ millions	2005 $ millions	2004 $ millions
Revenue	**5,286**	5,010	4,711	4,599	4,875	5,199	4,909	4,767	4,305	4,150
Earnings before interest, tax, depreciation and amortisation (EBITDA) [1]	**519**	473	522	505	539	688	762	823	794	794
Depreciation and amortisation	**291**	273	245	253	263	240	231	209	191	195
Earnings before interest and tax [1]	**228**	200	277	252	276	448	531	614	603	600
Net financing costs [1]	**(97)**	(88)	(64)	(97)	(127)	(112)	(111)	(98)	(71)	(66)
Profit before tax [1]	**130**	111	213	155	149	336	420	516	532	534
Income tax expense [1]	**(20)**	(9)	(40)	(22)	(17)	(90)	(122)	(153)	(162)	(163)
Non-controlling interests	**(6)**	(1)	2	(1)	–	1	–	–	(1)	(1)
Net profit after tax [1]	**104**	101	175	132	131	247	298	362	370	370
Significant items – net of tax	**(316)**	75	(8)	(222)	11	(4)	–	–	–	–
Net profit/(loss) attributable to members of Boral Limited	**(212)**	177	168	(91)	142	243	298	362	370	370
Total assets	**6,316**	6,499	5,668	5,209	5,491	5,895	5,817	5,587	5,001	4,511
Total liabilities	**2,923**	3,096	2,512	2,583	2,738	2,985	2,829	2,832	2,594	2,151
Net assets	**3,394**	3,403	3,156	2,626	2,754	2,910	2,987	2,755	2,407	2,360
Shareholders' funds	**3,394**	3,403	3,156	2,626	2,754	2,910	2,987	2,755	2,407	2,360
Net debt	**1,446**	1,518	505	1,183	1,514	1,515	1,482	1,578	1,394	938
Funds employed	**4,840**	4,921	3,662	3,809	4,268	4,425	4,470	4,333	3,800	3,298
Dividends paid or declared	**85**	82	105	88	77	202	203	200	197	175
Statistics										
Dividend per ordinary share	**11.0c**	11.0c	14.5c	13.5c	13c	34c	34c	34c	34c	30c
Dividend payout ratio [1]	**81%**	81%	60%	67%	59%	82%	68%	55%	53%	47%
Dividend cover [1]	**1.2**	1.2	1.7	1.5	1.7	1.2	1.5	1.8	1.9	2.1
Earnings per ordinary share [1]	**13.6c**	13.6c	24.4c	22.1c	22.2c	41.4c	50.0c	61.7c	63.4c	63.8c
Return on equity [1]	**3.2%**	3.0%	5.6%	5.0%	4.8%	8.5%	10.0%	13.2%	15.4%	15.7%
EBIT to sale [1]	**4.3%**	4.0%	5.9%	5.5%	5.7%	8.6%	10.8%	12.9%	14.0%	14.4%
EBIT to funds employed [1]	**4.7%**	4.1%	7.6%	6.6%	6.5%	10.1%	11.9%	14.2%	15.9%	18.2%
ROFE [2] (EBIT to average funds employed [1])	**4.7%**	4.7%	7.4%	6.2%	6.3%	10.1%	12.1%	15.1%	17.0%	19.3%
Net interest cover (times) [1]	**2.3**	2.3	4.4	2.6	2.2	4.0	4.8	6.3	8.5	9.1
Gearing (net debt to equity)	**43%**	45%	16%	45%	55%	52%	50%	57%	58%	40%
Gearing (net debt to net debt plus equity)	**30%**	31%	14%	31%	35%	34%	33%	36%	37%	28%
Net tangible asset backing per share	**$3.17**	$3.31	$3.91	$3.92	$4.12	$4.41	$4.41	$4.07	$3.57	$3.65

1 Excludes the impact of significant items in 2013, 2012, 2011, 2010, 2009 and 2008.

2 Refer to the 2013 Remuneration Report on page 41 for a discussion of how ROFE will be used as an additional performance hurdle under the Company's long term incentive plan from FY2014.

Results for the years ended 2005 to 2013 have been prepared under Australian equivalents to International Financial Reporting Standards (A-IFRS). The years prior to June 2005 represent results under previous Australian Generally Accepted Accounting Principles (AGAAP).

Figures may not add due to roundings.

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