BORAL ANNUAL REPORT 2017

BORAL LIMITED
ANNUAL REPORT
FOR THE YEAR
ENDED 30 JUNE 2017

Boral Limited
ABN 13 008 421 761

The Annual General Meeting of Boral Limited will be held at the Civic Pavilion, The Concourse, Chatswood, NSW, on Thursday 2 November 2017 at 10.30am.

Financial calendar

Please note, dates are subject to review.

Record date for final dividend	6 September 2017
Final dividend payable	3 October 2017
Annual General Meeting	2 November 2017
Half year end	31 December 2017
Half year results announcement	13 February 2018
Ex dividend share trading commences	19 February 2018
Record date for interim dividend	20 February 2018
Interim dividend payable	9 March 2018
Year end	30 June 2018

Boral Limited Annual Report

For the year ended 30 June 2017

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 2.6 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

For several years now, we have been working to deliver performance excellence, as well as more sustainable growth, through strategic acquisitions and innovation. In FY2017 we delivered on both fronts.

Dr Brian Clark, Chairman

A year of transformation for Boral

As you may recall, a year ago I said that we were assessing strategic merger and acquisition (M&A) opportunities, particularly in the USA, where Boral has four decades of experience.

After months of rigorous due diligence, the Board determined that Headwaters Inc. presented a compelling acquisition opportunity for Boral, offering substantial long-term value creation for shareholders. It presented an undeniably strong fit with Boral's existing business and was well-aligned with our strategic goals.

On 21 November 2016, we announced the transaction and a A$2 billion capital raising.

Your support for this transformative strategic move was overwhelming and for that, your Board thanks you.

Completed on 8 May 2017, the acquisition more than doubles our position in the USA, increasing Boral's product offerings, geographic breadth, multi-channel distribution and diversification across broader and growing US construction markets.

We expect in excess of US$100 million per annum of synergies within four years, including US$30–35 million in the first full year.

We are pleased with how the initial period of integration has progressed and, in line with guidance, Headwaters contributed US$21 million to Boral's earnings before interest and tax (EBIT[1]) in FY2017, representing the first eight weeks of consolidation.

1. Before significant items.
2. ROFE is EBIT (excluding significant items) on funds employed as at 30 June. However, Boral's Group FY2017 ROFE is based on the average monthly funds employed to recognise the impact of the Headwaters acquisition. USG Boral's underlying ROFE is on an EBIT basis whereas Boral's Group reported ROFE includes post-tax earnings from USG Boral.

A year of strong performance

For the year ended 30 June 2017, sales revenue of $4.4 billion was up 2% on the prior year, reflecting additional revenue from Headwaters as well as growth in Australia and in the underlying US business. Excluding US Bricks revenue in both years, which is now equity accounted following the formation of the Meridian Brick joint venture, revenue was up 8%.

Group EBIT[1] increased 16% to $460 million and underlying profit after tax[1] increased by a substantial 28% to $343 million. The result benefited from eight weeks of earnings from Headwaters as well as underlying growth in all three divisions.

The reported profit result was also helped by a lower net interest expense due to the positive cash balance for part of the year following the equity raising, and a steady income tax expense because of previously unrecognised tax losses and a benefit arising from the vesting of long-term incentives.

Significant items of $46 million, primarily related to transaction costs for the Headwaters acquisition, resulted in net profit after tax after significant items of $297 million, up 16%.

Boral Australia delivered an EBIT return on funds employed (ROFE[2]) of 14.6% for the year and USG Boral delivered underlying ROFE[2] of 11.6% – strong divisional returns that exceed the cost of capital. Returns from Boral North America are expected to exceed the cost of capital in coming years, and the Headwaters acquisition strengthens Boral's ability to deliver returns above the cost of capital through the cycle.

Boral's ROFE[2] was 9.2% using the average monthly funds employed for the year, compared with reported ROFE[2] of 9.0% in FY2016.

Net debt at 30 June 2017 of $2.3 billion was up from $893 million last year due to the acquisition of Headwaters.

However, Boral remains well within its funding covenants and our balance sheet remains robust.

The Board declared a final dividend of 12.0 cents per share, which was 50% franked, for a full year dividend of 24.0 cents per share. This represents a payout ratio for the full year of 82%. While this exceeds Boral's Dividend Policy of between 50% and 70% of earnings before significant items, subject to the Company's financial position, it is in line with Boral's commitment to maintain the level of dividends while the Headwaters acquisition was being finalised.

Boral delivered a total shareholder return[3] of 23.4% for the year – ahead of the average of 16.9% for ASX 100 companies.

A strong safety culture

The transformation of Boral to deliver performance excellence includes targeting world class health and safety outcomes based on Zero Harm.

In FY2017, Boral's safety performance as measured by a recordable injury frequency rate (RIFR[4]) of 8.1 improved by 8%, and compares with a rate of 19.0 in FY2012.

Boral's lost time injury frequency rate (LTIFR[4]) at 1.5 is down from 1.8 in FY2012 but up slightly from 1.3 in FY2016 – a reminder that there is still work to do.

The Board

Boral's Board benefits from diversity of gender, tenure and experience across a range of sectors, functions and professions.

While the Board was stable during FY2017, we have been developing succession plans and identifying opportunities to strengthen certain Board skills and experience over time.

During the year, the Board spent time with Boral's people and visited several operations, providing the opportunity to see first-hand how we are managing safety, quality, operations and employee engagement. We are encouraged by what we have seen.

In March 2017, the Board visited USG Boral in India and Thailand. The visit to the Research & Development Centre in Saraburi reinforced for us the strength of our innovation efforts and the technical talent we have in our organisation.

In September this year, all members of the Board will spend several days in various parts of the North American business, meeting our people and inspecting our operations. This will provide another opportunity to assess the integration program and early progress against delivery of synergies.

Shareholder feedback on Remuneration Report

At our 2016 Annual General Meeting, the Board received a clear message from shareholders, with 26% voting against our Remuneration Report, constituting a "first strike" for the purposes of the Corporations Act 2001.

The basis for the "first strike" was primarily the one-off targeted retention incentives for eight key executives, to ensure stable leadership. While all eight executives remain highly engaged in Boral's transformation agenda, the Board understands shareholders' views and we are committed to no further retention awards.

We have taken on board feedback received from shareholders and as a result, I expect that our 2017 Remuneration Report will be more widely supported. Details of the issues raised and changes made are communicated in this year's Remuneration Report on pages 51 to 71.

A key change made during the year was the restructuring of CEO & Managing Director Mike Kane's remuneration arrangements. The new arrangements reflect the fact that he is now spending approximately half his time in the USA, demonstrating the importance of Headwaters integration and synergy delivery to Boral's future growth.

Boral is Australian-listed and headquartered in Sydney and as such, we continue to remunerate the CEO having regard to Australian practice. The increased time Mike is spending in North America provides an opportunity to pay him out of the USA. This has allowed us to cease paying expatriate benefits and associated fringe benefits tax, which has impacted the level and positioning of the CEO's fixed pay.

Boral's people

The Board has every confidence in Mike's leadership and we commend him for the excellent job he has done over the past five years as Boral's CEO. Following discussions with Mike, the Board currently expects he will continue in the role for another three to five years.

In the meantime, Boral's CEO succession development program continues and executives have taken on more responsibilities and increased role complexity.

At the start of FY2017, Joe Goss took on the new position of Divisional Chief Executive, Boral Australia, as a result of the Boral Building Products and Construction Materials & Cement divisions coming together.

Also effective 1 July 2016 was the promotion of David Mariner from Executive General Manager, Building Products in Australia to President & CEO, Boral North America.

Ros Ng, Boral's Chief Financial Officer, took on a larger and more complex role, including responsibility for the Corporate Development and M&A function and project management of the Headwaters transaction.

Together with Frederic de Rougemont, who has demonstrated excellent leadership as CEO of USG Boral, these key executives, and the other members of the Executive Committee, and all of Boral's people, are to be congratulated for their efforts and commitment to delivering Boral's goals and strategic priorities.

I thank Mike Kane and all of Boral's people for delivering strong results in FY2017, with safety at the forefront.

Brian Clark

Dr Brian Clark
Chairman

3. Total shareholder return based on share price appreciation, dividends and franking benefits.
4. Per million hours worked. Includes employees and contractors in 100%-owned businesses and 50%-owned joint venture businesses.

Message from Mike Kane

***Building a transformative culture* is the enabler we need to continue this journey to *Build something great* for Boral's shareholders, customers, employees and the communities in which we operate.**

Mike Kane, CEO & Managing Director

A year of significant progress

The US$2.6 billion Headwaters acquisition, completed in May 2017, is a major milestone in Boral's transformation. It strengthens Boral as a global building products and construction materials group with three very strong divisions.

We have our high-performing, well-positioned Boral Australia capitalising on a growing pipeline of infrastructure work and strength in other construction markets. We have our fast-growing USG Boral business in Asia, Australasia and the Middle East, which is leading the way in product innovation in attractive, high growth markets. And now we have Boral North America – a scaled building products and fly ash business with greater geographic reach, more diverse product offerings and strong growth prospects.

Our strategy to position Boral for improved performance and growth is delivering benefits, as reflected in the 28% increase in underlying profit after tax[1] to $343 million for the year and the 16% increase in earnings before interest and tax (EBIT[1]) to $460 million. The lift in EBIT comprises 7% from eight weeks of earnings from Headwaters, and 9% from growth in the underlying businesses.

Boral Australia's EBIT[1] of $349 million was up 11% on last year, with strong east coast volumes, pricing gains and margin improvements supported by growth in infrastructure activity.

USG Boral delivered an impressive 18% increase in post-tax equity income to $70 million and a 21% lift in underlying EBIT[1] to $217 million, reflecting its strength in manufacturing, distribution and technology across its markets. This outstanding business is delivering on its growth and performance promises.

Boral North America delivered an EBIT[1] of A$66 million (or US$50 million), which was 50% higher than the prior year. This included an EBIT contribution of US$21 million from Headwaters, which was consolidated from 8 May 2017, with benefits also from price and volume gains in the underlying business.

Boral delivered a credible safety result for the year, with a further 8% reduction in recordable injury frequency rate to 8.1 and a lost time injury frequency rate of 1.5[2].

A strong FY2018 outlook

Boral's outlook for FY2018 is encouraging:

- Boral Australia is expected to deliver further EBIT growth (excluding Property earnings in both years), underpinned by the uplift in roads and infrastructure activity and continued margin improvements. The contribution from Property in FY2018 is expected to be at the lower end of the $8 million to $46 million EBIT range of the past five years.
- USG Boral is expected to deliver continued earnings growth supported by the strength of Sheetrock® delivering price, volume and cost benefits. While Indonesia and Thailand should improve, residential activity in Australia and Korea should soften. Overall, profit should grow in FY2018 at a high single-digit rate.
- Boral North America is expected to deliver significant EBIT growth with a full year from Headwaters and year one synergies of ~US$30–35 million, in addition to underlying market growth.

1. Before significant items.
2. Per million hours worked. Includes employees and contractors in 100%-owned businesses and 50%-owned joint venture businesses.

OUR STRATEGY TO POSITION BORAL FOR IMPROVED PERFORMANCE AND GROWTH IS DELIVERING BENEFITS

Building a transformative culture

In 2010, we introduced Boral's tagline – *Build something great* – and we are continuing to do that.

Over the past five years, through our Fix, Execute, Transform program, we have been fixing the things that have been holding us back, refining our operational execution skills and transforming the way Boral does business, including our product portfolio.

Our values of Excellence, Integrity, Collaboration and Endurance have underpinned our approach, and they are best captured in our commitment to keep our people safe at work, reflected in our Zero Harm Today mission which is shared by all employees, collectively.

In 2017, we are taking the next step in our strategy, with an even greater emphasis on our customers, a commitment to innovation, and an enhanced ability to capture growth and drive change.

We have a new strategic framework to support the organisation in its direction and decision-making – we are *Building a transformative culture*. The culture we are building can be defined by the words: agility, grit, transparency and courage.

Agility means we will be nimble and responsive to a changing world. Grit is having the mental toughness and persistence to deliver excellence without giving up. Transparency means being truthful, inclusive and straightforward in our approach. And fostering courage among our people will drive us forward in the face of challenges and help us to embrace risk in order to achieve great things.

A transformative culture is one that looks beyond the horizon, identifies threats and opportunities, and shapes itself to respond to traditional, commercial, technological, environmental and other societal forces. These forces can be a positive catalyst helping us deliver on our uncompromising commitments to our shareholders, the communities in which we operate, our customers who we serve, our fellow employees and the environment, which we have an obligation to protect.

Reducing our footprint while growing our business

As part of Boral's transformation, while we have fundamentally altered our portfolio to better compete across mature and maturing markets, we are taking the lead on a less energy- and less resource-intensive path, taking advantage of opportunities to be more sustainable.

We have identified attractive positions for sustained value creation in our traditional Australian materials business. We are able to formulate solutions for our customers using the latest in materials science to deliver lighter-weight, higher-strength materials with lower environmental impacts and greater productivity options around speed, space and total cost.

Across Asia, Australasia and the Middle East, we are delivering game-changing performance characteristics in plasterboard-based products: lighter weight, greater strength and superior sag resistance. At the same time, we are on track to dramatically reduce water, energy and raw material usage through globally patented proprietary technologies.

In North America, we are the unquestioned leader in fly ash technologies, enhancing the use of coal combustion by-products in construction. We have developed patented technologies, using more than 70% recycled by-products in our high-performing TruExterior™ Trim and Siding. We have reconfigured our portfolio around a platform of variable cost, scalable processes with reduced carbon footprints that can better compete at all points in the cycle. We have driven efficiencies so that our more mature product manufacturing facilities are consuming less energy and materials at the lowest possible costs.

In all aspects of our business, we are proudly working to *Build something great*, and *Building a transformative culture* is the enabler we need to continue to do this for Boral's shareholders, customers, employees and the communities in which we operate.

Mike Kane
CEO & Managing Director

Report from the CFO

Boral delivered strong earnings growth, underpinned by price increases, strong infrastructure and residential activity in Australia and the acquisition of Headwaters, along with a continued focus on cost improvements.

Rosaline Ng, Chief Financial Officer

Income statement

Year ended 30 June	**2017**			**2016**		
$ millions	**Group**	**Continuing operations**	**Discontinued operations**	**Group**	**Continuing operations**	**Discontinued operations**
Sales revenue	**4,388.3**	**4,257.8**	**130.5**	4,311.2	3,945.2	366.0
EBIT[1]	**459.9**	**455.4**	**4.5**	397.9	394.8	3.1
Finance costs[1]	**(50.7)**	**(50.7)**	**–**	(63.2)	(63.2)	–
Tax benefit/(expense)[1]	**(66.5)**	**(66.7)**	**0.2**	(66.7)	(70.1)	3.4
Underlying profit after tax[1]	**342.7**	**338.0**	**4.7**	268.0	261.5	6.5
Net significant items	**(45.8)**	**(88.4)**	**42.6**	(12.0)	(16.0)	4.0
Net profit after tax	**296.9**	**249.6**	**47.3**	256.0	245.5	10.5

Financial performance

Revenue

Reported revenue of $4.39b was up 2% on the prior year, with growth in Boral Australia and Boral North America including eight weeks of revenues from Headwaters, partially offset by reduced revenues from US bricks following the formation of the Meridian Brick joint venture. Revenue from continuing operations, which excludes US bricks revenue, was up 8%.

- Boral Australia revenue of $3.30b was up 1%, with strong east coast residential construction, growing infrastructure activity and price gains driving growth in Quarries, Concrete and Asphalt. The market downturn in WA impacted Bricks WA, with lower revenues also experienced in Timber due to Cyclone Debbie, and Concrete Placing due to the completion of major project work in Barangaroo and Warringah Mall.
- USG Boral underlying revenue of $1.48b was up 6% on the prior year, driven by growth in premium Sheetrock® plasterboard sales and adjacent products. Strong board volume, price and share growth in Korea and Australia were partially offset by softer revenues in Indonesia, Thailand and China.
- Boral North America revenue of A$1.09b was up 6% on the prior year. This includes A$259m of revenue from the recently acquired Headwaters business, as well as the impact of the formation of the Meridian Brick JV. Excluding these items, revenue increased 9%, benefiting from increased US housing construction activity. Total US housing starts increased by 4% to 1.20 million starts during FY2017, with single family starts up 7%[2].

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.
2. US Census Bureau seasonally adjusted starts.

Earnings before interest and tax (EBIT[1])

Group EBIT before significant items of $459.9m was up 16% on the prior year, including a $28m contribution from Headwaters in the first eight weeks of ownership. Volume and price growth, as well as cost improvement initiatives, have led to strong performance across the Group.

Boral Australia EBIT of $348.7m was up 11%, with solid price gains, infrastructure volume growth and efficiencies contributing to the strong result. Excluding Property, which was down $4m on FY2016, EBIT was up 14% despite the decline in earnings from the LNG and Barangaroo projects, the one-off $4m of damages received from the CFMEU settlement in the prior year and the $9m year-on-year EBIT decline from Bricks WA.

USG Boral contributed $69.5m of equity accounted income to the Group, an 18% increase on the prior year. The underlying EBIT of the joint venture improved by 21%, reflecting price and volume growth, cost management benefits including transport and lower production costs, and growth in premium Sheetrock® sales. Strong market conditions in Australia and Korea have supported the result, partially offset by softer earnings in Indonesia, Thailand and China due to pricing pressure.

Boral North America EBIT of A$66.3m was a A$22.1m improvement on the prior year, and includes a A$28m contribution from Headwaters since the acquisition date of 8 May 2017. Excluding Headwaters, EBIT was lower, with FY2016 including a US$7m land sale benefit, while a US$2.4m cost incurred in the Denver Construction Materials business for rehabilitation of the Brighton Quarry impacted this year's result. Despite market growth being lower than expected, volumes lifted, prices strengthened and underlying margins improved for Boral's legacy business. The Headwaters result also included A$17.3m of post-acquisition purchase price accounting adjustments. Excluding these adjustments, underlying EBIT from Headwaters was A$45.2m.

Finance costs

Net underlying interest expense for FY2017 was $50.7m, a decrease from the FY2016 expense of $63.2m due to increased cash levels for part of the year following the equity raising in December 2016, partially offset by higher debt after the Headwaters transaction closed in May 2017. Underlying interest cover improved from 6.3 times last year to 9.1 times in FY2017.

Tax expense[1]

Tax expense for the year was flat, with the average underlying tax rate for the year decreasing from 20% in FY2016 to 16% in FY2017. The current year benefited from the recognition of previously unrecognised tax losses in Australia and the USA, and a benefit arising from the vesting of share acquisition rights. Excluding this, the effective tax rate for FY2017 was 22%.

Net profit after tax

Underlying profit after tax[1] was $342.7m, a 28% increase on the prior year. This improvement was due to a 16% increase in EBIT, with reduced interest expense and tax expense remaining constant despite the increased earnings. Reported net profit after tax of $296.9m included a net loss of $45.8m from significant items, and compares to a profit of $256.0m in the prior year, which included a significant item loss of $12.0m.

Significant items

The Group recorded an after-tax net loss of $45.8m in respect of significant items that were excluded from the underlying trading result. This primarily relates to costs associated with the acquisition and integration of Headwaters and an impairment of the Bricks WA business, partially offset by a net gain from divestments during the period.

Sale of businesses

The Group incurred the following gains and losses arising from disposals of businesses in both the current and prior periods:

Boral CSR Bricks joint venture: On 31 October 2016, the Group disposed of its 40% interest in the Boral CSR Bricks joint venture for a net gain of $35.8m.

US bricks: The Group entered into an agreement with an affiliate of Forterra Inc. to combine its US bricks business, and Forterra's US and Canadian businesses into two 50/50 owned joint ventures. On disposal of its interest, Boral deconsolidated its existing US bricks business, and recognised an equity accounted investment in respect of its 50% shareholding in each of the US and Canadian entities that operate as the Meridian Brick joint venture. This resulted in a net gain of $13.2m.

Thailand Construction Materials: Additional costs were incurred with respect to the finalisation of working capital adjustments from the sale of the Thailand Construction Materials business in December 2012.

Reconciliation of underlying results to reported results for FY2017

$ millions	EBIT	Finance costs	Tax	Profit after tax
Underlying results	**459.9**	**(50.7)**	**(66.5)**	**342.7**
Significant items				
Sale of businesses	38.5	–	4.1	42.6
Acquisition costs	(63.2)	–	10.4	(52.8)
Integration costs	(20.1)	–	4.9	(15.2)
Asset impairment	(20.4)	–	–	(20.4)
Total significant items	**(65.2)**	**–**	**19.4**	**(45.8)**
Reported results	**394.7**	**(50.7)**	**(47.1)**	**296.9**

1. Excluding significant items.

Acquisition costs

Costs of $63.2m were incurred in relation to the acquisition of Headwaters, related to various due diligence costs, success fees paid to advisers and certain change in control payments to Headwaters executives.

Integration costs

The following integration costs were incurred during the period:

Meridian Brick: Restructuring and integration costs of $8.4m were incurred, reflecting plant rationalisation, integration of back office functions and an organisational restructure, in order to achieve targeted synergies and streamline the organisation for optimal performance.

Headwaters: $11.7m of costs have been incurred on the initial integration of the business. The costs to date predominantly relate to redundancies, employee incentives implemented by Headwaters and consultant fees supporting the integration. Additional costs are anticipated in FY2018 and FY2019.

Asset impairment

Deteriorating market conditions in Western Australia and our ongoing review of the Bricks WA business has resulted in a $20.4m impairment of assets during the period.

Cash flow

For year ended 30 June, $ millions	2017	2016
EBITDA[1]	**720**	645
Change in working capital	**(34)**	40
Fly ash contracts	**(12)**	-
Share acquisition rights vested	**(38)**	(15)
Interest paid	**(50)**	(61)
Income taxes paid	**(42)**	(69)
Equity earnings less dividends	**(12)**	(15)
Profit on sale of assets	**(14)**	(27)
Other items	**12**	15
Restructuring costs paid	**(117)**	(35)
Operating cash flow	**413**	478
Capital expenditure	**(340)**	(324)
Acquisition of controlled entities	**(3,637)**	-
Proceeds on disposal of assets	**39**	56
Proceeds on disposal of controlled entities	**123**	-
Cash acquired	**75**	-
Free cash flow	**(3,327)**	210
Equity raisings	**2,019**	-
Dividends paid	**(226)**	(154)
On-market share buy-back	**-**	(115)
Other items	**9**	7
Cash flow	**(1,525)**	(52)

Operating cash flow decreased by $65m to $413m in FY2017, with improved earnings and lower income tax offset by Headwaters acquisition costs paid, an adverse working capital movement and an increase in share acquisition rights vested.

Change in working capital

The current year was impacted by increased revenue in May and June for the Boral Australia business in FY2017, which increased debtor levels at 30 June 2017. There has also been an increase in inventories in the US Cladding businesses due to higher weighting towards the more expensive Versetta product, and Siding & Trim to support the growth in the business.

Interest and tax

Interest decreased as a result of the increased cash levels between the equity raising in December 2016 and the Headwaters acquisition in May 2017, while tax decreased due to FY2016 including additional tax payments to settle capital gains tax obligations from the landfill sale in FY2015.

Restructuring, integration and acquisition costs paid

In FY2017, $82m of payments associated with the acquisition of Headwaters were incurred, as well as integration costs of $12m and continuation of spend from restructuring of $23m arising in prior periods.

1. Excluding significant items.
(Figures may not add due to rounding).

Capital expenditure

Capital expenditure at $340m in FY2017 was $16m higher than in FY2016. Expenditure increased with ongoing quarry upgrades in Deer Park (VIC), Orange Grove (WA) and Ormeau (QLD), acquisition of quarry reserves at Bacchus Marsh (VIC), NSW concrete plant upgrades, and the Lake Wales roofing plant upgrade in the USA. Growth expenditure increased from $43m in FY2016 to $52m in FY2017.

Debt and gearing

As at 30 June, $ millions	2017	2016
Total debt	2,571	1,345
Total cash and deposits	238	452
Net debt	2,333	893
Total shareholders equity	5,441	3,506
Gearing ratios		
Net debt : equity (%)	43	25
Net debt : equity plus net debt (%)	30	20
Interest cover[1] (times)	9.1	6.3

Net debt

Net debt increased by $1,440m to $2,333m at 30 June 2017, primarily due to the acquisition of Headwaters in May 2017, offset by cash proceeds from the equity raising in December 2016.

Gearing ratios

Boral's gearing covenant with its financiers, measured as gross debt to gross debt plus equity less intangibles, increased slightly to 32%, remaining comfortably within the 60% threshold. Gearing, as measured by net debt to net debt plus equity, is 30% as at 30 June 2017.

Financial risk management

The Group is exposed to financial risk in its operations as a result of fluctuations occurring in interest and foreign exchange rates and certain commodity prices. Boral uses financial instruments where considered appropriate to manage these risks. Boral has partially hedged its foreign exchange exposures arising from its investment in its USA operations. Earnings from foreign operations are not hedged.

Capital management

During the year, the Group undertook an equity raising of $2,018.9m, net of transaction costs of $38.9m. The equity raising consisted of a 1 for 2.22 pro rata accelerated renounceable entitlement offer at an offer price of $4.80 per share. The capital raising resulted in the issue of 93,750,000 ordinary shares under the Institutional Placement, 233,648,069 ordinary shares under the Institutional Entitlement Offer and 101,334,418 ordinary shares under the Retail Entitlement Offer.

In the prior year, the Company completed the buy-back of 20,641,950 shares for consideration of $115m at an average price of $5.59 per share. This is part of the Company's on-market share buy-back program which commenced on 18 March 2015 and completed on 22 September 2015. The total consideration for shares bought back on market was $231m, at an average price of $5.91 per share.

In FY2017, a fully franked interim dividend of 12.0 cents per share and a 50% franked final dividend of 12.0 cents per share were declared, for a full year dividend of 24.0 cents per share.

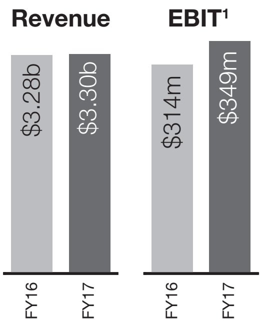
The Group's Dividend Reinvestment Plan remains suspended until further notice.

1. Excluding significant items.

Divisional results at a glance

Boral Australia

(A$)	FY2017		
Revenue	$3,296m	▲	1%
EBITDA[1,2]	$551m	▲	8%
EBIT[1,2]	$349m	▲	11%
Net assets	$2,389m	▲	
ROFE[1,3]	14.6%	▲	
Employees[4]	5,769		

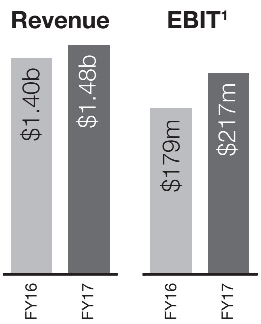


EBIT of $349m was $35m higher than FY2016. Benefits of solid price gains, infrastructure volume growth and efficiencies more than offset the decline in earnings from LNG and Barangaroo projects, $4m in damages received in FY2016 and the $9m year-on-year EBIT decline in Bricks WA.

USG Boral

Boral's full year reported result (A$)	FY2017		
Reported EBIT[1] or equity income[5]	$70m	▲	18%

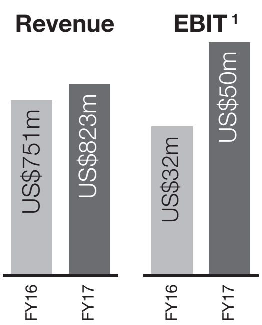
Underlying USG Boral result (A$)	FY2017		
Revenue	$1,478m	▲	6%
EBITDA[1]	$284m	▲	13%
EBIT[1]	$217m	▲	21%
Net assets	$1,862m	▼	
ROFE[1,3]	11.6%	▲	
Employees	3,172		



Boral's reported equity-accounted income of $70m represents our 50% share of post-tax earnings from the USG Boral joint venture for FY2017, and is an $11m increase on FY2016. Underlying EBIT of $217m was up $38m on FY2016, reflecting volume growth and cost management benefits, including transport savings and lower production and energy costs.

Boral North America

(A$)	FY2017		
Revenue	$1,093m	▲	6%
EBITDA[1]	$123m	▲	32%
EBIT[1]	$66m	▲	50%
Net assets	$4,501m	▲	
ROFE[1,6]	4.3%	▼	
Employees[4]	7,053		



The FY2017 result includes eight weeks of Headwaters revenue and earnings, four months of Boral Bricks revenue and earnings, and eight months of post-tax equity income from the Meridian Brick joint venture. FY2017 EBIT of US$50m is a US$18m increase on FY2016. For Boral businesses, volumes increased, prices strengthened and underlying margins improved despite slower-than-expected market growth.

1. Excluding significant items.
2. Excludes contribution from Boral CSR Bricks JV which was divested in October 2016, with earnings reported under Discontinued Operations.
3. EBIT return on divisional funds employed. USG Boral ROFE based on underlying EBIT.
4. Includes 50%-owned joint venture employees.
5. Post-tax equity income from Boral's 50% share of the USG Boral joint venture.
6. EBIT return on divisional average monthly funds employed for FY2017.

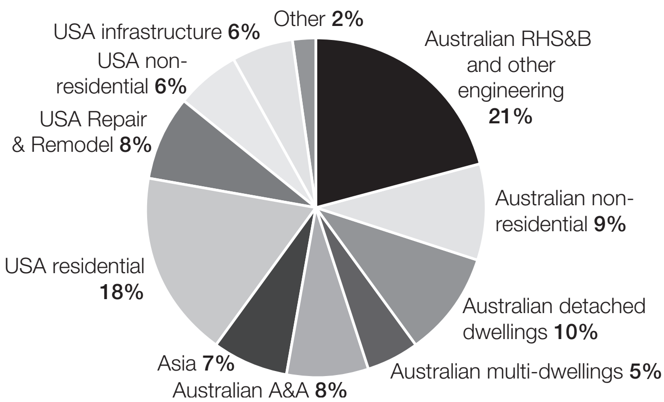
Market conditions and competition

In FY2017, Australian residential activity continued at strong levels with roads and infrastructure activity growing. There were further improvements in US housing markets, and ongoing mixed conditions in Asian markets.

Highlights included:

- Boral is continuing to capitalise on historically strong levels of activity in the Australian residential market and the strong pick-up in major roads and infrastructure investments.
- Continued recovery of US housing market, with single-family house construction growing. Boral is well positioned to benefit from broader construction market growth with improved scale, enlarged product offering and more balanced portfolio.
- Strengthened market position in Asia through Sheetrock® brand products, with ongoing penetration opportunities; and strength in Korea, while activity in Indonesia, Thailand and China was more subdued.

Boral proforma external revenue[1] by market



Australia

Boral's largest exposure is to the roads, highways, subdivisions & bridges (RHS&B) segment in Australia. RHS&B value of work done[2] (VWD) is estimated to have grown by 14% year-on-year in FY2017, with a further 15% growth forecast in FY2018.

Other engineering activity[2] contracted in FY2017, with the continued slowdown of mining and LNG project activity expected to have more than offset growth in railways and electricity.

Australian housing starts[3] moderated compared to the record high of ~234,000 in FY2016, with an estimated 8% decline to ~216,000 in FY2017. Detached housing starts are down by an estimated 3%, while multi-residential starts are down by 12%.

New South Wales housing activity was strong, with starts up 3%. Starts in Victoria, Queensland, Western Australia and South Australia declined by an estimated 7%, 14%, 22% and 9%, respectively. Detached housing as a proportion of total starts remain at low levels at ~52%, compared to a 20-year average of 64%.

Market forecasters[4] expect Australian housing activity to be down by ~12% to ~190,000 starts in FY2018, which is still at historically strong levels of activity.

Australian alterations & additions (A&A) activity[5] is estimated to have grown 3% in FY2017 compared with the prior period, and is expected to remain steady in FY2018.

Non-residential activity[5] is estimated to be 3% lower in FY2017 compared with the prior period, but is expected to grow in FY2018.

The list of Australian project work provided on page 12 includes major RHS&B, larger non-residential and other engineering work, and shows projects awarded to Boral and the potential pipeline of work.

1. Based on FY2017 proforma revenues for a full year contribution from Headwaters businesses, and includes Boral's 50% share of revenues from USG Boral and Meridian Brick joint ventures.
2. Average of Macromonitor and BIS Oxford Economics forecasts.
3. ABS original housing starts; Jun-17 quarter based on average of HIA, Macromonitor and BIS Oxford Economics forecasts.
4. HIA, BIS Oxford Economics and Macromonitor.
5. ABS value of work done 2014/15 constant prices; average of Macromonitor and BIS Oxford Economics forecasts used for Jun-17 quarter.

Market conditions and competition (continued)

Boral's Australian project pipeline as at August 2017	
Mitchell Freeway, WA	Est. completion 2017
NorthLink Stage 1, WA	Est. completion 2018
Bringelly Road Stage 1, NSW	Est. completion 2018
Pacific Hwy, Nambucca, NSW	Est. completion 2018
Toowoomba Second Range, Qld	Est. completion 2018
Warrego Highway Stage 2, Qld	Est. completion 2018
Gateway Motorway North, Qld	Est. completion 2019
NorthConnex, NSW	Est. completion 2019
Forrestfield-Airport Link, WA	Est. completion 2019
Amrun Project, Qld	Est. completion 2019
Kingsford Smith Drive, Qld	Est. completion 2019
Sydney Metro, City & SW (precast), NSW	Est. completion 2019
Northern Connector, SA	Est. completion 2020
Northern Road, NSW	Currently tendering
Pacific Motorway M1 Widening, NSW	Currently tendering
Pacific Hwy W2B, NSW	Currently tendering
NorthLink stages 2 & 3, WA	Currently tendering
Melbourne Metro, Vic	Currently tendering
Western Distributor, Vic	Currently tendering
Sydney Metro, City & SW, NSW	Currently tendering
Brisbane Airport Runway, Qld	Currently tendering
Outer Sub. Arterial Roads, Vic	Currently tendering
Sunshine Coast Airport, Qld	Currently tendering
Melbourne Airport Runway, Vic	Currently tendering
Logan Motorway, Qld	Currently tendering
Western Sydney Stadium, NSW	Pre-tendering
WestConnex (Stage 3), NSW	Pre-tendering
Badgerys Creek Airport	Pre-tendering
Australian Inland Rail Expressway	Pre-tendering
Warrego Highway Stage 3, Qld	Pre-tendering

1. Seasonally adjusted US Census Housing Starts for national figures.
2. McGraw Hill Dodge raw data — Brick States: Alabama, Arkansas, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas. Tile States: Arizona, California, Florida, Nevada.
3. Average of analysts' forecasts (Dodge, Wells Fargo, NAR, NAHB, Fannie Mae, Freddie Mac, MBA) from July/August 2017.

USA

Market conditions continued to strengthen with total US housing starts[1] increasing 4% in FY2017 to an annualised rate of 1.20 million starts.

Single-family starts increased by 7% nationally, up 10% in Boral's Tile States and up 10% in Boral's Brick States[2].

With multi-family starts down 1% nationally, single-family starts as a proportion of total starts increased from 66% to 68%, but remain below the long-term average of 71%[1].

The housing activity momentum slowed in FY2017, mainly driven by the slowing in multi-family activity. On average, market forecasters[3] expect total US housing starts to lift by 8% in FY2018 to ~1.29 million starts.

Other US construction markets also strengthened during the year including non-residential[4] activity which was up 2%, and the Repair & Remodel[5] market which lifted by an estimated 6%. US infrastructure activity was strong but based on estimated Infrastructure-based Ready Mix Concrete volumes[6], was estimated to be 4% softer.

Asia

Market growth in Korea was underpinned by the strong performing residential sector. Markets remained subdued in Thailand, Indonesia and China in line with weaker economic conditions. Emerging USG Boral markets of India, Vietnam and the Philippines continue to grow.

Competition

In general, Boral faces robust competition from a range of large and small players in most of its building products and construction materials markets, with many of Boral's large competitors in Australia, Asia and North America having global leadership positions.

Some of Boral's businesses experience competition as a result of imports, including Boral's Timber business in Australia and the USG Boral joint venture in Asia.

In some cases, such as concrete and asphalt in Australia, barriers to entry are low and new entrants are attracted to enter markets when demand is strong. Boral aims to differentiate itself through service excellence and product innovation.

Specific challenges and responses relating to competition are highlighted on page 19.

4. Dodge Data & Analytics, Non-Residential Value of Work, forecast used for Jun-17 quarter.
5. Moody's Retail Sales of Building Products.
6. Infrastructure Ready Mix Demand from McGraw Hill Dodge.

Boral Australia

Revenue

Boral Australia revenue increased by 1% to $3.3b, driven by strong levels of east coast residential construction, price gains in all major businesses and growth in infrastructure activity, largely offset by the WA market downturn impacting construction materials businesses and Bricks WA, as well as lower revenues in Timber and Concrete Placing.

Overall, weather impacts balanced out over the full year, with the wetter than average Q1 and Q3 conditions offset by the benefit of a drier Q2 and Q4.

EBIT[1]

Boral Australia EBIT of $349m increased by 11% or $35m. EBIT excluding $24m from Property increased by 14%. The benefits of solid price gains, infrastructure volume growth and efficiencies more than offset the decline in earnings from LNG and Barangaroo projects, the one-off $4m of damages received from the CFMEU settlement in the prior year and the $9m year-on-year EBIT decline from Bricks WA.

Concrete

Concrete delivered improved earnings from volume and price growth, particularly in east coast metropolitan regions.

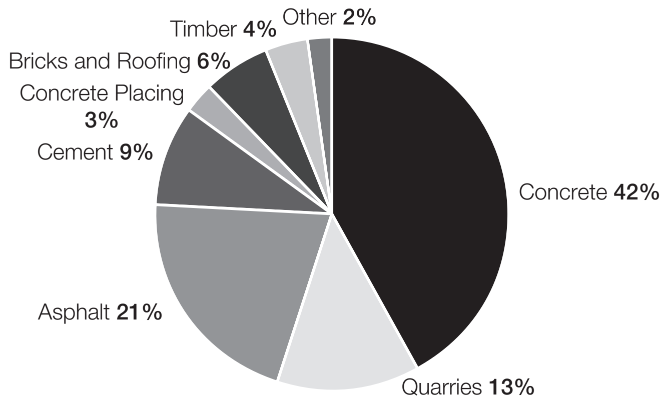
Overall, concrete volumes were up 1%, with strong growth in NSW and positive contributions from all other states except WA. Excluding the impacts of LNG projects (Curtis Island and Wheatstone) and Barangaroo in the prior year, volumes were up 3% year-on-year.

On a like-for-like basis, concrete prices were up by an average of 3% nationally, with ~3 to 5% increases in metro regions across the country except in WA. The solid price growth reflects overall strong demand conditions and the implementation of bi-annual price increases. A favourable product mix resulted in the average selling price in concrete being up over 4% nationally.

Asphalt

Asphalt delivered improved earnings, with stronger margins and volume growth contributing to the result. Increased volumes in Qld, NSW and Vic on the back of growing infrastructure activity were partially offset by weaker volumes in SA and project delays in WA.

Boral Australia FY2017 external revenue



Quarries

Quarries delivered stronger earnings, particularly supported by growth in SE Qld and Vic. Quarry volumes were up 4% nationally, with volume growth in all states except NSW, which maintained its already high volumes. Increased infrastructure-related activity was felt across the country.

On a like-for-like basis, quarry prices were up by an average of over 2% nationally, with 4 to 10+% increases in eastern state metro markets, and aggregate prices were up 4%. With pricing pressure in WA and regional NSW and Qld, however, the average selling price across all quarry materials was up just over 1% nationally.

Cement

External revenues were steady, underpinned by a 2% price increase and lower wholesale volumes to support higher volumes of cement sold internally. Overall, total volumes (external and internal sales) were up 2%. Earnings grew strongly, supported by price and volume gains as well as productivity and material input cost benefits, partially offset by higher energy costs.

Concrete Placing

Revenue was down during the year as expected, following the completion of work on Barangaroo and Warringah Mall, with a corresponding reduction in earnings.

Property

Property contributed EBIT of $24m, compared with $28m in FY2016. The FY2017 result included Kirrawee and the second settlement at Nelsons Ridge in NSW, with property sales a little ahead of expectations.

1. Excluding significant items.

Boral Australia
(continued)

Building products

Building products businesses reported lower revenues and earnings across Bricks WA and Timber businesses, with a steady result from Roofing.

Bricks WA

Volumes were 26% lower and prices were down 5%. Restructuring of the operations in FY2017 resulted in a reduction of 52 positions and a one-off cost of $2m. With earnings down on the prior year, the business delivered a breakeven EBIT and cash flow positive result. Inventory levels continue to be carefully managed and were broadly steady.

Boral's 40% share of Boral CSR Bricks was sold to CSR in October 2016, with earnings contribution for July–October 2016 reported under Discontinued Operations.

Roofing (including masonry operations in SA and Qld)

A 2.5% roofing price increase was offset by a 1% volume decline, resulting in flat revenues and EBIT. Benefits from growth in the supply & install market segment and new product sales were offset by higher costs.

Timber

Revenues were lower in both Hardwood and Softwood. EBIT was also lower, with a lift in Hardwood earnings more than offset by lower earnings from the Softwood business.

Hardwood volumes were down 10%, largely due to the Cyclone Debbie-associated flooding at our Murwillumbah operations in March–April 2016, but average prices were up 5%.

In Softwood, volumes softened by 1% but prices were down 4% in a competitive market threatened by imports. The Softwood business was also impacted by poor quality logs delivered during the period. Both businesses remain profitable.

Strategic priorities

As part of the division's continuous improvement programs, the *commercial excellence* program completed its roll-out in the Southern Region and in Cement, delivering a 0.5% margin improvement in those businesses so far, in line with expectations. The program continues to be rolled out across the entire business.

Operational excellence programs supported margin expansion during the year. This included the initial scoping phase of the multi-year supply chain transformation program, looking to deliver improvements through our integrated supply chain, from making of materials through to delivery of materials to our customers.

Boral Australia continues to benefit from the strength of east coast residential construction, as well as increasing activity in major road and infrastructure work. This has helped offset the transition from resource-based LNG projects, which reduced in FY2016 and effectively ended in FY2017. The business continues to see high levels of opportunity across the country in road, rail and airport projects in the coming years.

Benefits from increased infrastructure activity during FY2017 included the Bringelly Road – Stage 1 project, Pacific Highway upgrade, and concrete volumes at NorthConnex in NSW. In Qld, Boral secured fixed plant concrete supply to the Toowoomba Second Range Crossing project and the Gateway Upgrade North project delivered early benefits, which will increase in FY2018. In WA, the Mitchell Freeway Extension was completed in FY2017, NorthLink Stage 1 was delayed but will deliver substantial benefits in FY2018, and Boral has also commenced concrete supply for Forrestfield-Airport Link which will continue to FY2020.

Post year end, Boral secured concrete supply for the precast package of the Sydney Metro project (City & south-west), which will commence in 2H FY2018.

Outlook

Boral Australia is expected to deliver higher EBIT in FY2018 compared with FY2017, excluding property in both years. The pre-Property result is expected to be broadly balanced between 1H and 2H.

The expected year-on-year improvement is underpinned by infrastructure volume growth, with RHS&B activity forecast to grow by ~15% in FY2018, driving a lift in volumes, particularly in asphalt and associated pull-through of quarry products, as well as continued strength in concrete and cement. Margins are expected to continue to improve through a combination of price and cost disciplines.

Over the past five years, Property earnings have ranged from a low of $8m to a high of $46m. The contribution from property in FY2018 is currently expected to be at the low end of the historical range and weighted towards the second half.

Based on this expected Property contribution, FY2018 EBIT from Boral Australia is expected to be broadly similar to FY2017, including Property in both years.

USG Boral

USG Boral is Boral's 50%-owned joint venture in 14 countries across Australia, New Zealand, Asia and the Middle East.

Boral's equity accounted income[1] of $70m, up 18% on the prior year, represents Boral's 50% share of USG Boral's post-tax earnings, and is reflected in Boral's EBIT result.

Underlying USG Boral result

Underlying revenue increased by 6% to A$1.5b, supported by continued growth in premium Sheetrock® plasterboard sales. Strong board volume, price and share growth in Korea and Australia, together with growth in USG Boral's emerging countries, especially Vietnam, were partially offset by softer revenues in Indonesia, Thailand and China as conditions moderated in these markets.

The highly-regarded Sheetrock® brand products are maintaining a price premium of around 4%, with adoption rates ranging from ~13% in China to ~90% in Australia as at 30 June 2017.

Revenue from non-board sales, including compounds, mineral fibre ceiling tiles, substrates and technical boards, increased by 4% and represented ~40% of USG Boral's total revenue in FY2017.

Underlying EBIT[1] increased 21% to $217m, reflecting volume growth and cost management benefits, including transport savings and lower production and energy costs. Average plant utilisation was ~76%, up substantially from ~70% in FY2016. Overall prices were up, with growth in Australia and Korea somewhat offset by competitive pricing pressure in Thailand and Indonesia.

Australia/New Zealand

Revenue increased by 5% to $529m, with board volumes up 5%, reflecting strong activity in the eastern states, and continued growth in non-board sales. Average selling prices rose 3%, supported by growth of Sheetrock® volumes which command a price premium of ~4%.

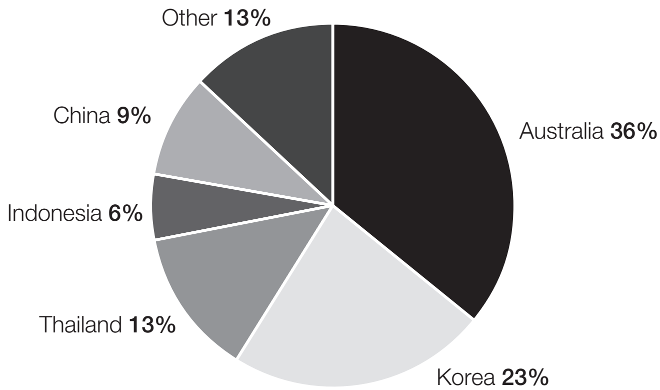
The business in Australia reported a strong lift in earnings over the year.

Asia

Revenue increased by 6% to $949m in AUD terms, with strong growth in Korea and newer markets, like Vietnam and India.

Korea reported record sales volumes and price growth of over 10% to deliver a significant lift in earnings. New direct distribution arrangements established during the year supported the strong result. Sheetrock® adoption rate is now ~43%.

USG Boral FY2017 underlying revenue



Thailand experienced subdued domestic conditions and competitive price pressure, and while cost management initiatives and Sheetrock® price premiums benefited the result, revenues and earnings were softer. USG Boral's volumes were down ~3%, while the estimated market decline was down more.

Indonesia revenue and earnings were lower, with higher board volumes offset by competitive pressure, particularly around price. While market conditions are expected to persist in the near term, the business is focused on self-help operational and marketing opportunities.

China recorded softer earnings, with increased Sheetrock® sales, price increases and efficiencies offset by higher production costs and a subdued economy.

Other regions delivered continued revenue and earnings growth, including Vietnam and India.

Outlook

Profits from **USG Boral** are expected to continue to grow in FY2018, underpinned by continued strength of Sheetrock® across all markets delivering price, volume and cost benefits, as well as expected performance improvements in Indonesia and Thailand.

The rate of underlying profit growth is expected to be in the high single-digits in FY2018, which is lower than FY2017 growth due to forecast softer demand in Australian and Korean residential construction markets.

1. Excluding significant items.

Boral North America

With the acquisition of Headwaters Inc completed on 8 May 2017, the FY2017 result includes eight weeks of revenue and earnings from Headwaters businesses. The Meridian Brick joint venture formed on 1 November 2016 and as such, the FY2017 result includes four months of Boral Bricks revenue and earnings, and eight months of post-tax equity income from Meridian Brick. As a result of equity accounting, Boral's share of revenue from Meridian Brick is not reported in Boral's revenue.

Revenue

Reported revenue of A$1.1b for Boral North America was up 6%. In USD, revenue of US$823m was up 10% on last year, reflecting additional revenue from Headwaters partially offset by the impact of equity accounting the Meridian Brick joint venture for eight months.

Excluding Bricks and Headwaters, revenue was up 9%, with growth in Cladding, Roofing and Denver Construction Materials. Fly Ash revenues were broadly steady despite a Boral contract being lost to Headwaters.

EBIT[1]

EBIT of A$66m was up 50% on FY2016. In USD, EBIT of US$50m compares with US$32m reported last year. Excluding the impact of Headwaters, FY2017 EBIT of US$29m compares with US$32m in FY2016. Last year's EBIT included a one-off US$7m land sale benefit while this year included a US$2.4m cost incurred in the Denver Constructiion Materials business for rehabilitation of the Brighton Quarry.

While market growth was slower than expected, volumes lifted, prices strengthened and underlying margins improved for Boral's legacy businesses.

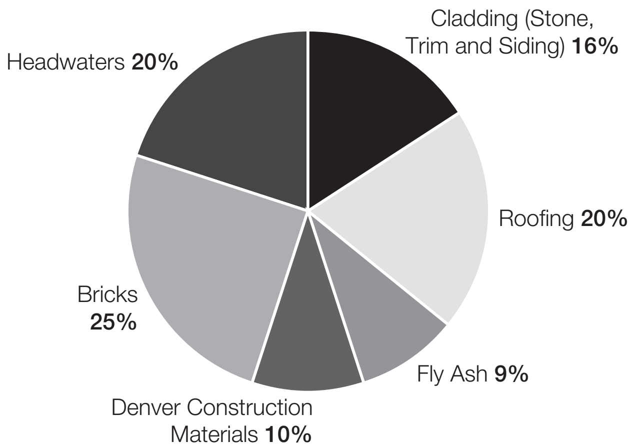
Headwaters businesses

In FY2017, Headwaters businesses contributed US$195m of revenue, US$35m of EBITDA and US$21m (A$28m) of EBIT, in line with Boral's guidance provided when the acquisition completed.

Headwaters' US$21m EBIT included US$13m of post-acquisition purchase price accounting adjustments. Excluding these, EBIT would have been US$34m.

For the eight week period from 8 May to 30 June 2017, **Headwaters Construction Materials** businesses (Fly Ash and Block) delivered 10% revenue growth and 12% EBIT growth on the same eight week period in the prior year.

Boral North America FY2017 external revenue[2]



Headwaters Building Products businesses delivered 29% revenue growth and 10% EBIT growth due primarily to the contribution from the Windows business purchased during the year. This impact was somewhat offset by softer earnings in Roofing due to operational issues at its metal roofing plant in California.

Modest synergy benefits in the first two months of integration were offset by the impacts of issues in Roofing, which are being resolved.

Confidence remains strong around delivery of FY2018 and longer-term synergy targets, as integration and mobilisation activities have successfully rolled out through the organisation in the first three months.

Boral businesses

Cladding

Cladding revenue grew 13% to US$157m.

Stone volumes increased 4%, with growth broadly in line with construction activity. On a like-for-like basis, prices were up 2%, and average prices were up 1%. Stone manufacturing utilisation rose to 44%.

Trim & Siding continued to grow with volumes up by more than 50% and prices up by 3%. Dealer stocking locations have reached 792.

Roofing

Revenue was up 6% to US$187m with strong growth in Florida, Arizona and Nevada. Volumes rose 5%, underpinned by strong growth in concrete tiles. Clay tile volumes were softer as custom home builds and re-roof activity slowed in California. While like-for-like prices were up ~2%, average prices were up 1%. Plant utilisation was ~30%.

1. Excluding significant items.
2. Including Boral's 50% share of underlying revenue from the Meridian Brick joint venture, which is not included in reported revenue.

Fly Ash

Revenues of US$88m were broadly steady on the prior year, with the benefits of higher prices and underlying volume growth offset by the loss of the Rockdale contract to Headwaters in the second half of the year. Price increases ranged from zero to 11% depending on location and source, with an average 8% price increase achieved nationally. Celceram® product sales were lower in FY2017 compared with the prior year. Fly Ash earnings were higher than the prior year as margins strengthened.

Denver Construction Materials

Revenue grew strongly by 20%, underpinned by strong price and volume growth in aggregates and concrete. Earnings however, were down on the prior year due to the impact of a US$2.4m quarry reclamation cost this year and a US$7m one-off land resumption gain reported in the prior year.

While the intention to divest Denver Construction Materials was reported in 1H FY2017, the transaction did not complete as anticipated. As such, the business will continue to be reported under Construction Materials as a continuing business.

Meridian Brick joint venture

In the first eight months of operations, the Meridian Brick joint venture generated US$282m of revenue and delivered US$0.1m of underlying EBIT.

Boral reported a breakeven result from Boral Bricks in the first four months of the year and an eight month post-tax equity contribution from the joint venture of a loss of US$1m.

Delivery of the joint venture's targeted synergies of US$25m per annum by year 4 is progressing well. An estimated synergy run rate of ~US$8m per annum was achieved by 30 June 2017 through the closure of 12 distribution operations and six plants.

Outlook

Boral North America will deliver a significant growth in EBIT in FY2018, primarily as a result of a full year contribution from Headwaters, coupled with delivery of US$30–35m of year 1 synergies.

The Meridian Brick joint venture will also contribute to the earnings uplift, with a much-improved positive earnings contribution expected in FY2018. Meridian Brick will benefit from market growth, as well as the ramp-up of synergies which are targeted at US$25m per annum by November 2020.

All of Boral's North American businesses are expected to benefit from market growth[1], including housing starts which are forecast to increase by ~8%, based on the average of market analysts' forecasts of ~1.29m starts in FY2018. US infrastructure is expected to strengthen by ~5%, non-residential activity by ~12% and the repair & remodel market is expected to lift by ~6%.

1. US market forecasts include: Housing starts based on average of analysts' forecasts (Dodge, Wells Fargo, NAR, NAHB, Fannie Mae, Freddie Mac, MBA) from July/August 2017 forecast; Non-residential from Dodge Data & Analytics; Repair & Remodel from Moody's; and Infrastructure Ready Mix Demand from McGraw Hill Dodge.

RESPONDING TO A CHANGING WORLD

To deliver on our goals, we recognise the need to continually monitor external environmental factors that could impact Boral's long-term growth and sustainability.

We have identified a range of near- and longer-term risks and challenges across the Group. We carefully manage these risks and, when necessary, adapt our strategies to drive success.

Here we highlight some of the actions we are taking in response to the challenges we face.

Page references indicate where the topics are covered in the 2017 Boral Review, incorporating Boral's 2017 Sustainability Report.

		Health, Safety, Environment (HSE) and Social Risks	
RISKS		• Licence to operate • Injuries & incidents • Environmental damage • Regulatory requirements • Community impacts • Workplace relations & human rights	
RESPONSES	BORAL GROUP	• Group-wide **commitment to Zero Harm**	
		• Group **HSE standards, policies, procedures and training** to support divisional strategies	32
		• HSE **performance monitoring, reporting** and accountability frameworks	32
		• Monitoring **regulatory changes**	
		• Group-led diversity program	31
		• **Leadership development** and suite of capability-building activities	31
	BORAL AUSTRALIA	• **Zero Harm** and wellbeing initiatives	34
		• **Heavy vehicle safety** management includes training, vehicle monitoring and innovations	37
		• **Community consultation** programs	41
		• **Flood mitigation and environmental rectification** programs	42
		• Proactive **engagement with regulators**	
		• **Workplace relations** supported by proactive engagement with unions and specialist advisers	31
	USG BORAL	• **HSE standards applied consistently** across Asia, Australia and the Middle East and are often higher than in-country practices	33
		• **Safety engagement program** including communications campaign, leadership workshops, and a dedicated safety culture month	17
		• **Use of CCTV** to aid incident investigations and improvements	
	BORAL NORTH AMERICA	• **Headwaters acquisition** involved a rigorous review of environmental and safety exposures, including post-completion audits and capital allocation to bring all operations up to Boral standards	
		• Focus on safety observations and near miss reporting	37
		• Safety is at the forefront of Headwaters integration activities	37

XX Denotes 2017 Boral Review page reference

The Boral Review can be found on Boral's website at boral.com/Annual_Reports

Further detail about Boral's risks and the Company's risk management approach can be found in the Corporate Governance Statement on pages 30–43 and the Directors' Report on pages 44–49.

Industry & Market Risks	Competition Risks	Business Interruption
• Structural & cyclical demand changes • Political cycles / uncertainty • Economic growth / investment • Input costs / inflation • Regulatory & fiscal policy changes	• New capacity & market entrants • Customer concentration • Pricing dynamics • Regulatory requirements • Technology / R&D and product innovation	• Plant & systems failure • Cyber security • Weather impacts • Reserves & resources • Supply chain • Business conduct / reputational damage
• USD assets funded with USD debt as much as possible to significantly **reduce foreign exchange-related balance sheet exposures** • Energy inputs (diesel, gas and electricity) **hedged to reduce market cycle impacts** • **Diversification** to reduce impacts of individual geographies and markets • **Group procurement** function optimising Boral's cost base	• Centralised **competition law training** • Monitoring and reporting **regulatory changes and industry trends** • **Transformation Action Group** to identify and foster new ways to make and sell new and existing products 28 • **Utilisation of technology** for more targeted sales and marketing	• **Business continuity planning** with regular crisis simulations • Formal bottom-up **enterprise risk management processes** in place • **Reserves planning** and **capital allocation** • Developing **Cyber Security strategy** with reporting through to Board level • Centralised **Code of Conduct training** and associated policies 29
• Leveraging demand shift to major infrastructure through **investments in quarries, asphalt and concrete** operations and **strengthened capability** in contracting and projects management 12 • Central oversight and tracking of **major projects** to target participation strategies 12 • Finalising plans to build clinker import terminal in Victoria to **strengthen import capability** and **optimise cost base** 10 • **Operational Excellence** program and cost reduction initiatives to offset inflation 13	• **Realigning portfolio** to reduce exposure to lower returning building products and to strengthen construction materials • **Commercial Excellence** initiative and customer centricity program to improve customer service and enhance pricing outcome 13 • **Supply chain optimisation** through the introduction of enhanced decision-making tools and improved fleet utilisation • Maintaining **Australian Building and Construction Commission (ABCC) compliance** to enable bids on Federally funded work	• Restructure of Boral IT to **Boral Digital Services, improving agility and responsiveness** • Monitoring and **preparedness for weather-affected disruption** including water management plans, flexible workforces and additional equipment where required 42 • Best practice monitoring and reporting support **Chain of Responsibility compliance** • Dedicated **property and environmental experts** to support compliance and licence to operate
• **Capacity planning** to respond to demand changes, including upgrades in India and Korea, and closure of underutilised plant in Chengdu, China 14 • **Product leadership** and **differentiation strategy** underpinning performance through market uncertainty in Thailand and Indonesia 17 • **Anti-corruption measures** including clear accountability, policies, training, and internal and external audits 29	• **Innovation investment** to further strengthen competitive advantage e.g. next generation Sheetrock® being market tested 17 • **Differentiation strategy** has strengthened USG Boral's response to new capacity / market entrants • **Repositioning Korean business** with increased premium products to market	• **Securing gypsum supply** through acquisition of reserves and synthetic gypsum supply agreements (e.g. Panja in Thailand) • Review of **governance structures** to manage culture and performance of third party agreements and joint ventures • Strategic **review of IT platforms** • Multi-year roll-out of Sheetrock® technologies has resulted in a **modern, upgraded plant network** 14
• **Shifting portfolio** from high fixed cost, energy-intensive to lighter-weight products with a more variable cost model; also addresses excess brick capacity 22 • **Headwaters acquisition diversifies Boral's exposure** to US construction markets 20 • Monitoring Trump administration impacts – **tax reform and infrastructure investment positive** for Boral	• Dedicated **Integration and Synergy Delivery program** for Headwaters acquisition • Cost and margin initiatives including **LEAN and divisional procurement** leveraging volume growth opportunities • Regionally focused product **price analytics and sales strategies**	• **Long-term availability of fly ash** closely monitored and future sources identified 42 • **Prioritisation of capital** investment aligned with product and market growth • Streamlining and **upgrading IT systems**

Megatrends

Monitoring megatrends and positioning the business to respond to them takes place in a coordinated Group wide approach, with reporting through to the Executive Committee and Board.

Megatrends that are shaping our strategies include:

- **Climate-related risks and opportunities** 42
- **Innovative building & construction materials & methods** 44
- **Digital disruption** 28
- **Changing demographics & urbanisation** 44

Sustainability Overview

Introduction

Our business strategy recognises our responsibility to shareholders – to deliver value creation and long-term sustainability. Boral's future depends on us having a robust and socially responsible supply chain, enduring stakeholder relationships, an engaged and reliable workforce, sustainable community and environmental impacts, and businesses that address the needs of today and the future.

This Sustainability Overview covers key material sustainability issues and reporting for Boral Limited. For more information on Boral's sustainability performance and intiatives, refer to:

- the Boral Review 2017, which incorporates Boral's 2017 Sustainability Report
- the Corporate Governance Statement and Directors' Report (including the Remuneration Report) in this Annual Report
- case studies and features in our internal *Boral News* magazine – see boral.com/boral_news
- Boral's website, which includes supporting policies and information on sustainable products and Boral's community engagement programs
- pollutant emissions data reported to the National Pollutant Inventory for 94 sites in our Australian operations
- our voluntary responses to CDP, formerly known as the Carbon Disclosure Project, covering climate change, forests and water
- Boral's 2017 public report on gender equality, lodged with the Workplace Gender Equality Agency on 7 June 2017
- the Summary of our Risks and Responses on pages 18–19.

This Sustainability Overview covers Boral's wholly owned operations and joint ventures that were at least 50% owned by Boral for the year ended 30 June 2017, unless stated otherwise.

With the Headwaters acquisition completed in May 2017, eight weeks of financial performance has been incorporated into the FY2017 results. Reference to Headwaters' sustainability performance has been included in this report; however, sustainability data will be consolidated from FY2018.

Materiality

Alongside our risk management processes, in 2017 we engaged EY to undertake a materiality review to validate that the sustainability risks and opportunities that are important to our stakeholders are being addressed and communicated.

The review included internal stakeholder interviews, desktop peer and media reviews, external industry and sector reviews, and consideration of wider sustainability trends.

Adopting a widely recognised approach to assessing materiality, EY highlighted some enhancement opportunities, which we have started to address in this year's reporting.

The following sustainability issues were identified as the most material for Boral, which align well with management focus, prioritisation and outcomes of existing risk assessment processes. Refer to pages in the 2017 Annual Report (AR) and 2017 Boral Review (BR):

- Health & safety (AR pp. 22–23, BR pp.32–37)
- Environmental management & compliance (AR pp. 24–26, BR pp. 32–33 and 38–39)
- Energy (AR p. 25, BR p. 40)
- Climate-related impacts (AR p. 26, BR pp. 42–43)
- Community impact (AR p. 27, BR p. 41)
- Supply chain & product innovation (AR p. 27, BR pp. 44–45)
- Workplace relations & human rights (AR p. 21, BR p. 31)
- Diversity (AR pp. 22 and 39–41, BR p. 31)
- Business conduct (AR pp. 20–21 and 41, BR p. 29)

Sustainability governance

Our commitment to sustainable development is driven by Boral's Board and Executive Committee.

The Board has a Health, Safety & Environment (HSE) Committee, which provides focused leadership and supports the activities of management. The Committee reviews and monitors the performance and effectiveness of Boral's policies, plans, systems and governance structures in relation to HSE, including Boral's response to climate-related impacts.

Boral's governance approach is detailed on pages 30–43.

Day-to-day responsibility for sustainability rests with every employee and is embedded into Group and business-level strategies. The commitment of line managers and their teams to deliver Zero Harm Today and our other sustainability ambitions is critical.

We firmly believe that safety performance is an integral component of leadership and it is therefore linked to base remuneration and employment. As a result, we do not link remuneration incentives with safety performance or other sustainability metrics.

Board discretion can be used to adjust executive remuneration outcomes if there is evidence of a breakdown in management oversight and processes leading to poor safety outcomes.

Policies and ethical standards

Boral's Code of Business Conduct and supporting policies set out the legal and ethical standards of behaviour expected of Boral's people. They apply to all of Boral's operations globally.

We take adherence to legal and ethical standards seriously. During FY2017, 35 employees in Boral Australia and Boral North America were dismissed for serious breaches of policy, primarily for breaching safety rules.

Boral's people have access to an external, independent whistleblowing service, known as FairCall, to report possible fraud, illegal acts or misconduct. KPMG, which operates the FairCall service, provides information to appropriate Boral senior management in order to investigate the potential misconduct. Outcomes are reported to Boral's Audit & Risk Committee.

As part of our Code of Business Conduct, we have formal policies that deal with anti-bribery, corruption and fair competition.

Boral's Code of Business Conduct was reviewed in 2016, and HSE policies were reviewed in 2017 to ensure that they continue to support our business objectives.

In summary, Boral's policies and compliance systems:

- commit to obeying all relevant laws,
- prohibit Boral's businesses, and agents acting on our behalf, from giving and receiving bribes and facilitation payments, and
- prohibit political donations.

Our people

To build a transformative culture to capture growth, innovate, anticipate and respond to a changing world, we need an engaged, diverse and capable workforce led by talented leaders.

Workforce profile

As at 30 June 2017, we have 16,475 full-time equivalent (FTE) employees including in joint ventures (JVs), and approximately 8,200 contractors working in 17 countries and across a wide range of functions.

Full-time equivalent	FY2017	FY2016	FY2015
Boral employees	**11,499**[1]	8,334	8,356
Boral contractors	**~4,800**	~4,800	~4,400
JV employees[2]	**4,976**	3,724	3,676
JV contractors[2]	**~3,400**	~3,400	~3,000

1. Including 4,016 FTE from Headwaters and excluding employees from Boral Bricks in the USA who are now included in JV employees.
2. Including USG Boral, Meridian Brick and 10 other small Australian-based joint ventures.

At end FY2017	Boral total	Boral Australia[3]	USG Boral	Boral North America[4]
Women in Boral	18%	13%	18%	22%
Average service	8.4yrs	9.3yrs	9.4yrs	8.1yrs
Average age	43yrs	45yrs	41yrs	43yrs
20+ year veterans	12%	13%	15%	9%
Employee turnover[5]	15%	15%	12%	16%

3. Excluding joint ventures.
4. Including Meridian Brick joint venture.
5. For FY2017. Excluding employee turnover in Headwaters.

Human rights and workplace relations

We are committed to a workplace free from intimidation, harassment, bullying, discrimination or unlawfulness, as outlined in our Code of Business Conduct.

All our operations have grievance mechanisms that are accessible, accountable and fair, enabling concerns to be raised without fear of recrimination.

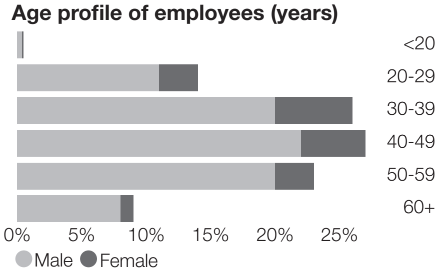
This includes Boral's external, independent whistleblowing service, known as FairCall. Boral also offers employees and their immediate families a free, confidential, professional counselling service, the Boral Employee Assistance Program or BEAP, to help address issues that may affect their work and personal life.

We support the rights of our employees to freedom of association, to choose to unionise and to collective representation, regardless of their location or function. We are committed to working honestly and transparently with labour unions and we undertake negotiations in good faith.

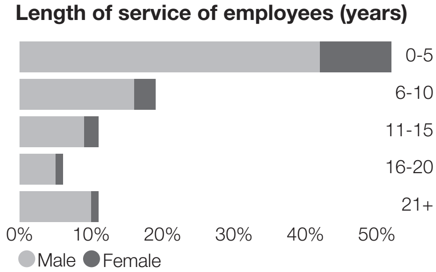
In Australia, Boral has some 70 enterprise agreements covering approximately 3,500 employees. We supported the return of the Australian Building and Construction Commission, and all of Boral's relevant enterprise agreements have been varied or replaced with agreements that we are comfortable comply with the Building Code.

In line with the United Nations Guiding Principles on Business and Human Rights, and acknowledging the shift in focus externally, we are undertaking a review to assess the risk of modern slavery in our value chain and the need to address it in our policy framework.

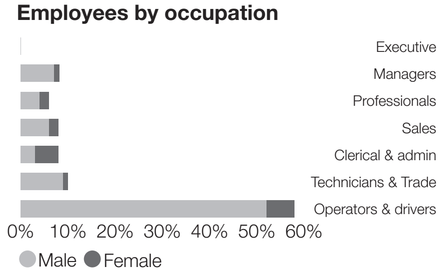
Age profile of employees (years)



Length of service of employees (years)



Employees by occupation



Diversity

We believe that a diverse workforce is important for business success and that we should reflect the diversity of our communities.

Boral has an established Diversity & Inclusion Plan with Boral's Diversity Council supporting the delivery of targeted outcomes. The plan includes six elements: leadership, communication & education, system & process design, gender equality & pay equity, generational diversity, and Indigenous relations.

In FY2017, Boral partnered with Deloitte to carry out a high-level study into the ability of our Australian workforce to adapt and transform. The findings will be reflected in the FY2018 Diversity & Inclusion Plan.

Other FY2017 focus areas included:

- raising awareness of the impact of unconscious bias, with 18 senior leader diversity awareness and unconscious bias sessions conducted,
- increasing representation of women, particularly in leadership roles, and
- pay equity outcomes, with the female to male average base salary ratio[1] in Boral Australia being favourable at 1.02:1.00.

Boral is committed to supporting Indigenous employment, programs and communities. We continue to retain approximately 80% of employees through our Indigenous employment program in Australia. In FY2017, the Indigenous Employment and Training Plan for 2016 to 2020 was implemented to continue the work from previous plans from 2006 to 2015.

Developed in FY2017, Boral's Reconciliation Action Plan focuses on building on relationships, respect and opportunities for Indigenous communities and will be submitted to Reconciliation Australia, the lead independent body for reconciliation in Australia, in FY2018.

For more details on diversity at Boral, see pages 39–41.

Headwaters integration

The acquisition of Headwaters added 4,016 FTE employees across more than 170 operational sites. Our North American operations now have 7,053 FTE employees (including the Meridian Brick joint venture), with an average age of 43 years and average service of 8.1 years.

Bringing together the best of Boral and Headwaters is a key part of the integration, as is establishing aligned purpose, values and objectives, and building on the strong safety culture of both organisations.

In the first few weeks of integration, senior leaders held more than 80 "meet and greet" sessions across 60 sites with more than 2,000 people.

Health, Safety and Environment

Across Boral, our overarching goal is to achieve Zero Harm Today. We are working on this by eliminating behaviour and conditions that have potential to injure our people and harm the environment.

We are committed to our goal of Zero Harm and work to eliminate adverse environmental impacts. Where elimination is not possible, we seek to minimise any harmful effects from our operations, which means that we target performance that is often better than environmental laws require.

Our approach

Managing health, safety and environment (HSE) is an integral part of the day-to-day activities of Boral's line managers. They are supported by a network of HSE professionals in Boral's divisions and a small corporate team headed by Boral's Group HSE Director.

The corporate team has responsibility for policy, governance and functional leadership, in consultation with divisional specialists and leadership. Each of Boral's divisions has responsibility for leading the implementation of their respective programs and providing expert coaching to line managers. Divisions have their own HSE strategies and plans, consistent with and complementary to Boral's Group HSE strategy.

Divisional management teams and the corporate HSE function provide formal reports on performance, risks and management actions to the Board's HSE Committee on a quarterly basis and to Boral's Executive Committee on a monthly basis.

During FY2017, Boral Australia established a divisional Executive HSE Committee, chaired by Boral Australia's CEO, with membership drawn from operational leadership and supported by the divisional HSE team. This committee assists Boral Australia's leadership team to fulfil its oversight of divisional strategies, systems, policies and practices in respect of HSE matters.

At a site level, safety performance and actions are discussed in various forums including daily pre-start meetings and at many sites, monthly HSE meetings. More serious HSE incidents, including near miss events, are directly communicated to Boral's CEO & Managing Director and incident review meetings are held for serious near miss events, involving local line management, relevant divisional executives and the Group HSE Director. Reviews of serious incidents are also held at a divisional executive level.

Our HSE reporting framework and systems, in conjunction with a culture of transparent reporting, ensure that reliable HSE information is provided to both our internal and external stakeholders.

1. Calculated as the average base cash salary for females as a proportion of the average base cash salary for males, as used in the Workplace Gender Equality Agency Confidential Report.

HSE strategy and performance

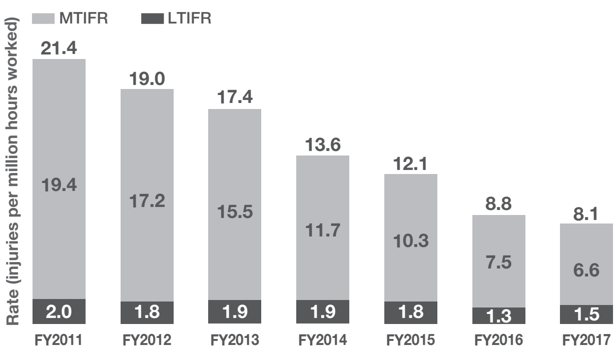
Following a review in FY2017, Boral's Group strategy for HSE has been simplified to four strategic objectives and 14 contributing programs. Across Boral's three divisions – Boral Australia, USG Boral and Boral North America – HSE strategies are consistent with Boral's Group strategy for HSE.

A summary of progress against our HSE objectives is provided on page 33 in the 2017 Boral Review.

Health and safety outcomes

Boral's safety performance continued to improve in FY2017 on a recordable injury basis. The recordable injury frequency rate (RIFR[1]) of 8.1 was an 8% improvement on FY2016, contributing to a long-term improvement of 62% since FY2011.

Boral Group recordable injury frequency rate (RIFR[1])



With zero fatalities in FY2017 and no fatalities reported since December 2013, this is the longest fatality-free period recorded, which we are working hard to maintain.

Boral's lost time injury frequency rate (LTIFR[1]) of 1.5 was slightly higher than the prior year at 1.3; however, it remained lower than our longer-term performance. In three of the last seven quarter-year periods, we achieved a LTIFR of one or less – a milestone recognised as leading global practice in many industries. For the fourth quarter of FY2017, we recorded our lowest RIFR on record at 7.3.

Boral North America and USG Boral both reported FY2017 LTIFR below one, at 0.3 and 0.8, respectively, considered by many to be a threshold into world best practice. US LTIFR performance excluding the Meridian Brick joint venture was 0.2. For the first time, we celebrated a full calendar year in the USA without a lost time injury in 2016.

Our reported LTIFR, RIFR and fatalities are for employees and contractors combined, which we believe is a true measure of performance. This can, however, make benchmarking challenging as not all organisations report contractor data.

Percentage hours lost[2] and hours away on restricted or transferred (HART) duties[2] were 0.04% and 0.22%, respectively, in FY2017. Percentage hours lost was broadly steady on the prior year. Given that there were more employee lost time injuries in FY2017, this suggests that injuries were generally less severe or responded better to treatment and return to work programs – a positive outcome for our injured people and, in turn, the organisation.

The increase in HART (from 0.16% in FY2016) primarily reflects maturing reporting systems in our joint ventures.

For divisional RIFR, in FY2017:

- Boral Australia achieved a much improved 11.2 RIFR.
- Boral North America reported a 6.7 RIFR, with the increase due to previously non-Boral operations now part of the Meridian Brick joint venture, formed in November 2016. Safety results of the newly acquired Headwaters business will be consolidated from FY2018.
- USG Boral reported a RIFR of 3.6, with slightly more injuries reported in the first half of FY2017 compared with the same period last year. Analysis showed that the injuries occurred when responding to operational disruptions, such as clearing blockages or cleaning. In response, a comprehensive training and awareness program called "Upset Conditions" has been developed and implemented, which is already delivering positive results (see page 17 of the 2017 Boral Review).

Additional commentary on safety performance and initiatives, including case studies, is provided in the 2017 Boral Review.

RIFR[1]	FY2017	FY2016	Change
Boral Australia	**11.2**	13.1	down 15%
USG Boral	**3.6**	3.0	up 18%
Boral North America	**6.7**	5.2	up 28%
Corporate	**0**	0	-
Total	**8.1**	8.8	down 8%

Safety at Headwaters

With over 4,000 employees working across 170 operating sites, Headwaters' workplaces and operations have similar risk profiles to Boral's.

Prior to integration, a pulse survey showed that employees from both organisations were proud of what they were achieving in safety, and that they did not want the acquisition to adversely affect their safety performance.

The two organisations are well aligned culturally, delivering improved safety outcomes in recent years, albeit Headwaters started its safety journey a little after Boral.

Headwaters reported RIFR of 14.6 and LTIFR of 3.9 for FY2017[3]. This compares with RIFR of 6.7 and LTIFR of 0.3 for Boral USA in FY2017[1].

Safety is at the forefront of integration activities, with leading practices being shared between Headwaters' and Boral's US operations, helping Boral's expanded North American business to meet our high safety standards and deliver Zero Harm Today.

1. Includes injuries per million hours worked for employees and contractors in fully owned businesses and joint venture interests of 50% or more, irrespective of management control. RIFR is made up of lost time injury frequency rate (LTIFR) and medical treatment injury frequency rate (MTIFR).
2. Defined as a percentage of total hours worked for employees only.
3. Injuries per million hours worked, for Headwaters employees only.

Environment

It is Boral's policy to comply with environmental legislation, regulations, standards and codes of practice relevant to the particular business as the absolute minimum requirement in each of the communities in which we operate.

We recognise that compliance with our site-based planning approvals and effective management of sensitive sites is critical to our reputation and our ability to operate.

We are committed: to reducing greenhouse gas emissions from our operations, the efficient use of energy, conservation of water, minimising and recycling waste materials and energy, prevention of pollution, and effective use of virgin and recovered resources and supplemental materials.

We are also committed to open, constructive engagement with communities surrounding our operations, and protecting biodiversity values at and around our facilities.

Environmental compliance

We are focused on improving our environmental performance, including targeting zero environmental infringements, across our ~700 operating sites globally.

We have strengthened our internal controls to improve compliance with increasingly stringent regulatory requirements in Australia, including through an online information management system for environmental licence conditions. In FY2017, we conducted 85 environmental compliance audits in Australia and developed 105 site action plans, mapping licence and planning compliance requirements.

Formal regulatory notifications are reviewed by our internal legal and HSE functions and reported to Boral's Executive Committee. Any material issues are reported and discussed at Board Committee level, even if no penalty results.

Infringements and penalties

	FY2017	FY2016	FY2015	FY2014
Number	**10**	9	3	15
Fines[1]	**$111,083**	$33,888	$11,658	$26,849
Penalties[1]	**$30,000**	$250,000	$0	$12,000
Undertakings	**$133,556**	$0	$0	$100,000[2]

1. Fines are directly issued by the regulator and penalties by a court hearing.
2. Financial support for a local conservation project at the Yalanbee Nature Reserve, WA.

In FY2017, Boral was charged with seven regulatory infringements related to environmental contraventions in Australia and one penalty in relation to Boral's Cosgrove Quarry in Victoria. A further two fines relating to Headwaters facilities in the USA, which arose before completion of the acquisition, were levied under Boral's ownership.

The infringements, which resulted in total fines of $111,083, relate to:

- a turbid water discharge at Petrie Quarry, Queensland,
- two planning condition breaches at Widemere, NSW, recycling operations,
- a late payment for a mining permission at Berrima, NSW, cement works,
- several breaches of air emission licence conditions in NSW and Queensland, and
- in Headwaters, a fugitive dust release at the North Las Vegas, Nevada, fly ash terminal and fines relating to permits at the roofing plant in Oceanside, California.

In 2016, Environment Protection Authority (EPA) Victoria commenced proceedings against Boral on three counts related to accepting concrete material at our Cosgrove Quarry. The material had been received for processing and recycling into construction materials; however, the EPA deemed this to be the storage of industrial waste without a licence. Boral agreed to plead guilty to one of the three counts, and was fined $30,000.

In November 2016, Boral accepted an enforceable undertaking committing to training, auditing, industry education, and royalties and levies, totalling $133,556. This followed a NSW Department of Industry determination that Boral Bricks Pty Ltd had breached the Mining Act 1992 at two clay pits in southern NSW.

In addition to the penalty and infringements at Boral's fully-owned operations, in May 2016 there were two regulatory infringements at USG Boral plants in Pudong and Baoshan in China. The penalties accepted by USG Boral in late 2016 were US$3,800 and US$51,000, respectively. These types of infringements in China also restrict the business from claiming Value-added Tax (VAT) rebates for three years.

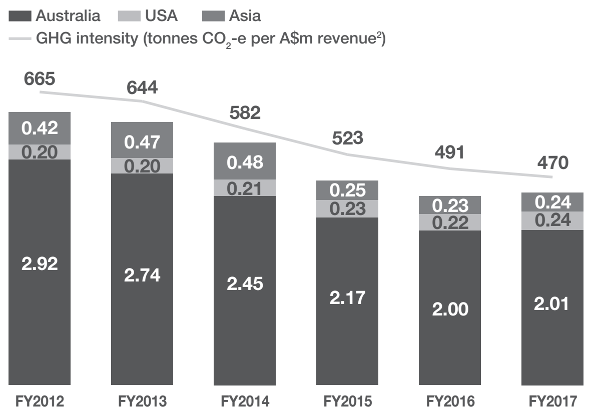
Greenhouse gas emissions

For many years, Boral has been focused on reducing greenhouse gas (GHG) emissions from our processes and facilities, and committed to the efficient use of energy, including re-use of waste energy and the use of waste materials as alternate fuels.

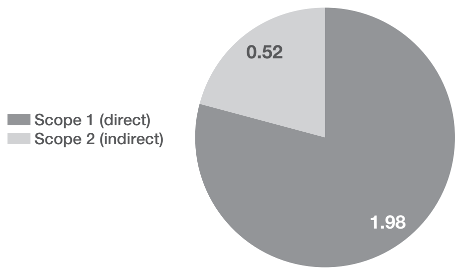
For the past five years, our business strategy has been to move away from energy-intensive manufacturing, such as kiln-fired clay bricks, to lightweight, more sustainable products, such as cultured stone, fly ash-based composite products and gypsum wallboard technologies. We have exited higher cost, sub-scale, less efficient cement kilns in Australia and increased imported clinker produced in more modern, larger scale, less carbon emissions-intensive kilns in Asia.

Boral's absolute emissions (Scope 1 and 2) have reduced by ~29% over the past five years to 2.50 million tonnes of carbon dioxide equivalent (CO_2-e) in FY2017, even while market activity – and Boral's profitability – in Australia, North America and Asia has been increasing.

GHG emissions from operations[1] (million tonnes CO_2-e)



FY2017 GHG emissions[1] (million tonnes CO_2-e)



The reduction in Boral's absolute GHG emissions reflects a combination of plant closures, divestments, production efficiencies, alternate fuel use, and the shift to imported clinker (which accounts for ~13% of the 29% reduction in emissions since FY2012).

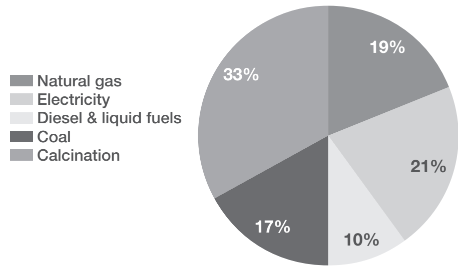
In FY2017, Boral's GHG emissions were up 2% compared to the prior year, with emissions from Boral's Australian operations broadly unchanged, North America up 9% and Asia up 5%.

Changes in Boral's portfolio during FY2017 materially altered GHG emissions, with the formation of the Meridian Brick joint venture underpinning increased emissions in North America. In Australia, lower emissions associated with decreased production at Midland Brick in Western Australia were offset by higher east coast construction activity and the impact of increased clinker production at Berrima. Increased plasterboard production in USG Boral resulted in higher emissions in Asia.

The Cement business in Australia accounted for approximately 60% of Boral's total emissions in FY2017, and about 75% of emissions in Australia.

Boral's emissions intensity of approximately 470 tonnes of CO_2-e per million dollars of revenue[2] (in AUD) in FY2017 was 29% lower than it was five years ago and improved 4% year-on-year, reflecting actual efficiency gains.

GHG emissions by source[1]

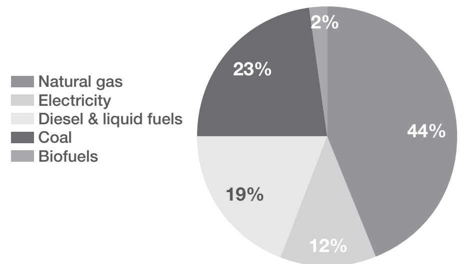


Energy consumption

Boral's operations consumed 20 petajoules of energy in FY2017, up 2% on the prior year, reflecting increased production volumes plus the formation of the Meridian Brick joint venture. Across all divisions, a total of around A$295 million was spent on energy – gas, electricity, coal, diesel and other fuels – in FY2017.

FY2017[1]	Energy used	Change	Cost
Boral Australia	12 PJ	1%	~A$197m
USG Boral	4 PJ	5%	~US$47m
Boral North America	4 PJ	2%	~US$28m

Energy by fuel source[1]



Improvement initiatives

Boral's businesses continue to focus on energy and emissions reduction initiatives, including through LEAN management principles, plant efficiency projects and fuels programs, as well as a continuation of our strategy to move away from energy-intensive operations into lighter-weight products.

Emissions and energy consumption associated with the acquisition of Headwaters, completed in May 2017, will be reported from FY2018 and is expected to result in a further improvement in Boral's emissions intensity.

In addition, the Berrima cement works alternative fuels program, developed to lower local manufacturing costs and emissions, will be operational in 2018.

1. Data provided for FY2017 GHG emissions, energy consumption and costs is for Boral's 100%-owned operations plus Boral's share from 50%-owned joint venture operations. Does not include Headwaters.
2. Revenue adjusted to include 50% share of underlying revenues from USG Boral and Meridian Brick joint ventures, which are not included in Group reported revenue.

Managing climate-related impacts

As part of our objective to monitor megatrends and position the business to respond to them, in 2017 Boral undertook a Climate-related Risks and Opportunities Strategic Review across all businesses.

We used the recommended framework set out by the international Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). We considered the specific areas we need to target for the coming 10–20 years to maintain Boral's sustainability in a carbon-constrained world, broadly based on a default 2°C scenario supplemented with self-developed scenarios. The outcomes of this review are being used to update Boral's strategies and plans.

In FY2018, we will consider the TCFD recommendations for modelling and measuring the financial impacts of these risks and opportunities and the use of more formalised scenario analysis.

Boral's climate-related risks include:

- increasing energy costs adding to the cost of production
- potential reduction in fly ash in North America as coal-fired power utilities curtail over time
- changes to regulatory and disclosure requirements
- operations' resilience to extreme weather events.

Boral's climate-related opportunities include:

- harnessing product innovation capabilities to help our customers transition to a lower carbon economy
- increased use of alternative fuels in cement manufacturing
- Boral Timber's use of residue by-products as biofuel.

Further details of Boral's climate-related risks and opportunities are provided in the 2017 Boral Review on pages 42–43.

Water management

Boral's operations worldwide consume about 4 gigalitres of mainly municipal supplied water for manufacturing, dust suppression, cleaning and sanitation. We also capture unmeasured rainfall or stream flow at our larger sites, predominantly used for dust control purposes.

We have well established internal compliance systems for prevention of pollution of discharged waters, as well as numerous regulatory controls through licensing and permitting.

In recent years, we have had several penalties regarding water discharges. However, these are largely traceable to rainfall deluge events, which we are moving to better respond to as part of our approach to climate-related risks.

In 2017 we commenced reporting to CDP Water and as such, a more detailed analysis of our water risks as at FY2016 can be found in CDP's publicly available report – see cdp.net.

While individual Boral locations may have water risk from time to time (either from too much or too little water), as a Group we do not assess Boral as having material water risk.

Waste, recycling and re-use

Throughout Boral's operations, our own waste materials are re-used to produce the same product, including concrete washout slurry, recycled asphalt pavement (RAP), and plasterboard waste from production and building sites.

Boral's businesses deal with only low amounts of hazardous waste and this is managed in accordance with government regulations.

Similarly, we only use relatively small amounts of packaging as the vast majority of our products are delivered in bulk. Boral businesses in Australia that do use some packaging, such as Midland Brick and USG Boral, are signatories to the Australian Packaging Covenant. Boral Cement, through its membership of Cement Concrete & Aggregates Australia, is also a signatory.

Biodiversity management

Protecting biodiversity – the diversity of plant and animal species – at our operational sites is a core component of our land management.

Initiatives to protect biodiversity at our own sites and more broadly include:

- maintaining and inspecting bat boxes at Dunmore Quarry in NSW for a number of threatened species
- the ongoing supply of koala fodder from plantations at Narangba and Petrie quarries in Queensland
- tracking and conservation work to protect the legless lizard at Deer Park Quarry in Victoria, and
- supporting the Western Swamp tortoise recovery program through Midland Brick's work with Perth Zoo.

Our long-standing community partnerships with Conservation Volunteers Australia and Taronga Conservation Society are aimed at biodiversity, conservation and education, in our local communities and more broadly.

Protecting cultural heritage

We recognise and respect sites, places, structures and objects that have cultural or traditional significance. We work alongside Indigenous peoples to protect cultural heritage including:

- working with local Aboriginal representatives at Peppertree Quarry in NSW in the identification of nearly 100,000 Aboriginal artefacts, and
- relocating an Aboriginal scarred tree from Dunmore Quarry to Killalea State Park, where it was presented to the public in an official "Close the Gap" ceremony.

Community impacts

We are committed to being a socially responsible member of the communities in which we operate.

We recognise that we need to meet local stakeholders' expectations by:

- proactively engaging with the community to deliver back to the community more than just jobs, and
- managing site operations so they do not negatively impact on community amenity.

Operational issues that can impact local communities include traffic, noise, dust, odours, water, waste, quarry end use, and impacts on heritage and culture.

Our approach is to engage with stakeholders and plan strategically to mitigate and manage impacts across the full life cycle of our extraction and processing sites. Our quarries and other land assets are managed responsibly, taking a whole-of-life approach from development approvals through to rehabilitation and end-use planning and development.

Community engagement

Addressing potential community concerns is an important part of Boral's community engagement efforts. Our stakeholder engagement programs are underpinned by communications, consultation and contribution.

Community Consultation Committees are established at key sites, and we communicate through online information resources as well as other channels, such as mail drops, advertising, and community inspections and guided site tours.

Boral is an acknowledged industry leader in community engagement and was awarded the Community Leadership Award at the Victorian Cement Concrete & Aggregates Australia 2016 Environment, Health and Safety Awards. Boral was recognised for our innovative Stakeholder Perception Benchmarking process, which uses feedback from local residents to guide community relations planning activities at operational sites.

Community support programs

Boral works with a number of community organisations and projects where there is a connection with our people, places and products.

In FY2017, Boral contributed approximately $840,000 of financial support through 12 corporate community partnerships and other community support initiatives.

We also provided approximately $60,000 of in-kind materials to community partners Habitat for Humanity Australia, Touched by Olivia and Conservation Volunteers Australia. A further $92,000 was contributed to fundraising and events, like Habitat for Humanity's Rock the House build in October 2016 where Boral supported 24 employees to help build homes for a disaster-prone community in rural Indonesia.

Further details of Boral's community support programs are provided on page 41 of the 2017 Boral Review or at boral.com/community_support

Value chain and product innovation

Boral is a critical part of the construction supply chain in the markets in which we operate. As we continue to find more effective ways to do business and respond to external changes and disruptions, we recognise the influential role we can and need to play in delivering sustainable solutions for our customers, suppliers and the broader community.

We are working to deliver improved outcomes throughout the value chain today and for the future. Some of the ways we are doing this include:

- using external waste and by-products or secondary resources in a range of products
- working with customers to deliver Green Star energy and sustainability goals
- responding to changing demographics, working environments and needs of our customers
- helping to develop safer, improved construction methods in Asia by broadening our product and systems offering to provide plasterboard partitioning in residential buildings
- working with the supply chain to design, build and use safer, more innovative equipment
- working with social enterprises, which are businesses that aim to improve communities, tackle social problems, provide people with access to employment or help the environment
- helping to deliver more affordable housing solutions by developing products that are lower cost and faster to install, such as light building products in the USA and lighter-weight plasterboard in Australia and Asia
- developing an integrated global supply chain, with local procurement, across USG Boral, and
- as a Corporate Member of Supply Nation in Australia, procuring goods and services from Aboriginal and Torres Strait Islander businesses.

Further details of Boral's value chain and product innovation are provided on pages 44–45 of the 2017 Boral Review.

Executive Committee

Mike Kane
Chief Executive Officer & Managing Director

Joseph Goss
Divisional Chief Executive, Boral Australia

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 Master of Science in Materials Science and Engineering.

David Mariner
President & CEO, Boral Industries Inc

Joined in 2010 and was previously Executive General Manager, Boral Building Products in Australia until June 2016, and prior to that, Chief Operating Officer for the Boral USA Cladding Division. Prior to joining Boral, David held a variety of management roles with Holcim, Daimler Chrysler and Detroit Diesel. He has a Civil Engineering degree and an MBA.

Frederic de Rougemont
CEO, USG Boral

Joined in 2011 and was previously CEO of LBGA. Prior to joining Boral, Frederic held senior roles with Lafarge in South Africa and South Korea, as well as research roles in France and the USA. He has a PhD in Physical Sciences. Since 28 February 2014 on formation of USG Boral, Frederic has been employed by the USG Boral Building Products joint venture.

Rosaline Ng
Chief Financial Officer

Joined in 1995 and held senior finance roles in Boral's Building Products division. Rosaline 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. Rosaline has a Bachelor of Commerce and is a member of Chartered Accountants Australia and New Zealand.

Ross Harper
Executive General Manager, Boral Cement

Joined in January 2006 and held senior roles in Boral's Cement division. Ross has over 30 years' experience with industrial process industries including the energy, pulp and paper, and building material sectors. He holds a PhD in Chemistry and completed the Executive Management Programme at the University of Michigan, Ann Arbor. Reports to Divisional Chief Executive, Boral Australia.

Dominic Millgate
Company Secretary

Joined in 2010 and was previously Boral's Assistant Company Secretary. Prior to joining Boral, he held legal counsel and company secretary roles in Australia and Singapore and legal roles in London and Sydney. Dominic has a finance degree and a Master of Laws.

Kylie FitzGerald
Group Communications & Investor Relations Director

With Boral from 1995 to 2010, then re-joined in 2012 after a period with the GPT Group. Kylie's early roles were in production management in Roofing, moving into corporate affairs and investor relations from 2000. She holds an honours degree in Ceramic Engineering and an MBA.

Tim Ryan
Group Strategy and M&A Director

Joined Boral in March 2011 in Strategy and M&A team and appointed to current role in January 2017. Prior to Boral, Tim worked at EY in Transaction Advisory Services roles. He is a CFA Charterholder and a member of Chartered Accountants Australia and New Zealand, and holds a Bachelor of Commerce. Reports to Boral's Chief Financial Officer.

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.

Michael Wilson
Group Health, Safety & Environment Director

Joined Boral in 2013. Michael has held senior roles overseeing the management and governance of safety, environment and quality in mining and industrial companies in Australia and the UK, as well as in the Australian Department of Defence and the Environment Department. Michael has an Applied Science degree and a Master of Environmental Engineering Science.

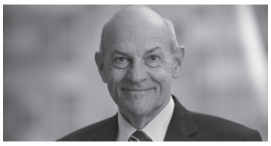
Joel Charlton
Executive General Manager, Innovation & Group President, Windows

Joined Boral in 2012 and Board member of USG Boral since 2016. Prior to Boral, Joel held senior intellectual property counsel roles with Georgia-Pacific LLC and Exide Technologies. He has Chemical Engineering and Juris Doctor degrees, and is registered to the Bar in Connecticut, Georgia and the United States Patent Office. Dual reporting to CEO & Managing Director, and President & CEO, Boral Industries Inc.

Linda Coates
Group Human Resources Director

Joined Boral in 2000 and previously held Group and divisional HR roles in Boral, including in Construction Related Businesses and Clay & Concrete Products. Prior to joining Boral, Linda was with Pioneer International in HR roles covering Australia and Asia. She has a degree in Economics and Political Science and an MBA.

Board of Directors



Brian Clark
Non-executive Chairman, Age 68

Dr Brian Clark joined the Boral Board in May 2007 and became Chairman in November 2015. Dr Clark has experience as an executive and director in Australasia, Japan, China, Italy, the UK and South Africa. He was previously a Director of AMP Limited and Chairman of AMP Capital Limited, and was previously on the Board of National Australia Bank and a member of the Merrill Lynch Australian Advisory Board. 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 holds a Doctorate in physics from the University of Pretoria, South Africa, and completed the Advanced Management Program at the Harvard Business School.

Catherine Brenner
Non-executive Director, Age 46

Catherine Brenner joined the Boral Board in September 2010. Ms Brenner is Chairman of AMP Limited, a Director of Coca-Cola Amatil Limited and SCEGGS Darlinghurst Limited, Panel Member of Adara Partners and a Member of the Art Gallery of NSW Board of Trustees. She was previously Chairman of AMP Life Limited and the National Mutual Life Association of Australasia. Ms Brenner also previously held directorships including Centennial Coal Company Limited and the Australian Brandenburg Orchestra, 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 Remuneration & Nomination Committee.

Eileen Doyle
Non-executive Director, Age 62

Dr Eileen Doyle joined the Boral Board in March 2010. Dr Doyle is a Director of GPT Group and Oil Search Limited. She was previously the Deputy Chairman of CSIRO, a Director of Bradken Limited, OneSteel Limited and Ross Human Directions Limited, and Chairman of Port Waratah Coal Services Limited.

Her extensive executive and non-executive experience includes manufacturing and marketing in building and industrial materials throughout Australasia, Asia and North America. She holds 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 & Risk Committee.

Kathryn Fagg
Non-executive Director, Age 56

Kathryn Fagg joined the Boral Board in September 2014. Ms Fagg is a Board member of the Reserve Bank of Australia and a Director of Incitec Pivot Limited and Djerriwarrh Investments Limited. She is also President of Chief Executive Women, Chair of the Melbourne Recital Centre and the Breast Cancer Network Australia. Ms Fagg is an experienced senior executive, having worked across a range of industries in Australia and Asia, including logistics, manufacturing, resources, banking and professional services. She was previously President of Corporate Development with the Linfox Logistics Group and prior to that she held executive roles at BlueScope Steel and ANZ and consulted for McKinsey and Co. She holds an Honorary Doctor of Business and a Master of Commerce in Organisation Behaviour from UNSW, and an Honorary Doctor in Chemical Engineering and a chemical engineering degree from the University of Queensland.

Ms Fagg is Chairman of the Remuneration & Nomination Committee and a member of the Health, Safety & Environment Committee.

Mike Kane
CEO & Managing Director, Age 66

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. Mr Kane 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.

His 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. He holds 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.

John Marlay
Non-executive Director, Age 68

John Marlay joined the Boral Board in December 2009. Mr Marlay is Independent Chairman of Flinders Ports Holdings Pty Limited. He was previously Chairman of Cardno Limited, a Director of Incitec Pivot Limited and has senior executive experience in the global materials and cement industries as well as non-executive director experience in companies with significant North American business operations. 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 holds a 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.

Karen Moses
Non-executive Director, Age 59

Karen Moses joined the Boral Board in March 2016. Ms Moses is a Director of Orica Limited, Charter Hall Group, Sydney Symphony Limited, SAS Trustee Corporation and Sydney Dance Company. Ms Moses was previously a Director of Australia Pacific LNG Pty Limited, Origin Energy Limited, Contact Energy Limited, Energia Andina S.A., Australian Energy Market Operator Ltd, VENCorp and Energy and Water Ombudsman (Victoria) Limited. Ms Moses has over 30 years' experience in the energy industry spanning oil, gas, electricity and coal commodities and upstream production, supply and downstream marketing operations. This experience has been gained both within Australia and overseas. She holds a Bachelor of Economics and a Diploma of Education from the University of Sydney.

Ms Moses is a member of the Audit & Risk Committee and a member of the Health, Safety & Environment Committee.

Paul Rayner
Non-executive Director, Age 63

Paul Rayner joined the Boral Board in September 2008. Mr Rayner is the Chairman of Treasury Wine Estates Limited, a Director of Qantas Airways Limited and a Director of the Murdoch Childrens Research Institute. He was previously a Director of Centrica plc, a UK listed company. He brings to the Board extensive international experience in markets relevant to Boral including North America, Asia and Australia. He has worked in the fields of Finance, Corporate Transactions and General Management in consumer goods, manufacturing and resources industries. His last role as an Executive was Finance Director of British American Tobacco plc, based in London from January 2002 to 2008. He holds an Economics Degree from the University of Tasmania and a Masters of Administration from Monash University.

Mr Rayner is Chairman of the Audit & Risk Committee.

Corporate Governance Statement

Introduction

This Corporate Governance Statement outlines Boral's governance framework. Boral is committed to ensuring that its policies and practices reflect a high standard of corporate governance.

Throughout FY2017, Boral's governance arrangements were consistent with the Corporate Governance Principles and Recommendations (3rd edition) 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: boral.com/corporate_governance.

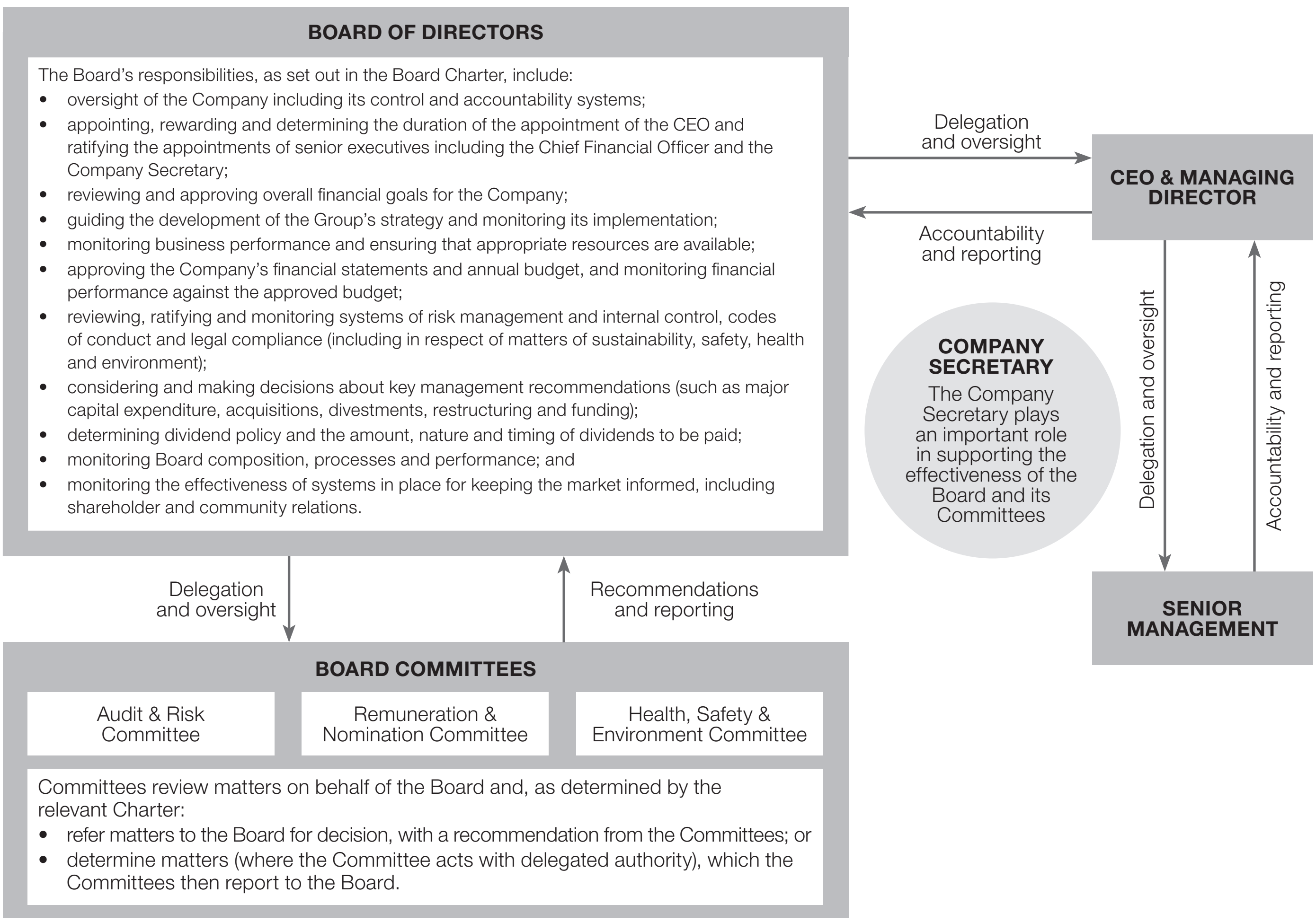
This Corporate Governance Statement is current as at 30 June 2017 and has been approved by the Board of Boral Limited.

The Board and its role

Responsibilities of the Board

Directors are accountable to shareholders for the Company's performance and governance. 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 and other senior executives have written agreements in place which set out their terms of appointment, and all executives are to operate in accordance with Board approved policies and delegated limits of authority, as set out in Boral's management guidelines.

The diagram below summarises Boral's governance framework and the functions reserved for the Board in accordance with the Board Charter.



Board and Committee Charters and the Company's Constitution are available on Boral's website.

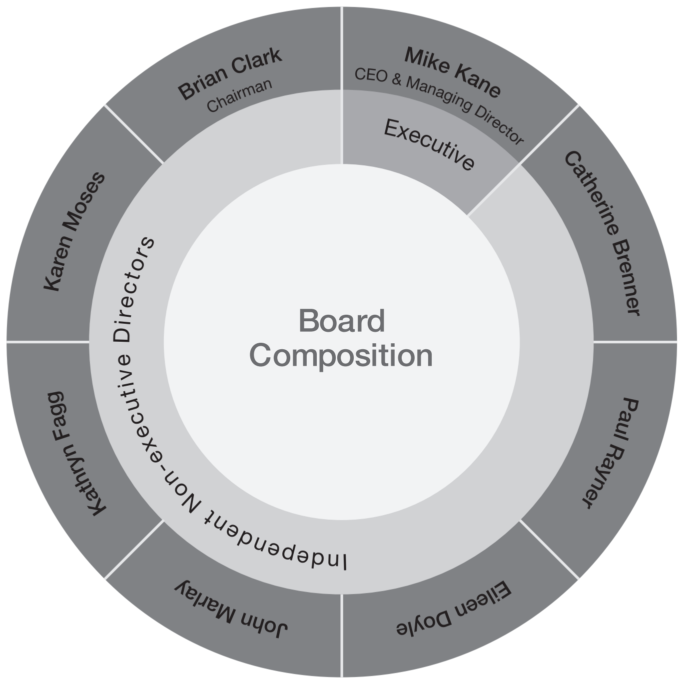
Non-executive Directors spend at least 35 days each year (considerably more in the case of the Chairman) on Board business and activities, including Board and Committee meetings, meetings with senior management to discuss in detail the strategic direction of the Company's businesses, visits to operations, and meeting employees, customers, business associates and other stakeholders.

During the year, the Board visited operations at a number of sites, including Deer Park Quarry, Melbourne, USG Boral's plasterboard operations at Khushkhera, India, and the award-winning Saraburi plant in Thailand, which includes a state-of-the-art Research & Development Centre. Health, Safety & Environment Committee members also visited Boral's operations at Petrie Quarry in Queensland and the cement operations at Maldon in New South Wales.

Composition of the Board

Membership

The accompanying diagram illustrates the current composition of the Board.



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

The Board of Directors comprises seven non-executive Directors (including the Chairman) and one executive Director, being the CEO & Managing Director.

The roles of the Chairman and the CEO & Managing Director are not exercised by the same individual.

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 effective functioning of the Board. 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.

Skills and diversity of the Board

Matters relating to Board and Board Committee composition are considered by the Remuneration & Nomination Committee in accordance with the framework set out in the Remuneration & Nomination Committee Charter and through processes implemented by the Board.

The Board actively seeks to ensure that it has an appropriate mix of diversity (including gender diversity), skills, experience and expertise to enable it to discharge its responsibilities effectively and to be well equipped to assist our Company to navigate the range of opportunities and challenges we face.

Diversity includes differences that relate to gender, age and cultural background, as well as differences in background and life experience, communication styles, interpersonal skills, education, functional expertise and problem solving skills.

To assist in identifying areas of focus and maintaining an appropriate and diverse mix in its membership, the Board utilises a skills matrix which is reviewed by the Board on a regular basis. It is an important, but not the only, basis of criteria applying to Board appointments.

The Board skills matrix sets out the mix of skills, experience and expertise that the Board currently has and is looking to achieve in its membership. It supports the Company's overarching strategy to "Fix, Execute and Transform" the business, as well as other areas of relevance to the composition of the Board. The areas addressed in the matrix are as follows:

**Board skills matrix –
skills and experience across the Board as a whole support Boral's strategy to "Fix, Execute and Transform"**

Element	Skills
Leadership	Executive Leadership
	Health, Safety & Environment
Portfolio	Strategy / M&A
	Financial acumen
	Risk management
	Global experience
	Market and customer knowledge
	Innovation
	Change and transition
	Information technology
People	Organisational sustainability
	Remuneration and rewards
Governance	Governance and regulation
	Board experience

Each of these areas is currently well represented on the Board. The Board benefits from the combination of Directors' individual skills, experience and expertise in particular areas, as well as the varying perspectives and insights that arise from the interaction of Directors with diverse backgrounds.

The skills, experience and expertise of each Director are set out on page 29 of the Annual Report.

Director independence

The Board has assessed the independence of each of the non-executive Directors (including the Chairman) in light of their interests, positions, associations 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;
- 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;
- has not within the last three years been a partner, director or senior employee of a provider of material professional services to a Boral company;
- has not been within the last three years in a material business relationship (ie. as a supplier or customer) with a Boral company, or an officer of or otherwise associated with someone with such a relationship;
- has no material contractual relationship with a Boral company other than as a Director;
- does not have close family ties with any person who falls within any of the categories described above; or
- has not been a Director of Boral for such a period that his or her independence may have been compromised.

It is considered that none of the interests of Directors (or the interests of persons with whom Directors have close family ties) 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.

Tenure

Under Boral'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 length of service of each current Director is set out on page 29 in the Annual Report, and shows that the Board is well served with an appropriate and diverse mix of tenure.

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.

The Board has determined that as a general rule, the Chairman must retire from that position at the expiration of 10 years in that role unless the Board decides otherwise.

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, the Code of Business Conduct and the Share Trading Policy, site visits to some of Boral's key operations and discussions with other Directors.

The Company also offers ongoing opportunities for Directors to continue to develop their professional skills.

Succession planning

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 re-appointment 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 committed to maintaining gender diversity in its membership. Currently, four 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 non-executive Directors meet on a regular basis without management present in a forum intended to allow for open discussion, including in relation to Board and management performance.

Process	Explanation
Board review	• The appointment of Directors follows a process during which the full Board (with the assistance of external search consultants) assesses the necessary and desirable competencies of potential candidates and considers a number of candidates before deciding on the most suitable candidate for appointment.
	• The selection process includes obtaining background checks on candidates and assistance from an external consultant, where appropriate, to identify and assess suitable candidates. Background checks are conducted before appointing a Director and putting forward a candidate to shareholders.
	• 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.
Remuneration & Nomination Committee recommendation	• 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.
Appointment	• 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.
Shareholder communications	• When candidates are submitted to shareholders for election or re-election, the Company includes in the notice of meeting all information in its possession that is material to the decision whether to elect or re-elect the candidate.

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, who is accountable to the Board through the Chairman, provides advice and support to the Board and is responsible for all matters to do with the proper functioning of the Board.

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.

Board Committees

The qualifications and experience of each Committee member are set out on page 29 of the Annual Report. Details of the number of Committee meetings Directors attended during the reporting period are set out on page 47 in the Directors' Report.

Audit & Risk Committee

Composition and role

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

Paul Rayner (Chairman)
Eileen Doyle
Karen Moses

The Committee met four times during FY2017.

The Audit & Risk 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.

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 & Risk Committee reviews the carrying value of assets, provisions and other accounting issues. Questionnaires completed by divisional management are reviewed by the Committee half yearly.

Both the external and internal auditors attend each scheduled meeting of the Committee and report to the Committee as appropriate on the outcome of their audits and the quality of controls throughout Boral. As part of its agenda, the Audit & Risk 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 & Risk Committee reports to the full Board after Committee Meetings. Minutes of Meetings of the Audit & Risk Committee are included in the papers for the next full Board Meeting after each Committee Meeting.

Responsibilities in relation to the internal and external audit

Boral's external auditor is KPMG. At least annually, as occurred in FY2017, the Audit & Risk Committee reviews the scope of the external audit and evaluates the quality of the performance, the effectiveness and the independence of the external auditor.

If circumstances arise where it becomes necessary to replace the external auditor, the Audit & Risk 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 & Risk Committee monitors procedures to ensure the rotation of external audit engagement partners every five years as required by the *Corporations Act*.

The Audit & Risk Committee has approved a process for the monitoring and reporting of non-audit work to be undertaken by the external auditor. The type of services of 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 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 50. The Committee's role in relation to the internal audit function is discussed on page 38.

Remuneration & Nomination Committee

Composition and role

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

The members of the Committee are:

Kathryn Fagg (Chairman)
Catherine Brenner
John Marlay

The Committee met four times during FY2017.

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

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.

Further information relating to the key areas of focus for the Remuneration & Nomination Committee in FY2017 is set out in the Remuneration Report from page 51.

Health, Safety & Environment Committee

Composition and role

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

The members of the Committee are:

Eileen Doyle (Chairman)
Kathryn Fagg
John Marlay
Karen Moses

The Committee met three times during FY2017.

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

- the Group's strategy for health, safety and environment (HSE) and management's plans to improve HSE performance;
- the effectiveness of the Group's policies, systems and governance structure for identifying and managing HSE 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 HSE matters;
- the performance of the Group, assessed by reference to agreed targets and measures, in relation to HSE 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 HSE 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.

In performing its role, the Committee seeks to support the activities of Management and enhance the HSE culture of the Group through its interactions with employees and others during meetings and site visits.

Performance evaluation and remuneration

Performance evaluation process

The following table explains the Company's performance evaluation processes for the Board, Committees, individual Directors and senior executives.

Board, Committees and Directors	CEO & Managing Director	Senior executives
The Board undertakes an evaluation of the performance of the Board, its Committees, individual Directors and the Chairman at least annually. Periodically, this review is undertaken with the assistance of an external facilitator. 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.	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. 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.	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 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. 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 Board, its Committees and individual Directors took place in FY2017 in accordance with the process described above.	An evaluation of the performance of the CEO & Managing Director took place in FY2017 in accordance with the process described above.	An evaluation of the performance of senior executives of Boral took place in FY2017 in accordance with the process described above.

Remuneration

Remuneration of non-executive Directors

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

The remuneration arrangements for non-executive Directors are distinct from the arrangements for senior executives.

Remuneration of senior executives

Boral's remuneration policy and practices for senior executives, including the CEO & Managing Director, 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 at risk reward;
- remuneration be linked to Boral's performance and the creation of shareholder value;
- at risk remuneration for executives has both short- and long-term components; and
- 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.

Further information relating to the remuneration of the non-executive Directors and senior executives is set out in the Remuneration Report from page 51.

Boral policies and risk framework

Risk identification and management

The Board (through the Audit & Risk 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 seeks assurance 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.

The managers of Boral's businesses are responsible for identifying and managing risks. Under 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. This comprises the identification of core strategic, operational, financial and compliance risks, and encompasses the assessment, monitoring and mitigation of identified risks.

On a twice yearly basis, the Group Audit and Risk Manager facilitates a formal bottom-up, organisation-wide risk management process with the business. Outcomes are shared with the Audit & Risk Committee and Management, which also receive presentations by senior divisional management on a regular basis. The process is governed centrally through Boral's risk management framework and directed by policies and procedures within functional areas such as Treasury, Health, Safety and Environment, Human Resources and Learning, Group Legal and Finance.

Boral's senior management has reported to the Board (through the Audit & Risk Committee) on the effectiveness of the management of the material business risks faced by Boral during FY2017. The Audit & Risk Committee has reviewed the risk management framework and is satisfied that it continues to be sound.

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

Internal audit

The internal audit function is carried out by Group Audit and Risk, which provides independent and objective assurance to Management and the Board on the effectiveness of Boral's internal control, risk management and governance systems and processes. The function is led by the Group Audit and Risk Manager, who oversees the execution of the internal audit plan as approved by the Audit & Risk Committee. The Group Audit and Risk Manager has a reporting line to the Chief Financial Officer as well as to the Audit & Risk Committee.

The function comprises a dedicated in-house team of qualified professionals based in Australia, Asia and the USA, with targeted support as required from external specialists. The internal audit function is independent of Management and has full access to all Boral entities, records and personnel.

The internal audit plan is formulated using a risk-based approach to align audit activity with the key risks of Boral. Internal audit activity and outcomes are reported to the Audit & Risk Committee on at least a quarterly basis.

Business and sustainability risks

Details regarding our approach to managing business and sustainability risks are contained in the OFR (pages 2–17 of the Annual Report), Sustainability Overview (pages 20–27 of the Annual Report) and the risks section of the Annual Report (including at pages 18–19 and 44–45). These explain the Company's exposure to economic, environmental and social sustainability risks, and how that exposure is managed.

Chief Executive Officer and Chief Financial Officer declaration

The CEO & Managing Director and the Chief Financial Officer give a declaration to the Board, before the Board resolves that the Directors' Declaration accompanying the full year and half year financial statements be signed, that in their opinion, the Company's financial records have been properly maintained, and the financial reports comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The CEO & Managing Director and the Chief Financial Officer gave this declaration to the Directors for the full year ended 30 June 2017 and the half year ended 31 December 2016.

Compliance with laws and policies

The Company has adopted policies to monitor 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 believes 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.

In FY2016, Boral Legal led the formation of the Boral Compliance Council. Compliance within Boral is achieved through collaboration across functional areas including Legal, Risk, Internal Audit, HSE, Property Group, Product Councils, Insurance, Finance, Tax, HR / IR and other areas of expertise. Given the multidisciplinary nature of the compliance effort within Boral, regular, open communication facilitating collaboration across those groups is critical. The Compliance Council provides a regular forum, connecting the relevant expertise to foster and improve communication and collaboration, and to ensure that the right functional experts are engaged and working together to achieve business-wide regulatory compliance.

Diversity at Boral

Diversity at Boral is led by the CEO & Managing Director, with the support of the Board overseeing the strategy and plan initiatives and progress on diversity objectives.

Management, supported and assisted by the Boral Diversity Council, 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.

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.

We believe that a diverse workforce is fundamental to implementing the strategy for the growth and success of the business.

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.

Diversity – Measurable objectives for FY2017

Boral's diversity plan has six strategic elements against which the Board has set measurable objectives for FY2017, as outlined below:

	Strategic Element and Objective	Status	Key Outcomes
1	**Leadership**		
1.1	Leadership engagement: engage senior leaders to take carriage of deploying diversity communication and education	Completed	• Deployment of Senior Leader Diversity Awareness and unconscious bias training across Boral, 18 further sessions were held during the year.
		In progress	• Development of diversity targets is underway and intended to be considered for adoption in the coming year.
2	**Communication and Education**		
2.1	Communication: develop communications engagement framework and packages to raise knowledge and understanding of diversity	Completed	• Diversity narrative deployed across Boral to communicate the purpose of Boral's diversity program. • Recognising the good practices observed in diversity and inclusion with awards and advocacy.
		In progress	• Survey of employees being developed to obtain feedback on diversity progress in Boral.
2.2	Education: develop diversity educational framework to provide management with capability to lead and manage diversity and diverse teams	Ongoing	• Increasing the representation of women in leadership development programs, with a target of 20% in the next intake and up to 25% in subsequent intakes. • Participation of women in leadership development programs increased in FY2017 to 20% of all participants, from 19% in FY2016.

Diversity – Measurable objectives for FY2017 (continued)

Strategic Element and Objective	Status	Key Outcomes
2.3 Networking: establish Women in Leadership Forum series to provide networking opportunities for key leaders, with an emphasis on women leaders, across Boral	Completed	• Diversity in Leadership Forum series attended by 30 participants in FY2017 and 60% of the participants were women in leadership roles. Forums provide opportunities for women leaders to develop networks, discuss gender issues in leadership, and consult with key leaders on issues of gender and diversity in their businesses. Forum series is sponsored by the CEO & Managing Director and is chaired by the Chair of the Boral Diversity Council. • Since FY2014, 103 employees have participated in a Forum, and 81% of participants were women in leadership roles.
	Ongoing	• Forum Alumni established to provide networking, advocacy and other opportunities to contribute to diversity matters for Boral. • The forum series is an ongoing initiative, with two forums scheduled for each year. Target of 90% of participants being female adjusted to 80% to broaden the participation in the diversity and gender equality discussion. In FY2017, 40% of participants were male.
2.4 Track and report: develop key performance indicators to measure, track and report on change and progress	Ongoing	• Reporting and analysis of workforce by gender, pay levels, selection, retention and promotion trends completed, with results provided to the Boral Diversity Council for planning and program development.
	In progress	• Developing processes to measure, track and report against diversity targets, once adopted in the coming year.
2.5 Benchmark: adopt external metric to measure and benchmark effectiveness of diversity strategy	Completed	• Workplace Gender Equality Agency engaged to assist further with best practice and benchmarking.
	Ongoing	• As founding member, continuing participation in the Construction and Infrastructure Industry Roundtable on Diversity to work on industry initiatives to progress diversity and gender equality. • Long-term partnership with the Diversity Council of Australia continuing to identify best practice and benchmark the effectiveness of Boral's diversity strategy and plan against external organisations.
3 System and Process Design		
3.1 Search and selection: embed diversity principles in standardised recruitment	Completed	• Exceeded target for intake of women graduates, 64% of the total graduate intake were women in professional and engineering disciplines, against the target of 50%. FY2018 focus is to continue to exceed the target. • 33% of hires in senior management roles were women, and 40% of recruitment into professional roles were women.
3.2 Flexibility and flexible work practices: develop and implement policy, guidelines and education program to improve flexibility and flexible work outcomes	Completed	• Deployment of policy, communication and education on flexible work practices. • Research on best practice approaches to improve return and retention of women on maternity leave.
	In progress	• Development of additional educational material and guidelines to support leaders and employees with flexible work arrangements and practices.

Strategic Element and Objective		Status	Key Outcomes
4	**Gender Equality and Equity**		
4.1	Analysis: complete an analysis of Boral pay equity at least annually to monitor pay rates and identify issues	Ongoing	• Ratio of female to male average base salary is 1.02:1.00, continuing to focus on pay equity outcomes on a total compensation basis. • Annual external industry benchmarking of pay equity and comprehensive gender remuneration gap analysis completed.
5	**Generational Diversity**		
5.1	Investigate: work/life needs of different generations to understand needs to develop programs to lift capability of managers to effectively lead multi-generational teams	Completed	• Analysis of work/life needs of generations identified programs to assist leaders in managing cross-generational teams.
		In progress	• Investigating whether generational and other diversity factors influence readiness for workplace of the future.
6	**Indigenous Relations**		
6.1	Indigenous Employment: through Indigenous Employment strategy, increase the representation of Indigenous employees in Boral's workforce	Completed	• Reconciliation Action Plan developed to build on relationships, respect and opportunities for Indigenous communities. • Implemented Indigenous Employment and Training Plan from 2016 to 2020 as follow up to work in previous plans from 2006 to 2017. • 80% of Indigenous employees employed through Indigenous employment initiatives, such as the FY2011 Indigenous Relations and Employment Plan, continue to work at Boral.

Proportion of female and male employees at Boral

The table below is a detailed representation of women and men working in Boral[1] as at 30 June 2017:

	Female		Male	
Role	**Number**	**Percentage**	**Number**	**Percentage**
Board	4	50%	4	50%
Executive management[2]	46	23%	155	77%
Middle management[3]	84	15%	495	85%
Other roles[4]	1,012	14%	5,993	86%
Total	1,142	15%	6,644	85%

1. Includes all full time, part time and casual employees of Boral (excluding employees of newly-acquired Headwaters Inc.), its wholly owned subsidiaries, but excluding employees in joint ventures and contractors
2. Executive management includes leadership positions three reporting levels from the CEO & Managing Director.
3. Middle management includes management and leadership positions four and more reporting levels from the CEO & Managing Director, excluding supervisor and team leader positions.
4. Other roles includes key functional support roles such as finance, legal, human resources, technical, support services and front-line employees.

In accordance with the requirements of the *Workplace Gender Equality Act 2012* (Cth), Boral submitted its Workplace Gender Equality Public Report with the Workplace Gender Equality Agency. The Report can be viewed at wgea.gov.au.

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

For more information regarding people and diversity, see pages 21–22 in the Sustainability Overview.

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 include the Code of Business 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 Business 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 and their close associates is restricted to the following trading windows:

- the 30 day period commencing at 10.00am (Sydney time) on the day after the release of Boral's half year results announcement to the ASX;
- the 30 day period commencing at 10.00am (Sydney time) on the day after the release of Boral's full year results;
- the 30 day period commencing at 10.00am (Sydney time) on the day after the Annual General Meeting; and
- any additional period designated by the Board (or its delegate) from time to time (for example, during a period of enhanced disclosure).

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.

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

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

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

Directors' shareholdings

Under Boral's Constitution, Directors must hold a minimum of 1,000 ordinary shares in the Company.

To align the interests of non-executive Directors with the interests of our shareholders, the Board established minimum shareholding guidelines which encourage non-executive Directors to accumulate over time a holding of ordinary shares in the Company equivalent in approximate value to the gross annual base fee paid to each non-executive Director.

Under the guidelines, the minimum shareholding may be held directly or indirectly by a Director, and may be accumulated over a period of up to five years from the later of 1 July 2014 or the date of appointment.

The timeframe to allow Directors to build their minimum shareholding is a necessary reflection of the fact that Directors are very limited in the opportunities they have to acquire shares, given their exposure to price sensitive information from time to time regarding the Company.

Progress is monitored on an ongoing basis and Boral's non-executive Directors have now met or exceeded these guidelines.

Details of Directors' shareholdings in the Company are set out on page 48 of this Annual Report.

Continuous disclosure

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

The Company has in place mechanisms designed to ensure compliance with all relevant disclosure laws and ASX Listing Rule requirements under 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 and the Company Secretary are responsible for determining whether or not information is required to be disclosed to the ASX. Announcements relating to significant matters, such as results, guidance to the market, major acquisitions or divestments, or other corporate matters which involve significant financial or reputational risk, are referred to the Board for approval, unless to do so is impractical in the circumstances (having regard to Boral's continuous disclosure obligations). In such cases, approval can be given by any two of the following officers: the CEO & Managing Director, the Chairman of the Board and the Chairman of the Audit & Risk Committee. The Company Secretary will endeavour to notify all other Directors of the possible disclosure considerations and invite them to participate in any discussions and disclosure decisions where possible.

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

Communications with shareholders

The Company's policy is to promote effective two-way communication with shareholders and other investors so that they understand Boral's business, governance, financial performance and prospects, as well as how to assess relevant information about Boral and its corporate activities.

Annual reporting	Shareholders may elect to receive annual reports electronically or to receive notifications via email when reports are available online. Hard copy 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.
Company announcements	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. These documents are also available for download by mobile devices from Boral's Investor Relations (IR) App, which is available for no cost from the App Store or Google Play. 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.
General meetings	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.
Annual General Meeting	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. At the Annual General Meeting, shareholders have a reasonable opportunity to ask the external auditor questions in relation to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the financial statements of the Company, and the independence of the external auditor in relation to the conduct of the audit.
Investor relations	To encourage two-way communication, the Company's dedicated investor relations team and share registry can be contacted directly by shareholders by telephone or electronically via email. The links to these contacts are available on the Boral website at boral.com/corporate

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

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 2017:

(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, the Chief Executive's Review, the Financial Review and Divisional Performance on pages 2–17 of the Annual Report accompanying the Directors' Report.

(2) State of affairs

The OFR sets out a number of matters that have had a significant effect on the Group's state of affairs during the year, including:

- the acquisition of Headwaters Inc.
- the Group reported a net profit after tax of $297 million after recognising a net significant item loss of $46 million as detailed in note 2.6 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 Risks and Responses section and Sustainability Overview section of this Annual Report. The Group's broader risk identification and management framework is also set out in the Corporate Governance Statement on pages 30–43 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:

- geopolitical effects and 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 and timing of government funding for public infrastructure and other building programs;
- the level of demand for building products and construction materials and services generally; and
- the availability and cost of labour, raw materials and transport services, as well as the price and availability of fuel and energy.

To manage those 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, geographic diversification and the allocation of capital expenditure to those businesses with the potential to deliver strong earnings growth. Boral also 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 the commercial excellence and customer centricity program, 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 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. Boral operates a fleet of over 2,800 on-road heavy vehicles, exposing it to a risk of traffic accidents. 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. Further details regarding our approach to managing health, safety and environment risks are contained in the OFR and in the Sustainability Overview on pages 20–27 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 an 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 shortages of raw material 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 has business continuity and emergency response plans in place and regular simulated crisis response training is undertaken at a Group level. 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.

Boral's manufacturing assets, as well as its financial and commercial systems, are dependent on information technology systems, capabilities and assets, which as with any organisation can be vulnerable to cyber security risks. In this regard, Boral has in place security awareness training, market-leading firewall defence and external monitoring capabilities to protect it against targeted and randomised intrusion attempts.

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-denominated 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 on pages 24–26 of the Sustainability Overview 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;

(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 11.5 cents per ordinary share (fully franked at the 30% corporate tax rate) for the year ended 30 June 2016 was paid on 26 September 2016	85.5
the interim dividend of 12.0 cents per ordinary share (fully franked at the 30% corporate tax rate) for FY2017 was paid on 10 March 2017	140.7

The Directors have resolved to pay a final dividend of 12.0 cents per ordinary share (50% franked) for FY2017. The dividend is expected to be paid on 3 October 2017.

(9) Names of Directors

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

Brian Clark
Mike Kane
Catherine Brenner
Eileen Doyle
Kathryn Fagg
John Marlay
Karen Moses
Paul Rayner

All Directors have been Directors of the Company at all times during and since the end of the year.

(10) Options

Boral has no outstanding options granted over unissued shares of the Company, no options that lapsed during the year and no shares of the Company that were issued during the year as a result of the exercise of options. The last outstanding options expired 6 November 2014.

(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 subsection 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 2017 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 2018. 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, 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 29 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:

Brian Clark

AMP Limited from January 2008 to May 2016

Mike Kane

No other directorships to be disclosed

Catherine Brenner

AMP Limited from June 2010 (current)
Coca-Cola Amatil Limited from April 2008 (current)

Eileen Doyle

GPT Group from March 2010 (current)
Bradken Limited from July 2011 to November 2015
Oil Search Limited from February 2016 (current)

Kathryn Fagg

Djerriwarrh Investments Limited from May 2014 (current)
Incitec Pivot Limited from April 2014 (current)

John Marlay

Incitec Pivot Limited from December 2006 to December 2016
Cardno Limited from November 2011 to January 2016

Karen Moses

Orica Limited from July 2016 (current)
Charter Hall Group from September 2016 (current)
Origin Energy Limited from March 2009 to October 2015
Contact Energy Limited from October 2004 to August 2015

Paul Rayner

Qantas Airways Limited from July 2008 (current)
Treasury Wine Estates Limited from May 2011 (current)
Centrica plc from September 2004 to December 2014

(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 & Risk 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	12	12	1	1	4	4	–	–
Brian Clark	12	12	–	–	–	–	–	–
Eileen Doyle	12	12	4	4	–	–	4	4
Kathryn Fagg	12	12	–	–	4	4	4	4
Mike Kane	12	12	–	–	–	–	–	–
John Marlay	12	12	–	–	4	4	4	4
Karen Moses	12	12	4	4	–	–	4	4
Paul Rayner	12	12	4	4	–	–	–	–

The Chairman and the CEO & Managing Director attend all Board and Committee Meetings.

(14) Company Secretary

Dominic Millgate was appointed Company Secretary of the Company in July 2013, after 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 Governance Institute of Australia and holds a Master of Laws from the University of New South Wales, 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]
Catherine Brenner	48,405	–
Brian Clark	109,595	7,730
Eileen Doyle	39,948	–
Kathryn Fagg	38,562	–
Mike Kane[b]	946,073	–
John Marlay	39,310	–
Karen Moses	21,757	–
Paul Rayner	100,555	2,597

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

- Catherine Brenner, 40,614 shares are held by Brenner Super Pty Ltd for and on behalf of the Brenner Super Fund;
- Brian Clark, 68,459 shares are held by MCG Wealth Management Australia Nominees Pty Limited – <Brian & Sandra S/F A/C> and 38,532 shares are held by MCG Wealth Management Australia Nominees Pty Limited – JBC Investment Holdings Pty Ltd <Clark Family A/C>;
- Eileen Doyle, 38,024 shares are held by Mr SE Doyle and Dr EJ Doyle for the S&E Doyle Super Fund A/C;
- John Marlay, 33,461 shares are held by Bond Street Custodians Limited on behalf of The Marlay Superannuation Fund; and
- Paul Rayner, 39,135 shares are held by Yarradale Investments Pty Limited and 59,469 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 Director 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 FY2017.

b Mike Kane holds Share Acquisition Rights (SARs) under Boral's Equity Incentive Plan, details of which are set out in the Remuneration Report on pages 51–71.

(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 $2,830,000. These services consisted of:

Taxation compliance services in Australia	$303,000
Taxation compliance services in jurisdictions other than in Australia	$70,000
Advisory and assurance related services in Australia	$635,000
Due Diligence services in Australia and other jurisdictions including in relation to the acquisition of Headwaters and the formation of the Meridian Bricks joint venture	$1,822,000

In accordance with advice from the Company's Audit & Risk 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 & Risk 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 & Risk 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 50 of the Annual Report and forms part of this Report.

(19) Remuneration Report

The Remuneration Report is set out on pages 51–71 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

Unless otherwise expressly stated, amounts have been rounded off to the nearest whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars in accordance with ASIC Corporations Instrument 2016/191, dated 24 March 2016.

Signed in accordance with a resolution of the Directors.

Brian Clark

Dr Brian Clark
Director

M Kane

Mike Kane
Director
Sydney, 30 August 2017

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 2017 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

Kenneth Reid
Partner
Sydney, 30 August 2017

2017 Remuneration Report

Message from the Chairman of the Remuneration & Nomination Committee

On behalf of the Remuneration & Nomination Committee (Committee), I am pleased to introduce our FY2017 Remuneration Report.

We thank you for the feedback provided during FY2017 and your active involvement as the owners of Boral. Taking into account the feedback received, we have refreshed our Remuneration Report to ensure it more clearly demonstrates how our remuneration policies and practices are aligned to achieving our long-term vision in a changing environment.

At our 2016 Annual General Meeting (AGM), 26% of shareholders voted against our Remuneration Report. During the lead-up and subsequent to the AGM, the Company, including me in my role as Committee Chairman, conducted constructive discussions with our major shareholders and proxy advisors to better understand their concerns. Our engagement process is ongoing.

FY2017 also brought substantial business changes, including the acquisition of Headwaters Inc., which significantly increases Boral's US footprint and supports our strong growth aspirations in the region. The acquisition has required the Committee to make some immediate remuneration decisions. We are also continuing to review how remuneration policies and practices may need to be adjusted in future to suit a changing, increasingly international business.

The following key remuneration items have been addressed in FY2017:

- *One-off targeted retention incentives*: No executive has been granted retention incentives in FY2017 and no executive will be granted retention incentives in FY2018.
- *Transition to a face value long-term incentive (LTI) allocation methodology*: We have completed our transition to a face value allocation methodology with LTI awards from FY2018 to be allocated on a face value basis.
- *Headwaters acquisition impact on existing short-term incentive (STI) and LTI awards*: The Board has considered the impact of the transaction on existing STI and LTI awards. Additional EBIT in FY2017 relating to the transaction was not rewarded in the 2017 STI and was excluded for testing of the 2013 LTI grant against the return on funds employed (ROFE) target set for FY2017. Targets for existing LTI awards will not be adjusted retrospectively.
- *CEO remuneration*: As announced to the market on 21 June 2017, changes have been made to the CEO's remuneration consistent with the CEO's increased time in the USA, including the cessation of expatriate benefits from 1 July 2017.
- *Executive growth*: Key executives have continued to grow in their roles, taking on increased responsibilities and role complexity and allowing CEO direct reports to reduce by two. Fixed annual remuneration for FY2017 increased for Key Management Personnel (KMP) reporting to the CEO, reflective of these changes and CEO succession development. Notwithstanding these increases, the reduction in the number of CEO direct reports resulted in net annual savings in excess of $1 million.

We have sought to address shareholder concerns directly through the actions taken in FY2017. Further details of our response to remuneration issues raised, and changes being made for FY2018 in relation to the Headwaters acquisition, are in Section 2.

For FY2017, Boral delivered total shareholder returns[1] (TSR) of 23.4%, a ranking of 37th in the ASX 100 relative TSR comparator group (up from 42nd in FY2016). Boral's profit after tax[2] (PAT) increased by 28% and earnings before interest and tax (EBIT) before significant items increased by 16%. Group EBIT including significant items increased by 12%[3].

This strong financial performance supported STI cash payments of $2.811 million to executive KMP (14.3% lower than last year and reflective of performance against internal expectations). LTI performance targets were also achieved for the 2011 and 2013 LTI grants. For the 2013 LTI grant, Boral delivered near top quartile performance (at the 73rd percentile) relative to TSR comparators over the three years to September 2016, and exceeded the stretch target for the return on funds employed (ROFE) hurdle. For the 2011 LTI grant, performance over the five years to September 2016 was at the 59th percentile. These performance outcomes resulted in vesting of 68% and 98% for the 2011 and 2013 LTI grants respectively.

We value your feedback as our business and remuneration strategies continue to evolve over the coming year.

Yours sincerely

Kathryn Fagg, Chairman, Remuneration & Nomination Committee

1. TSR is calculated based on the change in Boral's share price, reinvestment of dividends and franking credits applied to dividends for FY2017.
2. Excludes financial impact of significant items. See note titled 'Non-IFRS information' on page 1 of the Annual Report.
3. Includes continuing and discontinued operations.

Contents

Section 1: Who is covered by this Report

The Directors of Boral Limited present the Remuneration Report (the Report) for the Company and its controlled entities for the year ended 30 June 2017 (FY2017). This Report forms part of the Directors' Report and has been audited in accordance with section 300A of the Corporations Act 2001. The Report sets out remuneration information for the Company's Key Management Personnel (KMP).

The table below details the KMP for FY2017.

Name	Position
Senior Executives	
Mike Kane	Chief Executive Officer & Managing Director
Joseph Goss	Divisional Chief Executive, Boral Australia
Ross Harper	Executive General Manager, Cement
David Mariner	President & CEO, Boral North America
Rosaline Ng	Chief Financial Officer
Non-executive Directors	
Brian Clark	Chairman and non-executive Director
Catherine Brenner	Non-executive Director
Eileen Doyle	Non-executive Director
Kathryn Fagg	Non-executive Director
John Marlay	Non-executive Director
Karen Moses	Non-executive Director
Paul Rayner	Non-executive Director

Section 2: Evolving our remuneration approach to suit the business

Alignment to Boral's strategy

Boral's executive remuneration policy is designed to incentivise and reward senior executives for delivery against key aspects of our business plan. Our strategy, to achieve world-class safety performance, develop an innovative product platform for sustainable growth and generate superior returns for shareholders, is supported by the Company's 'Fix Execute Transform' program. As part of this program, KMP were focused on the following objectives in FY2017:

- Delivering performance excellence and Zero Harm
- Transformational growth in the USA
- Maintaining and strengthening Boral's leading position in Australia
- Strong cash flows and balance sheet to support growth and deliver value.

Reflected in our FY2017 executive remuneration framework are those business objectives which the Board consider most important to incentivise our executives to achieve. Rationale for the selection of incentive plan metrics is outlined in Section 4.

Changes to our executive team

FY2017 saw several changes made to our executive team, including a reduction in the number of CEO direct reports by two positions and a restructure of existing executive roles:

- David Mariner was appointed to the role of President & CEO, Boral North America (effective 1 July 2016), a significant increase in job size, responsibilities and role complexity, which increased further with the acquisition of Headwaters Inc.
- Joseph Goss moved to the role of Divisional Chief Executive, Boral Australia (effective 1 July 2016) following the merging of the Boral Building Products and Construction Materials & Cement divisions.
- Rosaline Ng, Boral's Chief Financial Officer (CFO), had Corporate Development and M&A (including project management of the Headwaters Inc. transaction) added to her existing role responsibilities.
- Ross Harper, Executive General Manager, Cement saw an expansion of his role to include broader Boral Australia responsibility for technology and innovation.

To address the change in executive roles and responsibilities, and as CEO succession development continued, fixed annual remuneration increases were made for these individuals in FY2017.

Overall, the executive restructure and subsequent role expansion resulted in substantial net savings of over A$1 million per annum for the CEO's direct reports.

Review of executive remuneration policy

During FY2017, the Committee determined that a review of Boral's executive remuneration policy should be undertaken to consider shareholder feedback, the impact of the Headwaters Inc. acquisition and how to meet future needs of the business. Each of these factors is expected to influence our executive remuneration approach over time. A review during FY2017 identified several important issues and challenges grouped under three key areas:

Responding to shareholder feedback and strike against the Remuneration Report	Impact of our transformational acquisition of Headwaters Inc.	Meeting the future needs of our business
• Concern about the use of one-off Targeted Retention Incentives to selected executives in FY2016 • Support for Boral to use a simpler transparent method to calculate the number of share rights under the LTI • Concern about the impact of non-monetary benefits on the overall quantum of pay for the CEO	• Driving the successful integration of Headwaters without unintended consequences in other parts of the Group or on executive behaviours • Ensuring STI and LTI incentives recognise and achieve a fair balance of returns between executives and shareholders	• Attracting and retaining the right talent in different geographies and businesses, while recognising that Boral is and will remain an Australian headquartered company • Ensuring our approach to remuneration is suited to a business that is heavily impacted by different construction markets in different geographies • Able to transfer key talent quickly and easily between businesses and regions

Decisions made during FY2017 to address our key issues and challenges are summarised below.

Issues and decisions	Comments
Targeted Retention Incentives No executive was granted retention incentives in FY2017 and no grants of retention incentives will be made to executives in FY2018.	In September 2015, the Board granted one-off retention incentives to eight key executives to ensure stable leadership and continuity in delivering business transformation initiatives. It was intended to minimise the risk of further targeted approaches from our competitors and to retain our key talent for future potential succession opportunities across a number of senior roles. We understand some shareholders' concerns about the use of such incentives and acknowledge the feedback provided. We have not provided any further executive retention incentives in FY2017, nor will any be awarded in FY2018.
LTI allocation methodology Change from fair to face value calculation for LTI awards from FY2018.	We appreciate there is great value in increasing the simplicity and transparency of remuneration where possible, and have changed our LTI allocation methodology from FY2018 so the number of rights granted under an LTI award is calculated as follows: $\frac{\textit{LTI opportunity}}{\textit{5 day VWAP at grant}} = \textit{Number of rights granted}$ This means that for future grants, we will disclose our LTI value based on a "face" or maximum value of LTI awards, rather than an expected or accounting-based fair value. We consider a face value methodology to provide the most transparency for our shareholders. As mentioned in the prior year Remuneration Report, the change to a face value LTI allocation methodology is not intended to alter the actual value of awards delivered to executives and they will be no worse off as a result of this transition. Accordingly, the number of rights granted to each executive will remain approximately the same, although the value of the awards will appear higher when expressed in terms of face value instead of fair value.

Issues and decisions	Comments
Impact of Headwaters transaction Additional EBIT from the Headwaters transaction in FY2017 has not been rewarded in the 2017 STI or 2013 LTI grant vesting.	The Headwaters transaction, which completed on 8 May 2017, is a transformative step for Boral and adds significant scale to our US footprint. As previously announced, expected synergies in FY2018 are estimated to be approximately US$30–$35 million. In light of the transaction, the Board reviewed its impact on existing STI and LTI targets. *Incentives tested in FY2017* The additional EBIT received in the final eight weeks of FY2017 as a result of the transaction was not rewarded in the 2017 STI, nor did it impact vesting of the 2013 LTI grant where performance against a ROFE target for FY2017 was tested. *Future incentives* The impact of the acquisition on pre-existing performance targets attached to the LTI awards, due to be tested in FY2018 and FY2019, has been considered by the Board. The additional EBIT and increased funds employed associated with the acquisition will dampen the rate of ROFE growth in the earlier years, prior to delivery of the full year 4 synergy benefits. Despite this, the Board has considered it appropriate to maintain the pre-existing targets and will not make retrospective adjustments. While the achievement of pre-existing ROFE targets (set for 2018 and 2019) may be more challenging for executives, it is expected that executives may benefit from improved Total Shareholder Return (TSR) outcomes as a result of the acquisition, which is directly aligned with benefits delivered to shareholders. Longer-term the Headwaters acquisition is expected to better position the Group to deliver more sustainable growth and above cost of capital returns through market cycles as Boral has diversified its US market exposures, reducing Boral's reliance on the single family US housing cycle. Targets for the FY2018 LTI grant (set for FY2020) therefore take into account delivery of synergy targets for the Headwaters acquisition and Boral's long-term goal of ROFE exceeding the cost of capital through the cycle. In setting underlying EBIT and ROFE targets going forward (for the STI and LTI plans respectively), the Board acknowledges and will monitor any potential post-acquisition accounting impacts during integration that could create unintended consequences on incentive outcomes. Transaction costs (including adviser and M&A fees, due diligence costs and change in control contracts) as well as one-off implementation costs (including redundancies and rationalisation costs) have been identified and communicated to shareholders. These costs are being expensed as they are incurred and reported as significant items.

Issues and decisions | **Comments**

CEO remuneration

Changes made to the CEO's remuneration from FY2018 include a 2% increase on a FAR equivalent basis and the recommencement of US-based pension contributions, but a 19% reduction in fixed remuneration costs to Boral due to the cessation of expatriate benefits.

As announced to the market on 21 June 2017, the CEO's remuneration arrangements have been restructured to reflect the fact that he will now spend approximately half of his time in the USA, following the completion of the Headwaters acquisition. Consequently, Boral will no longer need to provide the CEO with expatriate allowances from 1 July 2017.

The CEO's STI and LTI opportunity are now calculated based on Base Cash Salary (BCS) rather than Fixed Annual Remuneration (FAR), BCS being lower than FAR, consistent with the basis of calculation of the incentive plan opportunities for other US executives. The CEO's US-based pension and benefits arrangements are consistent with Boral's policy for its US executives.

Outlined below are the key changes from FY2018:

BCS	STI (% of BCS)		LTI (% of BCS under **face value** approach)
	Target	Maximum	
US$1,299,674*	110%	154%	220%

*A$1,722,563 converted based on the Reserve Bank of Australia daily exchange rate A$/US$, averaged over the 12 month period to 30 June 2017, being 0.7545.

In regard to the above:

- The CEO has received a 2% increase on a FAR equivalent basis.
- The CEO's STI and LTI participation will continue under the terms outlined in Section 4. The change in LTI opportunity reflects both the transition to a face value allocation methodology and calculation based on BCS.
- The CEO's termination entitlements and notice periods remain as previously disclosed.
- The Company will resume contributions to the CEO's US-based pension plans, including a 401K plan and Supplemental Executive Retirement Plan (SERP). SERP contributions are made at a rate of 8% of BCS and STI awards.
- Other benefits include motor vehicle lease, medical and dental coverage, and life/disability insurances.

Remuneration framework to meet future needs

The Committee will continue to assess whether any remuneration framework changes are required to take into account the changing nature of the business.

We continue to use a common approach to remuneration for our executive team across all regions. However, having regard to variations in remuneration structures across the globe, some regional variations may enable Boral to continually attract and retain the right calibre of talent across the key geographies in which we operate.

We are not proposing changes to our remuneration framework beyond what is outlined above. We will, however, remain informed as to global trends and make changes as appropriate.

While we need to attract and retain key talent, Boral remains an Australian headquartered and listed company. As such, Australian executive remuneration practices (including market benchmarking) will continue to form the primary basis for how we reward our Senior Executives.

To the extent the Committee considers policy changes which deviate from typical Australian practice, we will highlight this and engage with shareholders prior to changes being implemented.

Reflecting the above and in order to meet the future needs of the business, we endeavour to keep our remuneration approach as simple as possible to make it accessible to executives in different locations, and facilitate transfers between businesses and geographies.

In keeping a simple, financially-based STI, underlying EBIT will continue to be used. The Board considers EBIT to be the most valid benchmark for executive performance as it is easy to understand and measure, and is independently verified.

For LTI, the Board will monitor the appropriateness of TSR and ROFE performance measures, taking into account current and future needs of the business. Since the introduction of ROFE in FY2014, Boral's ROFE performance has steadily improved against a reducing cost of capital.

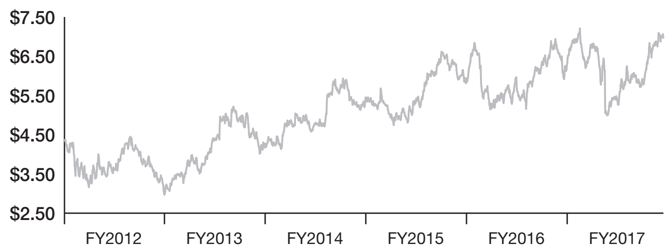
Targets will continue to be set to reflect targeted performance and capital requirements. Further detail on ROFE performance and target setting can be found in Section 3.

Section 3: FY2017 performance and actual pay received

During FY2017, Boral's focus has been on the delivery of strong earnings growth and our transformation strategy, to ensure the Company remains competitive throughout market cycles. The successful completion of the Headwaters acquisition was critical to this transformation. The acquisition is expected to place Boral in a better position to manage returns in the US, during both cycle highs and challenging conditions, through diversification of our product offerings, our market exposures and our US growth prospects. This, along with continued growth in our Boral Australia and USG Boral businesses, is expected to result in improved financial results and long-term returns for our shareholders.

Financial performance	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017[2]
Earnings per share[1,3] (cents)	12.7	12.7	20.5	29.7	33.3	33.7
Dividends per share (cents)	11.0	11.0	15.0	18.0	22.5	24.0
Return on equity[1] (%)	3.0	3.2	5.1	7.1	7.6	6.3

Boral Share price



How did Boral's performance result in STI awards?

EBIT performance

The use of EBIT effectively aligns rewards for Senior Executives with Boral's strategic focus on delivering strong earnings through the business cycle. Year-on-year, EBIT targets for the STI have been set at challenging levels against our budget.

For FY2017, Boral reported earnings before interest and tax (EBIT[1]) of $460 million, which was $62 million or 16% higher than the prior year. This EBIT improvement in earnings was underpinned by volume and price growth, as well as cost improvement initiatives. The result also included a $28m EBIT contribution from Headwaters in the first eight weeks of ownership, which was excluded when we calculated STI payments.

On average, 103.7% of target STI was paid out to current Senior Executives for FY2017 performance. This compares to 136.5% of target STI paid out for FY2016 performance. The Board considered it appropriate to exclude the impact of the Headwaters acquisition in determining EBIT performance for STI purposes to ensure executives would not receive a windfall gain from the acquisition.

STI payments over the past 10 years demonstrate the cyclical nature of our industry. Over the last 10 years (FY2008 to FY2017), Boral's STI has paid out at an average 71.9% of target. This includes FY2009, when no STI was paid to Senior Executives and FY2012 and FY2013 when no STI was paid to the CEO.

Senior Executive historical STI outcomes

Year	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	*Average*
(% of target)	100.5%	0.0%	93.8%	36.4%	14.0%	6.9%	100.4%	126.7%	136.5%	103.7%	*71.9%*

The average STI payout as a percentage of target is equivalent to an average of 39.0% of maximum STI opportunity.

1. Excludes significant items.
2. In FY2017, earnings per share and return on equity reflect additional shares on issue following the capital raising in December 2016 but only eight weeks of Headwaters post-acquisition earnings contribution.
3. Earnings per share is adjusted to reflect the bonus element in the renounceable entitlement offer which occurred during November and December 2016.

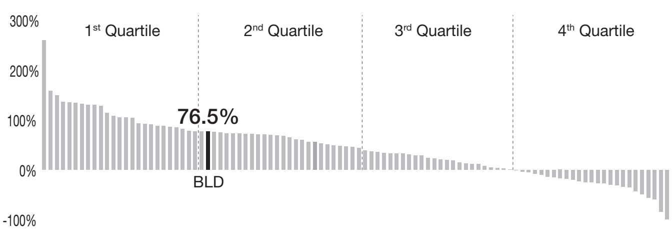
How did Boral's performance result in LTI awards?

TSR performance

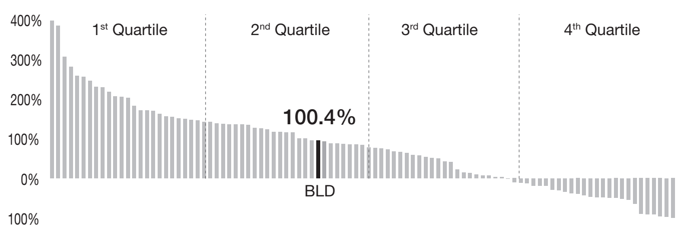
Boral's relative total shareholder return (TSR) performance was strong. Taking into account share price appreciation and dividends paid, Boral delivered a TSR of 23.4% for shareholders between 1 July 2016 and 30 June 2017. This TSR ranked Boral in the second quartile (37th) of ASX 100 companies for FY2017.

Over the three year period from September 2013 to September 2016, Boral's TSR of 76.5% was at the 73rd percentile of the Company's TSR comparator group, contributing to vesting of 98% of the 2013 LTI grant. Over the period from September 2011 to September 2016 (being the second testing date for the 2011 LTI grant), Boral's TSR of 100.4% was at the 59th percentile, resulting in vesting of 68%.

TSR for Boral vs ASX 100 companies: 1 Sept 2013 to 1 Sept 2016



TSR for Boral vs ASX 100 companies: 1 Sept 2011 to 1 Sept 2016



ROFE performance

The use of ROFE is designed to test the efficiency and profitability of the Company's capital investments, linking executive reward with the achievement of improved ROFE performance and a long-term goal of ROFE exceeding the cost of capital through the cycle.

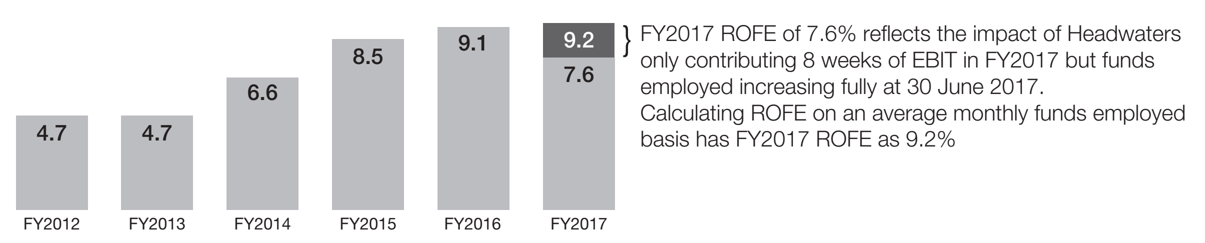
At the time Boral introduced ROFE as an LTI performance measure, Boral's returns were substantially lower and the weighted average cost of capital (WACC) higher than they are today.

Boral's ROFE performance, as measured by EBIT[1] return on average funds employed in FY2017, at 7.6% declined from previous years. The decline in ROFE in FY2017 has resulted from the significantly increased funds employed associated with the Headwaters acquisition with only eight weeks of EBIT contribution following completion of the transaction in May 2017. However, both Boral Australia and USG Boral delivered underlying divisional ROFE which exceeded the cost of capital for these businesses. In FY2016, Boral's ROFE was 9.1%. Calculating ROFE on an average monthly funds employed basis, to recognise the impact of only eight weeks contribution from Headwaters, Boral's ROFE in FY2017 was 9.2%.

Longer-term, the Headwaters acquisition is expected to better position the Group to deliver more sustainable growth and above cost of capital returns through market cycles as Boral has diversified its US market exposures. However, before full acquisition synergies are delivered, we expect ROFE to increase at a slower rate due to the significant increase in funds employed, even though earnings from Boral North America are continuing to grow.

Our ROFE targets will continue to be set considering the current and anticipated cost of capital, to ensure that executives are only rewarded for delivery of returns above Boral's WACC, although recognising that the WACC itself does change to reflect external circumstances, such as the long-term risk free rate.

EBIT[1] return on average funds employed (ROFE), %



1. Excludes significant items.

The key remuneration outcomes for Boral's Senior Executives in FY2017 are outlined below along with relevant company performance:

<table>
<tr><th>Component</th><th>Outcomes</th></tr>
<tr><td>Fixed Annual Remuneration

Further details in Section 4</td><td>Increases in Fixed Annual Remuneration (FAR) were considered by the Committee with reference to responsibilities inherent in the role, experience of individuals occupying the role, Boral's need to retain key senior executives to manage risk and support succession planning, and positioning of the FAR for the roles against the market. They were also made in conjunction with a restructure of the executive team and a reduction in the number of CEO direct report roles. Notwithstanding the increases set out below, the reduction in the number of CEO direct reports resulted in net annual savings in excess of $1 million.

During FY2017, increases in FAR were made for our key executives, in line with our annual review of remuneration. These included:
• CFO increase of 17% to reflect expanded responsibilities in relation to Corporate Development and M&A and project management of the Headwaters acquisition.
• President and CEO, Boral North America increase of 6% to reflect the significant increase in job size, responsibilities and role complexity in managing Boral's North American business, including post the Headwaters acquisition. This also reflects a change from FAR to BCS, following the individual's return to the US (having previously performed the role of EGM, Building Products, Australia).
• Divisional Chief Executive, Boral Australia increase of 22% to reflect the expanded responsibilities as a result of the formation of Boral Australia, the largest division of Boral (76% of EBIT before significant items in FY2017).
• Executive General Manager, Boral Cement increase of 7% following demonstration of his ability to undertake an expanded role which includes broader Boral Australia responsibility for technology and innovation.

An increase in FAR of 3% was received by the CEO in September 2017, reflective of market benchmarking undertaken against Boral's comparators.</td></tr>
<tr><td>Short-Term Incentive (STI)

Further details in Section 4</td><td>STI Awards in FY2017 reflect Boral's achievement of a 16% increase in Group EBIT before significant items, which equated to 102.8% of the EBIT target set by the Board at a Group level. Both Boral Australia and USG Boral saw increases in divisional EBIT of 11% and 18%, respectively. While Boral North America delivered an overall increase in EBIT of 50%, earnings from the Headwaters acquisition were excluded for the purposes of determining remuneration outcomes.

STI payments for FY2017:
• The CEO received an STI of $1.98 million, representing 107.6% of his target STI, with 80% of this amount paid in cash and 20% deferred into equity for two years.
• Other Senior Executives received a total value of STI of $1.5 million, representing approximately 102.8% on average for target STI, also with 20% deferred into equity for two years.</td></tr>
<tr><td>Long-Term Incentive (LTI)

Further details in Section 4</td><td>2013 LTI

98% of the 2013 LTI vested based on achievement of the stretch ROFE target for this grant and relative TSR being at the 73rd percentile of the ASX 100 comparator group. This was the first LTI grant subject to a ROFE performance hurdle (one-third), in addition to relative TSR (two-thirds).

Older plans

Until 2013, LTI awards were tested at different times over a seven-year period based on relative TSR performance.

2009 LTI – failed to vest and lapsed on its final test date in November 2016.

2011 LTI – partially vested on its second test date in September 2016 with 68% vesting.</td></tr>
</table>

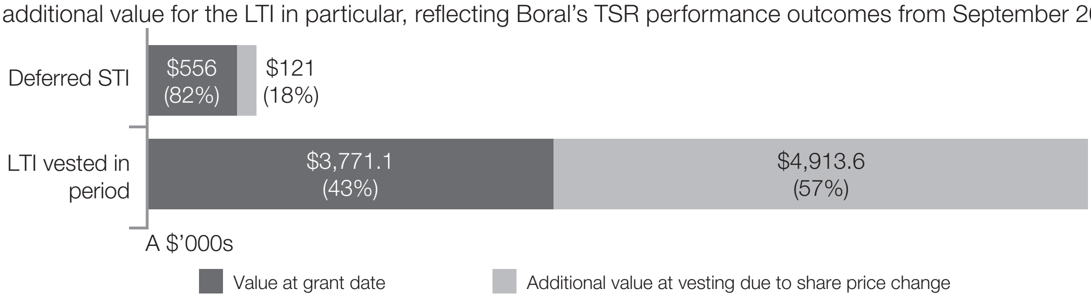
Actual remuneration for FY2017

The remuneration outcomes table below has been prepared to provide shareholders with a view of the remuneration that was actually paid to current Senior Executives for FY2017. The Board believes that presenting information this way provides shareholders with increased clarity and transparency. Remuneration details prepared in accordance with statutory obligations and accounting standards are contained in Section 7 of this Report.

FY2017 remuneration cash outcomes table

	Cash payments and other benefits received							Vesting of prior year "at risk" equity awards	
A$'000s	Fixed remuneration[a]	STI (cash)[b]	Superannuation or pension payments	Expat allowances[e]	Other non-cash[f]	FBT	Total payments	Vesting of STI deferral earned in 2014[c]	Vesting of 2011 & 2013 LTI Grants[d]
Mike Kane	1,836.7	1,586.5	-	263.2	73.2	302.1	4,061.7	415.9	5,310.2
Joseph Goss	975.0	444.2	-	124.9	12.0	118.2	1,674.3	96.4	1,108.6
Ross Harper	574.2	199.4	19.6	0.0	7.0	5.9	806.1	51.5	550.0
David Mariner	679.4	164.2	108.3	0.0	82.3	0.0	1,034.2	24.2	517.9
Rosaline Ng	855.4	416.5	19.6	0.0	26.0	10.1	1,327.6	89.9	1,198.0

A significant portion of actual remuneration received in FY2017 relates to vesting of deferred STI and two tranches of the LTI. Vesting of these incentives and the increase in value of the equity awards held by the CEO and other Senior Executives aligns to the benefits received by shareholders over the same period. Boral's share price increased by approximately 76% from September 2011 to September 2016. The following graph shows the difference between grant and vesting value of the relevant incentive awards, the additional value for the LTI in particular, reflecting Boral's TSR performance outcomes from September 2011 to September 2016.



Ref	Item	Notes relating to the Actual Remuneration for FY2017 table
a.	Fixed remuneration	Fixed remuneration is cash salary paid to the Senior Executive for their period as a KMP.
b.	STI (cash)	The value of STI represents 80% of the total STI with the remaining 20% deferred into equity for two years.
c.	STI deferral	The value for earned deferred STI granted in September 2014 which vested on 1 September 2016, calculated using the volume weighted average price (VWAP) of Boral ordinary shares traded on the ASX in the five trading days up to 1 September 2016, being $6.67 multiplied by the number of rights which vested.
d.	LTI	LTI performance targets were achieved for the 2011 and 2013 LTI grants, triggering vesting of 68% and 98% respectively, with Boral delivering nearly top quartile performance relative to our TSR comparators over the three year period from September 2013 to September 2016 (73rd percentile) and exceeding the stretch target for the ROFE hurdle for the 2013 LTI grant. The value of the 2011 LTI and 2013 LTI grants which vested during the year is based on the value at the time of delivery of the equity to participants, which occurred shortly following completion of the Headwaters transaction on 8 May 2017, calculated using the VWAP of Boral ordinary shares traded in the five days from 10 May 2017 to 16 May 2017 (inclusive), being $6.72 multiplied by the number of rights that vested.
e.	Expat allowances	Expat allowances, other non-cash benefits and associated fringe benefits tax (FBT) are not taken into account for the purposes of calculating an executive's STI or LTI opportunity. Expatriate benefits ceased to be provided to David Mariner during FY2017 following his relocation back to the USA. As announced on 21 June 2017, expatriate benefits for Mike Kane will cease in FY2018 and will be reflected in a materially lower value for non-monetary benefits in the FY2018 Remuneration Report.
f.	Other non-cash	Other non-cash comprises non-monetary benefits. These amounts are not taken into account for the purposes of calculating an executive's STI or LTI opportunity.

Section 4: Remuneration framework for FY2017

Remuneration strategy

Boral's remuneration strategy and framework provides the foundation for how remuneration is determined and paid. The chart below provides a summary of Boral's remuneration strategy for 2017.

REMUNERATION STRATEGY

Align reward to business strategy and shareholder value creation
Attract and retain high calibre employees with market competitive and flexible reward

REMUNERATION PRINCIPLES

ALIGNED TO SHAREHOLDERS	MARKET COMPETITIVE	LINKED TO BUSINESS CONDITIONS
Short and long-term incentives are based on performance measures designed to drive sustainable value creation for shareholders	High calibre employees with ability to deliver required financial and non-financial outcomes are attracted and retained with fixed remuneration and variable reward opportunities that reflect seniority and complexity of roles	At risk reward outcomes are reflective of financial performance objectives

The strategy has guided the way remuneration has been set for FY2017, as outlined in the following pages.

Remuneration framework components

Component	Delivery	Year 1 / Year 2 / Year 3
FAR	Base salary, non-cash benefits (including any fringe benefits tax) and superannuation paid during the financial year	
STI	Annual 'at risk' incentive in which 80% of the STI is delivered in cash, 20% is deferred in Performance Rights	Deferred STI vests after 2 years
LTI	Equity awards that are subject to the satisfaction of long-term performance conditions	Two-thirds of the LTI vests after 3 years based on TSR performance compared to a selected group of comparators
	100% is delivered as Performance Rights	One-third of the LTI vests after 3 years based on achieving ROFE targets set by the Board

Remuneration framework details

Remuneration Strategy	Description

FAR

Attract and retain high calibre employees with market competitive and flexible reward.

Boral benchmarks the remuneration of our executives against comparator companies of a similar size (referencing market capitalisation and revenue, as applicable) and within similar industries (focusing on industrial and materials sector entities).

Considerations in setting FAR:

- Individual's role at Boral
- Knowledge, skills and experience
- Market practice for companies of similar size and complexity of Boral

2017 Outcomes

Senior Executives have continued to grow in their roles, taking on increased responsibilities and role complexity. FAR increases between 6% and 22% for FY2017 for KMP, reflected growth, CEO succession development and benchmarking outcomes. Notwithstanding these increases, a reduction in CEO direct reports by two positions resulted in net annual savings over $1 million. Based on benchmarking outcomes, the CEO received a 3% FAR increase from 1 September 2017.

STI

STI rewards for achievement of financial performance over one year.

STI gateway

Performance at the end of the financial year is measured against pre-determined EBIT targets established as part of the Group's annual budget process. No STI awards are made if relevant EBIT performance targets are not met.

EBIT targets are considered to be commercial-in-confidence and therefore not disclosed in the interests of shareholders.

Single financial measure

Boral utilises a single performance hurdle to create a clear line of sight for Senior Executives and transparency for shareholders as to how STI awards are determined.

While safety is not used as an additional determinant for STI payments, managing safety well is considered a fundamental part of everyone's role at Boral, and is taken into consideration in reviewing performance and setting fixed remuneration.

STI deferral

Deferring 20% of the awarded STI over two years is considered necessary by the Board to promote sustainability of annual performance over the medium-term, provide executives with additional share price exposure and facilitate the Board's ability to exercise clawback provisions, should this be required.

Target and maximum STI opportunities as a percentage of FAR are outlined below:

Position	Target	Maximum
CEO	100%	140%
Senior Executives	35% to 50%	70% to 100%

Boral used a single financial hurdle for STI awards in FY2017, being EBIT (excluding significant items):

- CEO and CFO: 100% Group EBIT
- Other Senior Executives: 50% Group EBIT and 50% Divisional or Business EBIT; or 50% Group EBIT, 30% Divisional EBIT and 20% Business EBIT

The use of EBIT effectively aligns rewards for Senior Executives with Boral's strategic focus on delivering strong earnings through the business cycle.

The exclusion of significant items, such as impairments and write-ups / write-downs, ensures STI outcomes reflect performance during the relevant period only and are not skewed upwards (or downwards) due to one-off investments or decisions in prior performance periods.

The inclusion of items such as acquisition costs may also disincentivise management from pursuing acquisition opportunities that will deliver long-term shareholder value at the expense of their short-term incentive opportunity.

2017 Outcomes

STI cash payments of $2.811 million were made to the CEO and Senior Executives in respect of performance over FY2017, with the remainder of the FY2017 STI outcome for these individuals deferred into equity over two years.

The CEO received 107.6% of his target STI, while Senior Executives other than the President & CEO, North America, received between 113% and 119% of target. This reflected strong, above-target EBIT results from Boral Australia and USG Boral. Boral Australia delivered price, volume and margin improvements in FY2017 and has secured supply to a growing number of infrastructure projects. USG Boral delivered solid growth reflecting market activity as well as increased penetration of premium-priced Sheetrock®, growth in adjacent products and cost improvement initiatives.

The President & CEO, Boral North America, received 59.5% of his target STI, reflective of Boral USA delivering an EBIT outcome below target, primarily due to market growth being lower than expected. Earnings from Headwaters in the first eight weeks of ownership of US$21 million was excluded in assessing performance against the divisional EBIT target.

Remuneration Strategy	Description

LTI

To link long-term executive rewards with the sustained creation of shareholder value through allocation of equity awards subject to long-term performance conditions.

TSR

TSR measures the compound growth in the Company's TSR over the performance measurement period compared with the TSR performance over the same period of a comparator group.

The Board believes that a relative TSR hurdle measured against constituents of an ASX index ensures alignment between comparative shareholder return and reward for the executive, and provides reasonable alignment with diversified portfolio investors.

In considering selection of the TSR comparator group, the Board has determined there to be an insufficient number of ASX company comparators to produce a meaningful bespoke peer group.

ROFE

ROFE tests the efficiency and profitability of the Company's capital investments and is determined by the Board based on EBIT (before significant items) in the year of testing as a percentage of average funds employed (where funds employed is the sum of net assets and net debt).

The ROFE performance hurdle is intended to reward achievement linked to improving the Company's ROFE performance through the cycle.

Since the introduction of ROFE in FY2013, our long-term goal has been to exceed the WACC over the whole of the construction cycle, even though at some points in the cycle returns may be lower than WACC. ROFE targets for annual LTI awards have been set progressively with a view to achieving this objective.

From FY2013 to today, Boral's ROFE has steadily increased alongside a decreasing WACC. While the FY2017 ROFE result is lower than FY2016 due to the Headwaters acquisition, both Boral Australia and USG Boral delivered underlying divisional ROFE which exceeded the cost of capital for these businesses.

The CEO, Senior Executives and other executives are eligible to participate in the LTI at the following opportunity levels (as a percentage of FAR):

Position	Maximum opportunity (fair value)
CEO	100%
Senior Executives	35% to 50%

The FY2017 LTI awards were measured against two performance hurdles:

	Relative TSR	ROFE
Hurdle	Relative TSR measured against the S&P/ASX 100 Index	EBIT in year of testing as a percentage of average funds employed
Portion	Two-thirds	One-third
Period	1 September 2016 to 1 September 2019	Year ending 30 June 2019

The TSR vesting schedule to be applied for the FY2017 LTI grant is:

If at the end of the period, the TSR of the Company is:	Proportion vesting:
Below the 50th percentile	0%
At 50th percentile	50%
Between the 50th and 75th percentile	Pro-rata vesting from 50% to 100%
Reaches or exceeds 75th percentile	100%

The ROFE vesting schedule to be applied for the FY2017 LTI grant is:

If the Company's ROFE performance for FY2019 is:	Proportion vesting:
Less than 12.0%	0%
12.0%	50%
Greater than 12.0% and less than 12.5%	Pro-rata vesting from 50% to 100%
12.5% or above	100%

2017 Outcomes

In September 2016, 98% of the 2013 LTI vested based on the FY2016 ROFE outcome of 9.1%, which was above the 8.0% stretch target, combined with the relative TSR being at the 73rd percentile of the ASX 100 comparator group.

Older plans

Until 2013, LTI awards were tested at different times over a seven-year period based on relative TSR performance. Vesting of grants tested during FY2017 was as follows:

2009 LTI – failed to vest and lapsed on its final test date in November 2016.

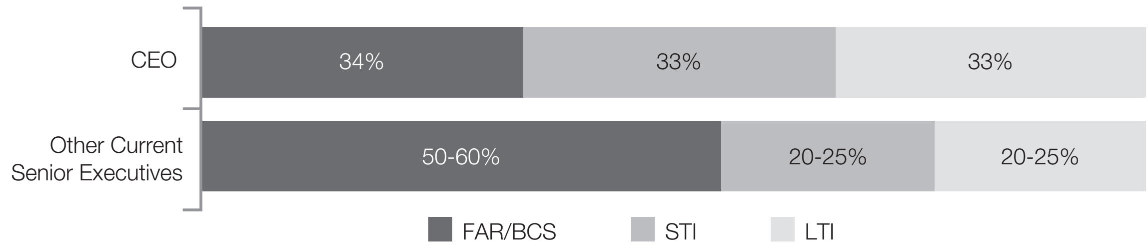
2011 LTI – partially vested on its second test date in September 2016 with 68% vesting.

Remuneration framework details (continued)

Remuneration Strategy	Description

Total Remuneration

Boral's targeted remuneration mix is set to balance the need to attract the right, high quality talent, with the risk-reward outcomes sought by the Company. Total target remuneration mix for FY2017 is shown below.



Section 5: Remuneration governance

Roles and responsibilities

The table below outlines the roles and responsibilities of the Board, the Committee and management in relation to Board and KMP remuneration.

The Board	The Committee	Management
• Approving remuneration arrangements for the CEO & Managing Director, other Senior executives and non-executive Directors • Monitoring performance of KMP	• Recommending remuneration and incentive policies and practices for Boral generally • Recommending remuneration arrangements for the CEO & Managing Director • Recommending remuneration arrangements for KMP (excl. CEO)	• Prepares recommendations and provides supporting information for the Committee's consideration • Implements approved incentive policies and practices

Further detail on the responsibilities of the Committee are outlined in its Charter, which is reviewed annually by the Board. A copy of the Charter is available at the Corporate Governance section of Boral's website boral.com/corporate_governance.

How decisions are made

The Committee makes recommendations for approval by the full Board on remuneration arrangements for non-executive Directors, the CEO & Managing Director, other Senior Executives and other executives. When decisions are made, consideration is applied to the Boral strategy, remuneration strategy, alignment with shareholder interests and market practice.

Board discretion

The Board maintains discretion to adjust remuneration outcomes for Senior Executives to ensure outcomes appropriately reflect company performance and the shareholder experience over the relevant performance period.

<table>
<tr><th>Component</th><th>Board discretion</th><th>Determinations made in FY2017</th></tr>
<tr><td>STI</td><td>The Board retains discretion to adjust the STI outcomes up or down to ensure consistency with the Company's remuneration philosophy, to prevent any inappropriate reward outcomes including in the event of a seriously negative safety issue, and maintain alignment with the shareholder experience before the final award is determined.

The Board also has the discretion to exercise clawback provisions in circumstances where an employee has acted fraudulently or dishonestly, has breached their obligations to the Company, in the event that 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.</td><td rowspan="2">The Board exercised its discretion to exclude eight weeks of post-acquisition earnings from Headwaters from the EBIT performance assessment. It was also determined that targets for prior year LTI awards would not be adjusted to take into account the impact of the Headwaters acquisition, notwithstanding the impact the transaction has had on Boral's ROFE. These determinations were made to ensure executives do not receive any windfall gain as a result of the transaction.</td></tr>
<tr><td>LTI</td><td>The Board retains discretion to make LTI adjustments as considered necessary to ensure rewards reflect performance in a manner which is consistent with shareholder expectations and the intent and purpose of the relevant targets.

The Board also 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 Company. The Company has a further discretion to apply clawback provisions in an event that 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.</td></tr>
</table>

Minimum shareholding requirements

To further align the interests of the Company's key executives with the interests of shareholders, the Board established minimum shareholding requirements effective from 1 July 2013 for the CEO & Managing Director and all other Senior Executives.

Senior Executives are required to accumulate a minimum shareholding in the Company over a period of up to five years from the later of 1 July 2013 or their date of appointment as a KMP:

Position	Minimum shareholding	Status
CEO	100% of FAR	As at 30 June 2017, the CEO & Managing Director well exceeds the applicable requirement
Senior Executives	50% of FAR	As at 30 June 2017, all Senior Executives have achieved the applicable requirement

The Company's guidelines for non-executive Directors' minimum shareholdings are set out in the Corporate Governance Statement on page 42 of the Annual Report. As at 30 June 2017, all Directors have achieved or exceeded the guidelines.

External advice on remuneration

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

During FY2017, these consultants provided general information and support only. No advice was provided that contained "remuneration recommendations" relating to the remuneration of KMP.

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. This arrangement was reviewed in FY2017 by the Committee and no changes were considered necessary.

Senior Executive contracts

An overview of key terms of employment for Senior Executives is provided below:

Contract term	CEO	Other executives
Contract type	Permanent	Permanent
Notice period by Boral	12 months	6 months
Notice period by employee	6 months	6 months
Termination without cause		
Termination payment	12 months FAR	Up to 12 months FAR
STI	Unless otherwise determined by the Board, no entitlement to STI for the year of termination.	
LTI	Treatment of LTI awards are dealt with under the LTI plan rules and the specific terms of grant. In general, unless otherwise determined by the Board, LTI awards will remain on foot to be tested against the relevant performance conditions at the vesting date.	
Resignation or termination with cause	Unless otherwise determined by the Board: • No termination payment • No entitlement to STI • Forfeiture of all deferred STI • All unvested LTI awards will lapse	
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.	

Section 6: Non-executive Directors' remuneration

The non-executive Directors receive fixed fees only, which includes base fees and Board Committee fees. It is structured on a total fee basis which is paid in the form of cash and superannuation contributions. The Directors do not receive any at risk 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.

Non-executive Director fee levels for FY2017 were as follows:

	2017		2016	
Fees (A$)	Chair	Member	Chair	Member
Board	**441,000**	**146,800**	428,200	142,500
Audit & Risk	**40,100**	**20,500**	38,900	19,900
Remuneration & Nomination	**30,100**	**15,000**	29,200	14,600
Health, Safety & Environment	**30,100**	**15,000**	29,200	14,600
Due Diligence	**25,000***	**–**	–	–

*The Due Diligence Committee was established to support the acquisition of Headwaters Inc. Only the Chairman of the Due Diligence Committee, Paul Rayner, received a fee for additional work undertaken during FY2017.

The total annual non-executive Director remuneration for the current Board of seven non-executive Directors for FY2017 was $1,583,600 including superannuation. This was within the current aggregate fee limit of $2,000,000 per annum, which was approved at the Company's Annual General Meeting in November 2016.

A comprehensive review of the level of fees paid to Boral's non-executive Directors was undertaken during the year, and included a review of market benchmarking information prepared by EY, Boral's external remuneration consultant. The review 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 a result of the market review, with effect from 1 July 2017, fees for non-executive Directors were increased by 3.0%, including fees for the Board Chairman, each Committee Chairman and the base fees.

Section 7: Statutory remuneration disclosures

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.

Senior Executive remuneration table

		Short-term			Post-employment		Share-based payments[a]			Other	Total	At Risk Remuneration	
A$'000s	Year	Cash salary[b]	Short-term incentive[c]	Non-monetary benefits[d]	Super-annuation / Pension[e]	Termin-ation benefit	Rights[f]	Deferred equity	Retention Awards (Sept 15)	Long service leave accrual	Total	% of remuneration related to performance	% of target STI paid
Senior Executives													
Mike Kane	**2017**	**1,843.8**	**1,586.5**	**638.5**	**–**	**–**	**1,588.2**	**411.8**	**–**	**32.1**	**6,100.9**	**58.8%**	**107.6%**
	2016	1,837.9	1,668.1	622.0	–	–	2,410.8	393.4	–	31.3	6,963.5	64.2%	116.6%
Joseph Goss	**2017**	**990.0**	**444.2**	**255.2**	**–**	**–**	**307.7**	**116.3**	**133.3**	**25.7**	**2,272.4**	**38.2%**	**113.9%**
	2016	801.9	565.3	281.6	–	–	457.2	105.6	133.3	13.6	2,358.5	47.8%	145.0%
Ross Harper	**2017**	**567.6**	**199.4**	**12.8**	**19.6**	**–**	**165.5**	**58.9**	**93.8**	**14.8**	**1,132.4**	**37.4%**	**118.7%**
	2016	552.3	305.3	9.5	19.3	–	219.3	56.4	93.8	12.6	1,268.5	45.8%	193.7%
David Mariner[g]	**2017**	**679.4**	**164.2**	**82.3**	**108.3**	**–**	**223.8**	**57.1**	**98.0**	**–**	**1,413.1**	**31.5%**	**59.5%**
	2016	750.4	247.1	693.5	82.5	–	218.7	53.1	98.0	9.6	2,152.9	24.1%	123.4%
Rosaline Ng	**2017**	**865.3**	**416.5**	**36.1**	**19.6**	**–**	**304.3**	**113.2**	**125.0**	**42.3**	**1,922.3**	**43.4%**	**119.0%**
	2016	702.1	494.8	94.9	19.3	–	469.2	103.1	125.0	16.6	2,025.0	52.7%	141.4%
Total	**2017**	**4,946.1**	**2,810.8**	**1,024.9**	**147.5**	**–**	**2,589.5**	**757.3**	**450.1**	**114.9**	**12,841.1**	**48.0%**	**103.7%**
	2016	4,644.6	3,280.6	1,701.5	121.1	–	3,775.2	711.6	450.1	83.7	14,768.4	52.6%	136.5%

Ref	Item	Notes relating to the Senior Executive remuneration table
a.	Fair market value	The fair market value of the rights is calculated at the date of grant using the Monte Carlo simulation analysis. For the grants prior to FY2013, the value is allocated to each reporting period evenly over the period of five years from the grant date. For the grants issued from FY2014, the value is allocated evenly over the period of three years from the grant date. The value disclosed above is the portion of the fair market value of the rights for each relevant reporting period, including the value of deferred equity.
b.	Cash salary	Cash salary includes all fixed salary and accrued annual leave.
c.	Short-term incentive	STI values for KMP represent 80% of total STI with the remaining 20% to be deferred into equity and expensed over three years in accordance with the deferred STI plan introduced from FY2014. The deferred component is included in the "Deferred equity" column.
d.	Non-monetary benefits	Non-monetary benefits include parking, medical, life and disability insurance, home leave, housing allowances, vehicle costs, and applicable fringe benefits tax payable by the Company upon providing these benefits. Expatriate benefits ceased to be provided to David Mariner during FY2017 following his relocation back to the USA. As announced on 21 June 2017, expatriate benefits for Mike Kane will cease in FY2018 and will be reflected in a materially lower value for non-monetary benefits in the FY2018 Remuneration Report.
e.	Superannuation / Pension	Under the terms of their expatriate agreements, superannuation contributions have not been made in FY2017 for Mike Kane or Joseph Goss.
f.	Restated Value of Rights in FY2016	The value of Rights in FY2016 for Joseph Goss, Ross Harper, David Mariner and Rosaline Ng were inadvertently overstated in the FY2016 remuneration report, now corrected in the table above. In FY2016, the accounting value for September 2015 retention awards was included in two columns in the statutory remuneration table (under both "Rights" and "Retention"). The accounting value of these Rights now only appears under the "Retention Awards (Sept 15)" column in the table above.
g.	David Mariner	The cash salary for David Mariner is lower in FY2017 compared to FY2016 due to the change in his remuneration arrangements from FAR to BCS, following his return to the USA (having previously performed the role of EGM, Building Products, Australia). David Mariner's pension contribution includes SERP paid on STI received during FY2017 in accordance with arrangements for other US executives.

Equity grants and movement during the year

The following table provides details of rights granted during the year under the Boral Equity Incentive Plan, as well as the movement during the year in options and rights granted under the plan in previous financial years.

	Equity Type	Balance as at 30 June 2016	Granted during the year as remuneration[a]	Value of Grant[b]	Exercised/ Vested during the year	Value of Rights Vested[c]	Lapsed/ Cancelled during the year[d]	Balance as at 30 June 2017
		No.	No.	$	No.	$	No.	No.
Mike Kane	LTI Rights	2,135,855	522,096	2,267,637	(790,072)	5,310,153	(12,306)	**1,855,573**
	Deferred STI Rights	137,965	61,902	417,028	(62,382)	415,882	–	**137,485**
Joseph Goss	LTI Rights	441,674	138,101	599,819	(164,944)	1,108,605	(2,819)	**412,012**
	Deferred STI Rights	31,738	20,979	141,334	(14,456)	96,374	–	**38,261**
	TRI Rights	71,649	–	–	–	–	–	**71,649**
Ross Harper	LTI Rights	254,195	59,490	258,385	(81,839)	550,048	(19,647)	**212,199**
	Deferred STI Rights	16,812	11,330	76,334	(7,730)	51,534	–	**20,412**
	TRI Rights	50,435	–	–	–	–	–	**50,435**
David Mariner	LTI Rights	222,234	101,312	440,032	(77,057)	517,908	(964)	**245,525**
	Deferred STI Rights	20,867	9,170	61,781	(3,631)	24,207	–	**26,406**
	TRI Rights	52,684	–	–	–	–	–	**52,684**
Rosaline Ng	LTI Rights	495,978	123,937	538,300	(178,248)	1,198,023	(19,371)	**422,296**
	Deferred STI Rights	33,528	18,363	123,711	(13,496)	89,974	–	**38,395**
	TRI Rights	67,187	–	–	–	–	–	**67,187**

Notes relating to the Equity grants table are outlined below:

Ref	Item	Explanation
a.	Rights granted during the year as remuneration	All rights were granted to Senior Executives effective 1 September 2016.
b.	Value of grant	The fair market value of LTI Rights granted on 1 September 2016, calculated using a Monte Carlo simulation analysis, is $3.53 per right for two-thirds of the grant relating to the TSR measure and $5.97 per right for one-third of the grant relating to the ROFE hurdle. The fair market value of the Deferred STI Rights is $6.7368 per right, reflecting a face value at time of grant calculated by taking the volume weighted average price (VWAP) traded on the ASX over the five trading days following the release of Boral's FY2016 full year results.
c.	Value of vested rights	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.
d.	Lapsed rights	Rights that lapsed during the year were granted to Senior Executives under the 2009 LTI Grant (100% lapsed) and the 2013 LTI Grant (98% vested, the remaining unvested rights lapsed).

Senior executive equity balances

The number of rights included in the balance at 30 June 2017 for the Senior Executives is set out below:

		Year of grant								
		2009	2010	2011	2012	2013	2014	2015	2016	Balance as at 30 June 2017
Senior Executives										
Mike Kane	LTI Rights	–	78,717	32,363	–	–	615,957	606,440	522,096	**1,855,573**
	Deferred STI Rights	–	–	–	–	–	–	75,583	61,902	**137,485**
Joseph Goss	LTI Rights	–	–	–	–	–	138,351	135,560	138,101	**412,012**
	Deferred STI Rights	–	–	–	–	–	–	17,282	20,979	**38,261**
	TRI Rights	–	–	–	–	–	–	71,649	–	**71,649**
Ross Harper	LTI Rights	–	26,319	11,434	–	–	48,160	66,796	59,490	**212,199**
	Deferred STI Rights	–	–	–	–	–	–	9,082	11,330	**20,412**
	TRI Rights	–	–	–	–	–	–	50,435	–	**50,435**
David Mariner	LTI Rights	–	11,512	9,567	–	–	53,089	70,045	101,312	**245,525**
	Deferred STI Rights	–	–	–	–	–	–	17,236	9,170	**26,406**
	TRI Rights	–	–	–	–	–	–	52,684	–	**52,684**
Rosaline Ng	LTI Rights	–	29,519	12,644	–	–	129,078	127,118	123,937	**422,296**
	Deferred STI Rights	–	–	–	–	–	–	20,032	18,363	**38,395**
	TRI Rights	–	–	–	–	–	–	67,187	–	**67,187**

Non-executive Directors' total remuneration

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

	2017			2016		
A$'000s	Short Term Board and Committee Fees	Post-employment superannuation	Total Fees	Short Term Board and Committee Fees	Post-employment superannuation	Total Fees
Brian Clark, Chairman[a]	**421.4**	**19.6**	**441.0**	324.9	17.8	342.7
Catherine Brenner	**166.5**	**15.8**	**182.3**	161.7	15.4	177.1
Eileen Doyle	**180.3**	**17.1**	**197.4**	175.2	16.6	191.8
Kathryn Fagg	**175.3**	**16.6**	**191.9**	165.7	15.7	181.4
John Marlay	**161.5**	**15.3**	**176.8**	156.9	14.9	171.8
Karen Moses[b]	**166.5**	**15.8**	**182.3**	53.9	5.1	59.0
Paul Rayner	**193.5**	**18.4**	**211.9**	165.8	15.8	181.6
Total	**1,465.0**	**118.6**	**1,583.6**	1,204.1	101.3	1,305.4

Notes relating to the Non-executive Directors' total remuneration table are outlined below:

Ref	Item	Explanation
a.	Brian Clark	Brian Clark became Chairman in November 2015.
b.	Karen Moses	Karen Moses was appointed on 1 March 2016.

Senior Executive and non-executive Director transactions

Movements in shares

The number of shares held in Boral Limited during the financial year by each Senior Executive and non-executive Director of Boral Limited, including their personally related entities, are set out below:

		Balance at the beginning of the year	Received during the year on the exercise of rights	Pro-rata entitlement purchased in equity raising	Other changes during the year	Balance at the end of the year
		Number	Number	Number	Number	Number
Current Senior Executives						
Mike Kane	**2017**	**363,566**	**790,072**	**163,769**	**(371,334)**	**946,073**
	2016	10,233	666,666	–	(313,333)	363,566
Joseph Goss	**2017**	**–**	**164,944**	**–**	**(90,720)**	**74,224**
	2016	–	–	–	–	–
Ross Harper	**2017**	**7,978**	**81,839**	**3,594**	**(48,901)**	**44,510**
	2016	7,978	36,866	–	(36,866)	7,978
David Mariner	**2017**	**18,500**	**77,057**	**–**	**–**	**95,557**
	2016	–	30,520	–	(12,020)	18,500
Rosaline Ng	**2017**	**33,586**	**178,248**	**15,131**	**(158,248)**	**68,717**
	2016	28,586	40,718	–	(35,718)	33,586

		Balance at the beginning of the year	Received during the year on the exercise of rights	Other changes during the year	Balance at the end of the year
		Number	Number	Number	Number
Non-executive Directors					
Brian Clark, Chairman	**2017**	**80,887**	**–**	**36,438**	**117,325**
	2016	76,887	–	4,000	80,887
Catherine Brenner	**2017**	**33,371**	**–**	**15,034**	**48,405**
	2016	15,371	–	18,000	33,371
Eileen Doyle	**2017**	**27,541**	**–**	**12,407**	**39,948**
	2016	15,076	–	12,465	27,541
Kathryn Fagg	**2017**	**26,586**	**–**	**11,976**	**38,562**
	2016	26,586	–	–	26,586
John Marlay	**2017**	**27,101**	**–**	**12,209**	**39,310**
	2016	25,101	–	2,000	27,101
Karen Moses	**2017**	**15,000**	**–**	**6,757**	**21,757**
	2016	–	–	15,000	15,000
Paul Rayner	**2017**	**71,116**	**–**	**32,036**	**103,152**
	2016	50,116	–	21,000	71,116

Loans

There were no loans made or outstanding to Senior Executives or non-executive Directors during FY2017.

Other transactions

Transactions entered into during the year with non-executive Directors or Senior Executives 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.

Section 8: Glossary of key terms

Term	Description
Committee	The Remuneration & Nomination Committee.
Face value of LTI performance rights	The face value of LTI performance rights is determined from the volume weighted average price of Boral shares on the ASX during the 5 day trading period up to but not including 1 September.
Fair market value of LTI performance rights	The fair market value of LTI performance rights is determined from the face value of a Boral share on 1 September, discounted for a number of factors that impact the value of a TSR tested right, such as the possibility that the TSR performance hurdle will not be met. Other factors that are taken into account when determining the discount from face value include the time to vesting, expected volatility of the share price and the dividends expected to be paid in relation to the shares. This approach is in line with the methodology used for valuing TSR tested rights for accounting purposes. The fair value is determined by an independent valuer (being PwC).
FAR	Fixed Annual Remuneration (FAR) includes base salary, non-cash benefits such as provision of a vehicle (including any fringe benefits tax) and superannuation contributions.
KMP	The Key Management Personnel of the Company. Defined as the people accountable for planning, directing and controlling the affairs of the Company and its controlled entities. Includes each of the: – non-executive Directors; and – Senior Executives.
Performance right	Upon vesting, each performance right entitles the executive to one ordinary share.
Relative TSR	Relative Total Shareholder Return (TSR) measures the compound growth in the Company's TSR over the performance measurement period compared with the TSR performance over the same period of a comparator group. TSR represents the change in capital value of a listed entity's share price over a three year performance period, plus reinvested dividends, expressed as a percentage of the opening value.
ROFE	Return on funds employed (ROFE) tests the efficiency and profitability of the Company's capital investments and is determined by the Board based on earnings before interest and tax (EBIT) (before significant items) in the year of testing as a percentage of average funds employed (where funds employed is the sum of net assets and net debt).
Senior Executives	The CEO & Managing Director as well as other current and former members of the senior executive team who are KMP of the Company. The broader management group (who also participate in the various reward programs) are referred to as executives.

Financial Statements

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Boral Limited and Controlled Entities

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 2.6 to the financial statements and relate to income and expenses that are associated with significant business restructuring, impairment or individual transactions.

Income Statement

Boral Limited and Controlled Entities

For the year ended 30 June	Note	2017 $m	2016 $m
Continuing operations			
Revenue	2.2	**4,257.8**	3,945.2
Cost of sales		**(2,858.4)**	(2,672.5)
Selling and distribution expenses		**(763.2)**	(713.3)
Administrative expenses		**(301.4)**	(288.8)
		(3,923.0)	(3,674.6)
Other income	2.2	**25.8**	44.9
Other expenses	2.2	**(95.3)**	(50.6)
Results of equity accounted investments	2.3	**86.4**	79.4
Profit before net financing costs and income tax		**351.7**	344.3
Financial income	2.2	**24.4**	7.6
Financial expenses	2.2	**(75.1)**	(70.8)
Net financing costs		**(50.7)**	(63.2)
Profit before income tax		**301.0**	281.1
Income tax expense	5.1	**(51.4)**	(35.6)
Profit from continuing operations		**249.6**	245.5
Discontinued operations			
Profit from discontinued operations (net of income tax)	6.1	**47.3**	10.5
Net profit		**296.9**	256.0
Basic earnings per share	2.5	**29.2c**	31.8c
Diluted earnings per share	2.5	**29.0c**	31.5c
Continuing operations			
Basic earnings per share	2.5	**24.5c**	30.5c
Diluted earnings per share	2.5	**24.3c**	30.2c

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	2017 $m	2016 $m
Net profit		**296.9**	256.0
Other comprehensive income			
Items that may be reclassified subsequently to Income Statement:			
Net exchange differences from translation of foreign operations taken to equity		**(99.4)**	(7.0)
Foreign currency translation reserve transferred to net profit on disposal of controlled entities	4.4	**(24.5)**	-
Fair value adjustment on cash flow hedges		**2.6**	(7.7)
Income tax on items that may be reclassified subsequently to Income Statement		**(1.3)**	10.4
Total comprehensive income		**174.3**	251.7

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	2017 $m	2016 $m
CURRENT ASSETS			
Cash and cash equivalents	2.7	**237.8**	452.1
Receivables	3.1	**873.6**	623.9
Inventories	3.2	**606.6**	556.9
Financial assets		**3.8**	18.9
Other assets		**41.9**	32.4
TOTAL CURRENT ASSETS		**1,763.7**	1,684.2
NON-CURRENT ASSETS			
Receivables	3.1	**30.4**	16.0
Inventories	3.2	**13.1**	12.6
Investments accounted for using the equity method	6.2	**1,353.7**	1,054.6
Financial assets		**31.8**	23.1
Property, plant and equipment	3.3	**2,755.7**	2,517.7
Intangible assets	3.4	**3,208.6**	234.7
Deferred tax assets	5.2	**128.4**	237.4
Other assets		**28.2**	20.2
TOTAL NON-CURRENT ASSETS		**7,549.9**	4,116.3
TOTAL ASSETS		**9,313.6**	5,800.5
CURRENT LIABILITIES			
Trade creditors		**812.4**	607.9
Loans and borrowings	4.1	**407.4**	352.4
Financial liabilities		**15.4**	7.8
Current tax liabilities		**64.1**	36.6
Employee benefit liabilities	7.1	**115.5**	118.8
Provisions	3.6	**53.5**	58.2
TOTAL CURRENT LIABILITIES		**1,468.3**	1,181.7
NON-CURRENT LIABILITIES			
Loans and borrowings	4.1	**2,163.7**	992.8
Financial liabilities		**10.9**	18.6
Employee benefit liabilities	7.1	**44.4**	11.3
Provisions	3.6	**157.5**	59.0
Other liabilities		**28.3**	30.8
TOTAL NON-CURRENT LIABILITIES		**2,404.8**	1,112.5
TOTAL LIABILITIES		**3,873.1**	2,294.2
NET ASSETS		**5,440.5**	3,506.3
EQUITY			
Issued capital	4.3	**4,265.1**	2,246.2
Reserves	4.4	**19.3**	162.0
Retained earnings		**1,156.1**	1,098.1
TOTAL EQUITY		**5,440.5**	3,506.3

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 2017	Issued capital $m	Reserves $m	Retained earnings $m	Total equity $m
Balance at 1 July 2016	**2,246.2**	**162.0**	**1,098.1**	**3,506.3**
Net profit	**-**	**-**	**296.9**	**296.9**
Other comprehensive income				
Translation of net assets of overseas entities	**-**	**(101.3)**	**-**	**(101.3)**
Translation of long-term borrowings and foreign currency forward contracts	**-**	**1.9**	**-**	**1.9**
Foreign currency translation reserve transferred to net profit on disposal of controlled entities	**-**	**(24.5)**	**-**	**(24.5)**
Fair value adjustment on cash flow hedges	**-**	**2.6**	**-**	**2.6**
Income tax relating to other comprehensive income	**-**	**(1.3)**	**-**	**(1.3)**
Total comprehensive income	**-**	**(122.6)**	**296.9**	**174.3**
Transactions with owners in their capacity as owners				
Share acquisition rights vested	**-**	**(38.3)**	**-**	**(38.3)**
Dividends paid	**-**	**-**	**(226.2)**	**(226.2)**
Shares issued under capital raising net of costs	**2,018.9**	**-**	**-**	**2,018.9**
Share-based payments	**-**	**11.3**	**-**	**11.3**
Acquisition of non-controlling interest by associate	**-**	**(5.8)**	**-**	**(5.8)**
Transfer other reserves to retained earnings	**-**	**12.7**	**(12.7)**	**-**
Total transactions with owners in their capacity as owners	**2,018.9**	**(20.1)**	**(238.9)**	**1,759.9**
Balance at 30 June 2017	**4,265.1**	**19.3**	**1,156.1**	**5,440.5**

For the year ended 30 June 2016	Issued capital $m	Reserves $m	Retained earnings $m	Total equity $m
Balance at 1 July 2015	2,361.6	166.2	996.3	3,524.1
Net profit	-	-	256.0	256.0
Other comprehensive income				
Translation of net assets of overseas entities	-	20.4	-	20.4
Translation of long-term borrowings and foreign currency forward contracts	-	(27.4)	-	(27.4)
Fair value adjustment on cash flow hedges	-	(7.7)	-	(7.7)
Income tax relating to other comprehensive income	-	10.4	-	10.4
Total comprehensive income	-	(4.3)	256.0	251.7
Transactions with owners in their capacity as owners				
On-market share buy-back	(115.4)	-	-	(115.4)
Share acquisition rights vested	-	(14.6)	-	(14.6)
Dividends paid	-	-	(154.2)	(154.2)
Share-based payments	-	14.7	-	14.7
Total transactions with owners in their capacity as owners	(115.4)	0.1	(154.2)	(269.5)
Balance at 30 June 2016	2,246.2	162.0	1,098.1	3,506.3

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	2017 $m	2016 $m
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**4,583.3**	4,635.7
Payments to suppliers and employees		**(4,049.2)**	(4,069.5)
		534.1	566.2
Dividends received		**87.9**	75.9
Interest received		**24.4**	8.5
Borrowing costs paid		**(74.4)**	(69.2)
Income taxes paid		**(41.8)**	(69.4)
Restructure, acquisition and integration costs paid	2.7	**(116.9)**	(34.5)
Net cash provided by operating activities	2.7	**413.3**	477.5
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(336.4)**	(320.3)
Purchase of intangibles		**(3.7)**	(3.5)
Purchase of controlled entities and businesses		**(3,636.5)**	-
Cash acquired relating to acquisition of controlled entities		**74.8**	-
Repayment of loans by associates		**8.8**	8.8
Proceeds on disposal of non-current assets		**39.2**	55.5
Proceeds on disposal of controlled entities and associates (net of transaction costs)		**122.5**	-
Net cash used in investing activities		**(3,731.3)**	(259.5)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital raising net of transaction costs		**2,018.9**	-
On-market share buy-back		**-**	(115.4)
Dividends paid		**(226.2)**	(154.2)
Proceeds from borrowings		**1,803.6**	2.2
Repayment of borrowings		**(489.3)**	(6.0)
Net cash provided by/(used in) financing activities		**3,107.0**	(273.4)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(211.0)**	(55.4)
Cash and cash equivalents at the beginning of the year		**452.1**	505.8
Effects of exchange rate fluctuations on the balances of cash and cash equivalents held in foreign currencies		**(3.3)**	1.7
Cash and cash equivalents at the end of the year	2.7	**237.8**	452.1

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

Section 1: About this report

Statement of compliance

These financial statements represent the consolidated results of Boral Limited (ABN 13 008 421 761), a for profit company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial statements comprise Boral Limited and its controlled entities (the "Group"). The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The nature of the operations and principal activities of the Group are described in note 2.1.

The financial statements were authorised for issue by the Board of Directors on 30 August 2017.

Basis of preparation

The financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation in the preparation of the financial statements are consistent with those adopted and disclosed in Boral's Annual Report for the financial year ended 30 June 2016, except in relation to the relevant amendments and their effects on the current period or prior periods as described in note 1C "Changes in accounting policies".

Accounting estimates and judgements

Preparation of the financial statements requires management to make judgements, estimates and assumptions about future events. Information on material estimates and judgements considered when applying the accounting policies can be found in the following notes:

Accounting estimates and judgements	Note	Page
Revenue	2.2	84
Receivables	3.1	92
Property, plant and equipment	3.3	93
Intangible assets	3.4	95
Carrying value assessment	3.5	97
Provisions	3.6	98
Income tax expense	5.1	112
Deferred tax assets	5.2	114
Acquisitions	6.3	120
Share-based payments	7.3	126

Rounding of amounts

Unless otherwise expressly stated, amounts have been rounded off to the nearest whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars in accordance with ASIC Corporations Instrument 2016/191, dated 24 March 2016. Amounts shown as "-" represent zero amounts and amounts less than $50,000 which have been rounded down.

Materiality

Information is only being included in the financial report to the extent it has been considered material and relevant to the understanding of the financial statements. Factors that influence if a disclosure is considered material and relevant, include whether:

- the dollar amount is significant in size and/or nature;
- the Group's results cannot be understood without the specific disclosure;
- it is critical to allow a user to understand the impact of significant changes in the Group's business during the period; and
- it relates to an aspect of the Group's operations that is important to its future performance.

Significant accounting policies

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Other significant accounting policies are contained in the notes to the consolidated financial statements to which they relate.

A. Principles of consolidation

The financial report incorporates the financial statements of the Company and entities controlled by the Group and its subsidiaries. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its involvement and power over the entity.

The financial report includes the information and results of each entity from the date on which the Company obtains control, until the time the Company ceases to control the entity.

In preparing the financial report, all intercompany balances, transactions, and unrealised profits arising within the Group, are eliminated in full.

B. Foreign currencies

Transactions, assets and liabilities denominated in foreign currencies are translated into Australian dollars at reporting date using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Transactions	Date of transaction
Monetary assets and liabilities	Reporting date
Non-monetary assets and liabilities carried at fair value	Date fair value is determined

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 1: About this report (continued)

B. Foreign currencies (continued)
Foreign exchange gains and losses resulting from translation are recognised in the Income Statement, except for qualifying cash flow hedges which are deferred to equity.

On consolidation, the assets, liabilities, income and expenses of foreign operations are translated into Australian dollars using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Income and expenses	Average exchange rate
Assets and liabilities	Reporting date
Equity	Historical date
Reserves	Reporting date

Foreign exchange differences resulting from translation of long-term borrowings, foreign currency forward contracts and net assets of overseas entities are initially recognised in the foreign currency translation reserve and subsequently transferred to the profit or loss on disposal of the foreign operation.

C. 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 has not resulted in any material changes to the Group's financial statements.

D. New accounting standards and interpretations not yet adopted
The Group has not adopted the following new accounting standards which are available for early adoption for periods beginning after 1 July 2016:

- AASB 9 *Financial Instruments*: Assessment impact has determined that there would be no significant impact on Boral's financial performance or position, on transition date at 1 July 2018.
- AASB 15 *Revenue from Contracts with Customers*: An analysis of the impact of the standard has commenced. We expect the majority of current revenue recognition practice to not be significantly impacted by the new standard. There may be specific contracts within Construction Materials businesses where revenue recognition may be impacted because of the nature and timing of performance obligations. This will impact those contracts in place on transition date at 1 July 2018.
- AASB 16 *Leases*: A project to implement this standard has commenced. While work is ongoing, particularly with respect to the recently acquired Headwaters businesses, this standard will require a significant portion of Boral's operating leases to be accounted for on balance sheet as a "right of use asset" and "lease liability" upon adoption of the standard on 1 July 2019. The standard will also result in the reclassification of operating lease expense into depreciation and financing expenses, and a reclassification of certain cash flows from operating into financing activities.

Section 2: Business performance

This section provides the information that is most relevant to understanding the financial performance of the Group during the financial year and, where relevant, the accounting policies applied and the critical judgements and estimates made.

2.1 Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision-maker in order to effectively allocate Group resources and assess performance.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the CEO & Managing Director in assessing performance and in determining the allocation of resources. The operating segments are identified by the Group based on consideration of the nature of the services provided as well as the geographical region. Discrete financial information about each of these operating businesses is reported to the CEO & Managing Director on a recurring basis.

The following changes to the segment structure have occurred during the period:

- Effective 1 July 2016, the Construction Materials & Cement and Building Products divisions combined to form a new Boral Australia division. Comparative segment information has been restated to align with the current structure.
- Following the completion of the acquisition of Headwaters Incorporated on 8 May 2017, Boral USA and Headwaters combined to form a new division named Boral North America which combined the existing US operations with the acquired Headwaters business.

2.1 Segments (continued)

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

Boral Australia	Construction Materials & Cement (comprising quarries, concrete, asphalt, transport, landfill, property, cement and concrete placing) and Building Products (comprising West Coast bricks, roofing and masonry, and timber products).
USG Boral	50/50 joint venture between USG Corporation and Boral Limited responsible for the manufacture and sale of plasterboard and associated products.
Boral North America[1]	Construction Materials (comprising fly ash, block and Denver construction materials), Building Products (comprising stone, roofing, light building products and windows), and Bricks (comprising US bricks up to 31 October 2016, and 50% share of Meridian Brick joint venture from 1 November 2016).
Discontinued Operations	Boral CSR bricks joint venture.
Unallocated	Non-trading operations and unallocated corporate costs.

1. The results of the US bricks operations for the current year up to the date of formation of the Meridian Brick joint venture and prior year comparative periods are shown as part of "Boral North America" in the Segment note and "Discontinued Operations" in the Income Statement.

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.

Reconciliations of reportable segment revenues and profits	Note	2017 $m	2016 $m
External revenue		**4,388.3**	4,311.2
Less: Revenue from discontinued operations	6.1	**(130.5)**	(366.0)
Revenue from continuing operations		**4,257.8**	3,945.2
Profit before tax			
Profit before net financing costs and income tax from reportable segments		**394.7**	351.4
Less: Profit before net financing costs and income tax from discontinued operations	6.1	**(43.0)**	(7.1)
Profit before net financing costs and income tax from continuing operations		**351.7**	344.3
Net financing costs from continuing operations	2.2	**(50.7)**	(63.2)
Profit before tax from continuing operations		**301.0**	281.1

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 2: Business performance (continued)

2.1 Segments (continued)

(a) Reportable segments

	EXTERNAL REVENUE		DEPRECIATION AND AMORTISATION	
	2017 $m	2016 $m	2017 $m	2016 $m
Boral Australia	**3,295.6**	3,278.7	**202.5**	197.2
Boral North America[1]	**1,092.7**	1,032.5	**56.8**	48.8
Unallocated	**-**	-	**0.7**	0.6
	4,388.3	4,311.2	**260.0**	246.6

	OPERATING PROFIT (EXC EQUITY ACCOUNTED INCOME)		EQUITY ACCOUNTED INCOME		PROFIT BEFORE NET FINANCING COSTS AND INCOME TAX EXPENSE	
	2017 $m	2016 $m	2017 $m	2016 $m	2017 $m	2016 $m
Boral Australia	**322.5**	293.3	**26.2**	20.6	**348.7**	313.9
USG Boral	**-**	-	**69.5**	59.0	**69.5**	59.0
Boral North America[1]	**67.2**	44.4	**(0.9)**	(0.2)	**66.3**	44.2
Discontinued Operations	**-**	-	**5.0**	11.7	**5.0**	11.7
Unallocated	**(29.6)**	(30.9)	**-**	-	**(29.6)**	(30.9)
	360.1	306.8	**99.8**	91.1	**459.9**	397.9
Significant items (refer to note 2.6)	**(56.8)**	(46.5)	**(8.4)**	-	**(65.2)**	(46.5)
	303.3	260.3	**91.4**	91.1	**394.7**	351.4

	SEGMENT ASSETS (EXC EQUITY ACCOUNTED INVESTMENTS)		EQUITY ACCOUNTED INVESTMENTS		TOTAL ASSETS	
	2017 $m	2016 $m	2017 $m	2016 $m	2017 $m	2016 $m
Boral Australia	**3,050.2**	2,919.8	**19.8**	14.6	**3,070.0**	2,934.4
USG Boral	**-**	-	**931.1**	951.1	**931.1**	951.1
Boral North America[1]	**4,526.9**	1,078.9	**402.8**	-	**4,929.7**	1,078.9
Discontinued Operations	**-**	-	**-**	88.9	**-**	88.9
Unallocated	**16.6**	57.7	**-**	-	**16.6**	57.7
	7,593.7	4,056.4	**1,353.7**	1,054.6	**8,947.4**	5,111.0
Cash and cash equivalents	**237.8**	452.1	**-**	-	**237.8**	452.1
Tax assets	**128.4**	237.4	**-**	-	**128.4**	237.4
	7,959.9	4,745.9	**1,353.7**	1,054.6	**9,313.6**	5,800.5

1. The results of the US bricks operations for the current year up to the date of formation of the Meridian Brick joint venture and prior year comparative periods are shown as part of "Boral North America" in the Segment note and "Discontinued Operations" in the Income Statement.

2.1 Segments (continued)
(a) Reportable segments (continued)

	LIABILITIES		ACQUISITION OF SEGMENT ASSETS[2]	
	2017 $m	2016 $m	2017 $m	2016 $m
Boral Australia	**681.3**	612.0	**288.5**	244.3
Boral North America[1]	**428.6**	192.8	**51.4**	78.7
Unallocated	**128.0**	107.6	**0.2**	0.8
	1,237.9	912.4	**340.1**	323.8
Loans and borrowings	**2,571.1**	1,345.2	**-**	-
Tax liabilities	**64.1**	36.6	**-**	-
	3,873.1	2,294.2	**340.1**	323.8

1. The results of the US bricks operations for the current year up to the date of formation of the Meridian Brick joint venture and prior year comparative periods are shown as part of "Boral North America" in the Segment note and "Discontinued Operations" in the Income Statement.
2. Excludes amounts attributable to the acquisition of controlled entities and businesses.

(b) Geographic location
In presenting information on a geographical basis, assets are based on the geographical location of the assets.

	NON-CURRENT ASSETS	
	2017 $m	2016 $m
Australia	**2,449.7**	2,473.8
Asia	**625.0**	642.0
North America	**4,315.0**	740.0
	7,389.7	3,855.8
Tax assets	**128.4**	237.4
Financial assets	**31.8**	23.1
	7,549.9	4,116.3

(c) Product

	EXTERNAL REVENUE BY PRODUCT	
	2017 $m	2016 $m
Concrete	**1,494.9**	1,454.3
Asphalt	**691.2**	648.5
Quarry products	**433.6**	404.9
Roofing	**363.2**	333.5
Cement	**302.5**	302.6
Cladding	**242.3**	191.7
Bricks	**212.7**	477.2
Fly ash	**209.4**	120.8
Other	**438.5**	377.7
	4,388.3	4,311.2

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 2: Business performance (continued)

2.2 Profit for the period

(a) Revenue

Sales revenue is revenue earned from the provision of products or services, net of returns, discounts and allowances.

Significant accounting judgements, estimates and assumptions

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue from contracting businesses is included in sale of goods and is recognised in proportion to the stage of completion of the contract. An expected loss is recognised immediately as an expense.

Revenue from the rendering of services is recognised when the service has been provided to the customer and where there are no continuing unfulfilled service obligations.

For the year ended 30 June	2017 $m	2016 $m
Revenue from continuing operations		
Sale of goods	**4,173.0**	3,880.2
Rendering of services	**84.8**	65.0
Revenue from continuing operations	**4,257.8**	3,945.2

(b) Other income and expenses

Other income is recognised on a systematic basis over the periods necessary to match it with the related costs for which it is intended to compensate. If the costs have already been incurred, the amount is recognised in the period the entitlement is confirmed.

Income from the sale of land is recognised when all of the following conditions have been met:

- contracts are exchanged;
- an appropriate non-refundable deposit is received; and
- material conditions contained within the contract are met.

Other income and expenses also include significant items recorded in the period. These items relate to material transactions which are disclosed separately in order to better explain financial performance. Further information is included in note 2.6.

For the year ended 30 June	Note	2017 $m	2016 $m
Other income from continuing operations			
Net profit on sale of assets		**13.7**	27.0
Net foreign exchange gain		**1.3**	-
Other income		**10.8**	17.9
Other income from continuing operations		**25.8**	44.9
Other expenses from continuing operations			
Significant items	2.6	**(95.3)**	(50.5)
Net foreign exchange loss		**-**	(0.1)
Other expenses from continuing operations		**(95.3)**	(50.6)

2.2 Profit for the period (continued)

(c) Net financing costs

Financing costs comprise mainly of interest expense on borrowings and amortisation of ancillary costs incurred in connection with the arrangement of borrowings. They are recognised in profit or loss when they are incurred, except to the extent the expenses are directly attributable to the acquisition, construction or production of a qualifying asset. Such financing costs are capitalised as part of the cost of the asset up to the time it is ready for its intended use and are then amortised over the expected useful economic life.

For the year ended 30 June	2017 $m	2016 $m
Interest income received or receivable from:		
Associated entities	**0.1**	0.6
Other parties (cash at bank and bank short-term deposits)	**24.3**	7.0
	24.4	7.6
Interest expense paid or payable to:		
Other parties (bank overdrafts, bank loans and other loans)[1]	**(72.4)**	(67.6)
Finance charges on capitalised leases	**(0.2)**	(0.5)
Unwinding of discount	**(2.5)**	(2.7)
	(75.1)	(70.8)
Net financing costs from continuing operations	**(50.7)**	(63.2)

1. In 2017, interest of $4.4 million (2016: $1.0 million) was paid to other parties and capitalised in respect of qualifying assets. The capitalisation rate used was 5.4% (2016: 5.4%).

2.3 Results of equity accounted investments

The Group's share of the results of equity accounted investments is reported in the Income Statement. The results of equity accounted investments are summarised below:

For the year ended 30 June	Note	2017 $m	2016 $m
Summarised Income Statement at 100%			
Revenue		**2,133.6**	1,678.8
Profit before income tax		**289.7**	235.0
Income tax expense		**(91.8)**	(67.8)
Non-controlling interest		**(5.8)**	(7.1)
Net profit before significant items		**192.1**	160.1
Integration costs disclosed as significant item net of tax		**(16.8)**	-
Net profit – equity accounted relating to continuing operations		**175.3**	160.1
The Group's share based on % ownership:			
Net profit before significant items		**94.8**	79.4
Integration costs disclosed as significant item net of tax	2.6	**(8.4)**	-
Net profit – equity accounted relating to continuing operations		**86.4**	79.4

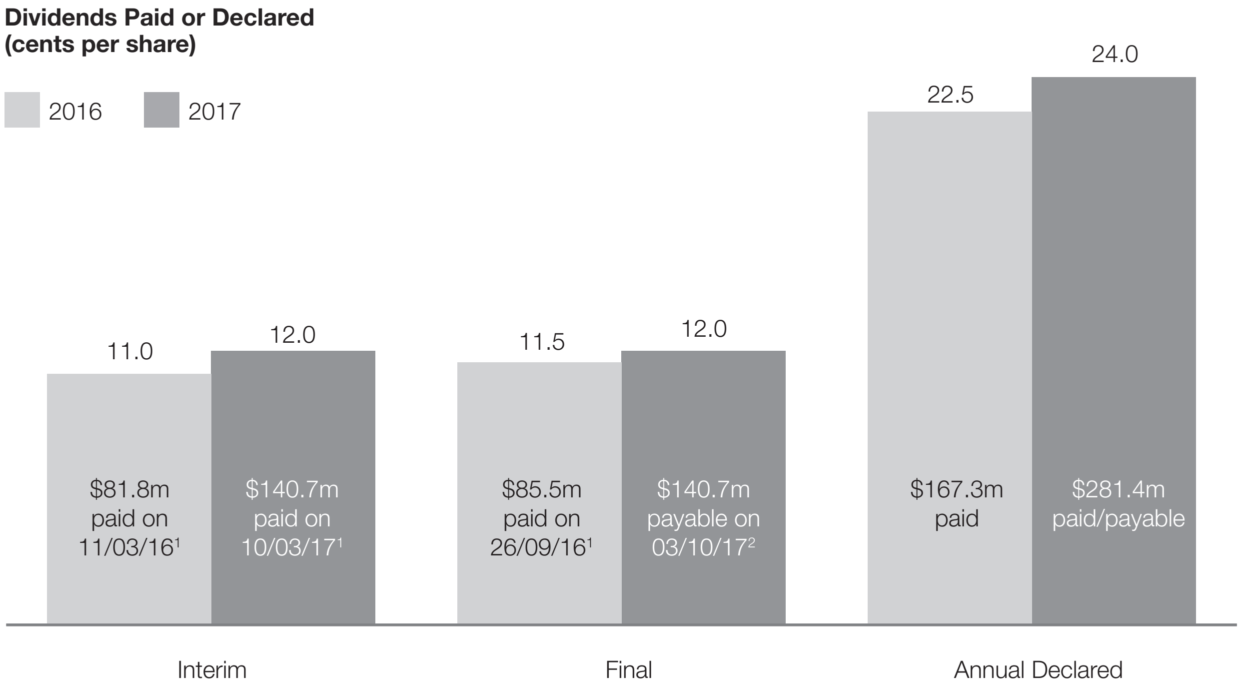
Further information regarding equity accounted investments is located in note 6.2.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 2: Business performance (continued)

2.4 Dividends



1. Declared, paid and fully franked.
2. Estimated final dividend payable, 50% franked, subject to variations in number of shares up to record date. The financial effect of the final dividend for the year ended 30 June 2017 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 2017 is $49.8 million (2016: $57.5 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 $30.2 million (2016: $36.6 million).

Dividend Reinvestment Plan

The Group's Dividend Reinvestment Plan, which was suspended following the interim dividend paid on 24 March 2014, will remain suspended until further notice.

2.5 Earnings per share

Basic earnings per share

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

Diluted earnings per share

Diluted EPS is calculated by dividing the net profit by the weighted average number of ordinary shares, after adjustment for the effects of all dilutive potential ordinary shares and bonus issue.

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.

Calculation of weighted average number of ordinary shares

The calculations for the current and comparative periods have been adjusted to reflect the bonus element in the renounceable entitlement offer which occurred during November and December 2016.

	2017	2016
Weighted average number of ordinary shares used as the denominator		
Number for basic earnings per share	**1,018,195,892**	804,040,931
Effect of potential ordinary shares	**7,315,555**	9,649,802
Number for diluted earnings per share	**1,025,511,447**	813,690,733

	Continuing operations 2017 $m	Discontinued operations 2017 $m	Total 2017 $m	Continuing operations 2016 $m	Discontinued operations 2016 $m	Total 2016 $m
Earnings reconciliation						
Net profit excluding significant items	**338.0**	**4.7**	**342.7**	261.5	6.5	268.0
Net significant items (refer note 2.6)	**(88.4)**	**42.6**	**(45.8)**	(16.0)	4.0	(12.0)
Net profit	**249.6**	**47.3**	**296.9**	245.5	10.5	256.0
Basic earnings per share[1]	**24.5c**	**4.6c**	**29.2c**	30.5c	1.3c	31.8c
Diluted earnings per share[1]	**24.3c**	**4.6c**	**29.0c**	30.2c	1.3c	31.5c
Basic earnings per share (excluding significant items)	**33.2c**	**0.5c**	**33.7c**	32.5c	0.8c	33.3c
Diluted earnings per share (excluding significant items)[1]	**33.0c**	**0.5c**	**33.4c**	32.1c	0.8c	32.9c

1. Numbers may not add due to rounding.

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

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 2: Business performance (continued)

2.6 Significant items

Net profit includes the following significant items, which relate to material transactions that are disclosed separately in order to better explain financial performance. Management considers significant items when assessing performance of the Group, and in order to provide a meaningful and consistent representation of the underlying performance of each operating segment and the Boral Group.

Significant items is not a defined performance measure in IFRS. The Company's definition of significant items may not be comparable with similarly titled performance measures and disclosures by other entities.

2017 Significant items

		Note	Sale of business $m	Acquisition costs $m	Integration costs $m	Asset impairment $m	Total $m
Gain on disposal of Boral CSR bricks joint venture	Discontinued	(i)	**35.8**	**-**	**-**	**-**	**35.8**
Gain on disposal of US bricks	Discontinued	(ii)	**13.2**	**-**	**-**	**-**	**13.2**
Meridian Brick joint venture integration costs	Continuing	(iii)	**-**	**-**	**(8.4)**	**-**	**(8.4)**
Headwaters acquisition and integration costs	Continuing	(iv)	**-**	**(63.2)**	**(11.7)**	**-**	**(74.9)**
Impairment of West Coast bricks	Continuing	(v)	**-**	**-**	**-**	**(20.4)**	**(20.4)**
Adjustment to disposal of Thailand Construction Materials	Discontinued	(vi)	**(10.5)**	**-**	**-**	**-**	**(10.5)**
			38.5	**(63.2)**	**(20.1)**	**(20.4)**	**(65.2)**

	Note	Sale of business $m	Acquisition costs $m	Integration costs $m	Asset impairment $m	Total $m
Continuing operations						
Other expenses	2.2	**-**	**(63.2)**	**(11.7)**	**(20.4)**	**(95.3)**
Share of equity accounted income	2.3	**-**	**-**	**(8.4)**	**-**	**(8.4)**
Discontinued operations	6.1	**38.5**	**-**	**-**	**-**	**38.5**
		38.5	**(63.2)**	**(20.1)**	**(20.4)**	**(65.2)**

	Sale of business $m	Acquisition costs $m	Integration costs $m	Asset impairment $m	Total $m
Summary of significant items from continuing operations					
Loss before interest and tax	**-**	**(63.2)**	**(20.1)**	**(20.4)**	**(103.7)**
Income tax benefit	**-**	**10.4**	**4.9**	**-**	**15.3**
Net significant items from continuing operations	**-**	**(52.8)**	**(15.2)**	**(20.4)**	**(88.4)**
Summary of significant items from discontinued operations					
Profit before interest and tax	**38.5**	**-**	**-**	**-**	**38.5**
Income tax benefit	**4.1**	**-**	**-**	**-**	**4.1**
Net significant items from discontinued operations	**42.6**	**-**	**-**	**-**	**42.6**
Summary of significant items					
Profit/(loss) before interest and tax	**38.5**	**(63.2)**	**(20.1)**	**(20.4)**	**(65.2)**
Income tax benefit	**4.1**	**10.4**	**4.9**	**-**	**19.4**
Net significant items	**42.6**	**(52.8)**	**(15.2)**	**(20.4)**	**(45.8)**

2.6 Significant items (continued)

2017 Significant items (continued)

(i) Gain on disposal of Boral CSR bricks joint venture

On 31 October 2016, the Group disposed of its 40% interest in the Boral CSR bricks joint venture. This resulted in a net gain of $35.8 million. Refer to note 6.1 for further information.

(ii) Gain on disposal of US bricks

During the period, the Group entered into an agreement with an affiliate of Forterra Inc. ("Forterra") to combine its US bricks business and Forterra's US and Canadian businesses into two 50/50 owned joint ventures. On disposal of its interest, Boral deconsolidated its existing US bricks business, and recognised an equity accounted investment in respect of its 50% shareholding in each of the US and Canadian entities, that operate as the Meridian Brick joint venture. This resulted in a net gain of $13.2 million. Refer to note 6.1 for further information.

(iii) Meridian Brick joint venture integration costs

Following formation of the Meridian Brick joint venture, restructuring and integration costs of $8.4 million were incurred, reflecting plant rationalisation, integration of back office functions and an organisational restructure, in order to achieve targeted synergies and streamline the organisation for optimal performance.

(iv) Headwaters acquisition and integration costs

Costs of $63.2 million were incurred in relation to the acquisition of Headwaters Incorporated, related to various due diligence costs, success fees paid to advisers, and certain change in control payments to Headwaters executives.

Following the acquisition of Headwaters, $11.7 million of costs have been incurred on the initial integration of the business. The costs to date predominantly relate to redundancies, employee incentives implemented by Headwaters, and consultant fees supporting the integration. Additional costs are anticipated in 2018 and 2019.

(v) Impairment of West Coast bricks

Deteriorating market conditions in Western Australia and our ongoing review of the West Coast bricks business has resulted in an impairment of assets during the period. A fair value less costs to sell methodology was used to determine the recoverable amount of the West Coast bricks business, leading to an impairment of $20.4 million.

(vi) Adjustment to disposal of Thailand Construction Materials

This relates to additional costs attributable to the finalisation of working capital adjustments from the sale of the Thailand Construction Materials' business in December 2012.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 2: Business performance (continued)

2.6 Significant items (continued)

2016 Significant items

	Note	Non-current receivable impairment (i) $m	Finalisation of tax matters (ii) $m	Other (iii) $m	Total $m
Summary of significant items from continuing operations					
Loss before interest and tax	2.2	(50.5)	-	-	(50.5)
Income tax benefit		5.6	28.9	-	34.5
Net significant items from continuing operations		(44.9)	28.9	-	(16.0)
Summary of significant items from discontinued operations					
Profit before interest and tax	6.1	-	-	4.0	4.0
Income tax benefit		-	-	-	-
Net significant items from discontinued operations		-	-	4.0	4.0
Summary of significant items					
Profit/(loss) before interest and tax		(50.5)	-	4.0	(46.5)
Income tax benefit		5.6	28.9	-	34.5
Net significant items		(44.9)	28.9	4.0	(12.0)

(i) Non-current receivable impairment

A carrying value assessment of the USG Boral earnout receivable recorded on commencement of the Gypsum Joint Venture concluded that, due primarily to the deterioration of Australian and Asian currencies against the US dollar, the recoverability of the earnout was no longer probable. An impairment of A$50.5 million was recorded to fully impair the receivable at 30 June 2016.

(ii) Finalisation of tax matters

The Group finalised a number of outstanding tax matters during 2016. This led to a tax benefit of A$28.9 million being recorded.

(iii) Other

Relates to additional proceeds attributable to final working capital adjustments from the sale of the Indonesia Construction Materials' business in 2012.

Asset impairment by account	2017 $m	2016 $m
Property, plant and equipment	**(20.4)**	-
Receivables	**-**	(50.5)
	(20.4)	(50.5)

Summary of significant items before interest and tax by segment	2017 $m	2016 $m
Boral Australia	**(20.4)**	-
Boral North America	**(83.3)**	-
Discontinued Operations	**38.5**	4.0
Unallocated	**-**	(50.5)
	(65.2)	(46.5)

2.7 Notes to Statement of Cash Flows

	2017 $m	2016 $m
(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 at bank and on hand	**155.2**	124.1
Bank short-term deposits	**82.6**	328.0
	237.8	452.1
The bank short-term deposits mature within 90 days and pay interest at a weighted average interest rate of 2.13% (2016: 2.27%).		
(ii) Reconciliation of net profit to net cash provided by operating activities:		
Net profit	**296.9**	256.0
Adjustments for non-cash items:		
Depreciation and amortisation	**260.0**	246.6
Discount unwinding	**2.5**	2.7
Gain on sale of assets and businesses	**(49.5)**	(27.3)
Impairment of assets, businesses and restructuring costs	**49.6**	50.5
Share-based payment expense	**11.3**	14.7
Non-cash equity income	**(3.5)**	(15.2)
Net cash provided by operating activities before change in assets and liabilities	**567.3**	528.0
Changes in assets and liabilities net of effects from acquisitions/disposals		
Receivables	**(125.9)**	50.1
Inventories	**2.2**	(6.4)
Payables	**(47.4)**	(23.1)
Provisions	**29.7**	(18.0)
Current and deferred taxes	**5.3**	(37.2)
Other	**(17.9)**	(15.9)
Net cash provided by operating activities	**413.3**	477.5
(iii) Restructure, acquisition and integration costs		
During the year, the Group incurred costs associated with:		
Acquisition costs	**(82.0)**	-
Integration costs	**(11.7)**	-
Restructure costs	**(23.2)**	(34.5)
	(116.9)	(34.5)

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 3: Operating assets and liabilities

This section provides information relating to the operating assets and liabilities of the Group. Boral is committed to maintaining a strong Balance Sheet through continued focus on cash conversion. The Group's strategy also considers expenditure, growth and acquisition requirements.

3.1 Receivables

Trade and other receivables are initially recognised at the value of the invoice issued to the customer and subsequently at the amount considered recoverable from the customer (amortised cost using the effective interest rate method).

	2017 $m	2016 $m
Current		
Trade receivables	**866.3**	589.1
Associated entities	**2.5**	0.1
	868.8	589.2
Less: Allowance for impairment	**(17.9)**	(12.4)
	850.9	576.8
Other receivables	**22.8**	47.2
Less: Allowance for impairment	**(0.1)**	(0.1)
	22.7	47.1
	873.6	623.9

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 $97.9 million (2016: $46.7 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:

Trade receivables - past due 0 - 60 days	**80.3**	44.8
Trade receivables - past due > 60 days	**17.6**	1.9

Total bad and doubtful debts expense for the period amounts to $2.5 million (2016: $1.1 million).

Significant accounting judgements, estimates and assumptions

The Group has considered the collectability and recoverability of trade receivables. An allowance for doubtful debts has been made for the estimated irrecoverable trade receivable amounts arising from the past rendering of services, determined by reference to past default experience.

Non-current

Loans to associated entities	**16.5**	14.6
Other receivables	**13.9**	1.4
	30.4	16.0

No amounts owing by associates or included in other receivables were past due as at 30 June 2017.

3.2 Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

For land development projects, cost includes the cost of acquisition, development and holding costs during development. Costs incurred after completion of development are expensed as incurred.

	2017 $m	2016 $m
Current		
Raw materials and consumable stores	**182.0**	158.4
Work in progress	**47.3**	50.1
Finished goods	**376.5**	335.7
Land development projects	**0.8**	12.7
	606.6	556.9
Non-current		
Land development projects	**13.1**	12.6
Land development projects comprises:		
Cost of acquisition	**2.3**	3.6
Development costs capitalised	**11.6**	21.7
	13.9	25.3

3.3 Property, plant and equipment

Owned assets

The value of property, plant and equipment is measured as the cost of the asset, minus accumulated depreciation and impairment losses (see note 3.5). The cost of the asset is the consideration paid plus incidental costs directly attributable to the acquisition.

The value of self-constructed assets includes the cost of material and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Subsequent costs in relation to replacing a part of property, plant and equipment are capitalised in the carrying amount of the item if it is probable that future economic benefits will flow to Boral and its cost can be measured reliably. All other costs are recognised in the Income Statement as incurred.

Depreciation

Depreciation is calculated to expense the cost of items of property, plant and equipment (excluding freehold land) less their estimated residual values on a straight-line basis over their estimated useful lives.

Depreciation is recognised in the Income Statement from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Quarry stripping assets are amortised over the expected life of the identified resources using the units of production method.

Depreciation rates and methods, useful lives and residual values are reviewed at each balance sheet date. When changes are made, adjustments are reflected prospectively in current and future financial years only.

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

	2017	2016
Buildings	**1 – 10%**	1 – 10%
Mineral reserves and licences	**1 – 5%**	1 – 5%
Plant and equipment	**5 – 33.3%**	5 – 33.3%

Significant accounting judgements, estimates and assumptions

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.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 3: Operating assets and liabilities (continued)

3.3 Property, plant and equipment (continued)

Reconciliation of movements in property, plant and equipment

	Land and buildings		Mineral reserves, licences and quarry stripping		Plant and equipment		Total	
	2017 $m	2016 $m	2017 $m	2016 $m	2017 $m	2016 $m	2017 $m	2016 $m
Balance at the beginning of the year	**895.4**	893.3	**172.6**	163.2	**1,449.7**	1,391.9	**2,517.7**	2,448.4
Additions	**0.9**	0.4	**6.2**	7.4	**329.3**	312.5	**336.4**	320.3
Disposals	**(10.1)**	(14.1)	**-**	-	**(6.4)**	(14.5)	**(16.5)**	(28.6)
Acquisitions of entities or operations	**138.0**	-	**-**	-	**299.8**	-	**437.8**	-
Disposals of entities or operations	**(117.1)**	-	**(5.8)**	-	**(105.9)**	-	**(228.8)**	-
Transferred (to)/from other property, plant and equipment	**44.3**	24.8	**10.1**	14.9	**(54.4)**	(39.7)	**-**	-
Impairment disclosed as significant items	**(12.7)**	-	**-**	-	**(7.7)**	-	**(20.4)**	-
Transfer (to)/from other assets or liabilities	**-**	-	**-**	6.8	**7.9**	(2.7)	**7.9**	4.1
Depreciation or amortisation expense	**(17.9)**	(17.0)	**(21.2)**	(20.4)	**(205.9)**	(206.0)	**(245.0)**	(243.4)
Net foreign currency exchange differences	**(14.3)**	8.0	**(1.0)**	0.7	**(18.1)**	8.2	**(33.4)**	16.9
Balance at the end of the year	**906.5**	895.4	**160.9**	172.6	**1,688.3**	1,449.7	**2,755.7**	2,517.7

At cost	**1,095.6**	1,086.6	**320.1**	310.8	**4,217.2**	4,179.1	**5,632.9**	5,576.5
Less: Accumulated depreciation, amortisation and impairment	**(189.1)**	(191.2)	**(159.2)**	(138.2)	**(2,528.9)**	(2,729.4)	**(2,877.2)**	(3,058.8)
Balance at the end of the year	**906.5**	895.4	**160.9**	172.6	**1,688.3**	1,449.7	**2,755.7**	2,517.7

Operating leases

Payments made under operating leases are expensed on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property. Minimum lease payments include fixed rate increases.

Total operating lease rental charges for the year is $72.2 million (2016: $73.9 million).

3.4 Intangible assets

Goodwill

All business combinations are accounted for by applying the acquisition method. 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 tested annually for impairment.

Other intangible assets

Other intangible assets, comprising trade names, fly ash contracts, customer relationships, intellectual property and patents, are acquired individually or through business combinations and are stated at cost less accumulated amortisation and impairment losses.

Amortisation

Amortisation is calculated to expense the cost of the intangible asset less its estimated residual values on a straight-line basis over their estimated useful lives. Where appropriate, other intangible assets are amortised from the date that they are available for use at rates from 5% to 20%.

The estimated useful lives for each class of intangible asset are as follows:

	Trade names	Intellectual property	Fly ash contracts	Customer relationships	Patents	Other
Estimated useful lives – years	20 to Indefinite	15	10 – 20	5 – 20	6 – 19	5 – 17

The estimated useful lives in relation to recently acquired intangibles from the Headwaters acquisition are preliminary, subject to finalisation of the purchase price accounting exercise presently underway.

Amortisation is recognised in the Income Statement from the date the assets are available for use unless their lives are indefinite.

Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment annually.

Significant accounting judgements, estimates and assumptions

Judgements are made with respect to identifying, valuing, and estimating useful lives of intangible assets on acquisition of new businesses.

	2017 $m	2016 $m
Goodwill	**2,274.9**	213.1
Other intangible assets	**970.5**	44.0
Less: Accumulated amortisation	**(36.8)**	(22.4)
	933.7	21.6
Total	**3,208.6**	234.7
Reconciliation of movements in goodwill		
Balance at the beginning of the year	**213.1**	208.6
Acquisitions of entities or operations	**2,257.4**	-
Disposal of entities or operations	**(106.7)**	-
Net foreign currency exchange differences	**(88.9)**	4.5
Balance at the end of the year	**2,274.9**	213.1

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 3: Operating assets and liabilities (continued)

3.4 Intangible assets (continued)

Reconciliation of movements in other intangible assets

As at 30 June 2017	Trade names $m	Intellectual property $m	Fly ash contracts $m	Customer relationships $m	Patents $m	Other $m	Total $m
Balance at the beginning of the year	9.9	-	-	-	5.3	6.4	21.6
Additions	-	-	-	-	-	3.7	3.7
Acquisitions of entities or operations	145.6	12.6	372.4	418.9	4.2	5.6	959.3
Amortisation expense	(1.1)	(0.1)	(5.4)	(4.1)	(0.7)	(3.6)	(15.0)
Net foreign currency exchange differences	(5.7)	(0.5)	(14.0)	(15.8)	(0.3)	0.4	(35.9)
Balance at the end of the year	148.7	12.0	353.0	399.0	8.5	12.5	933.7
At cost	153.4	12.1	358.3	403.1	12.5	31.1	970.5
Less: Accumulated amortisation	(4.7)	(0.1)	(5.3)	(4.1)	(4.0)	(18.6)	(36.8)
Balance at the end of the year	148.7	12.0	353.0	399.0	8.5	12.5	933.7

As at 30 June 2016	Trade names $m	Intellectual property $m	Fly ash contracts $m	Customer relationships $m	Patents $m	Other $m	Total $m
Balance at the beginning of the year	10.5	-	-	-	5.7	2.3	18.5
Additions	-	-	-	-	-	3.5	3.5
Australian carbon credit units	-	-	-	-	-	(0.4)	(0.4)
Amortisation expense	(0.7)	-	-	-	(0.9)	(1.6)	(3.2)
Transfer from other assets	-	-	-	-	-	2.7	2.7
Net foreign currency exchange differences	0.1	-	-	-	0.5	(0.1)	0.5
Balance at the end of the year	9.9	-	-	-	5.3	6.4	21.6
At cost	13.7	-	-	-	8.7	21.6	44.0
Less: Accumulated amortisation	(3.8)	-	-	-	(3.4)	(15.2)	(22.4)
Balance at the end of the year	9.9	-	-	-	5.3	6.4	21.6

3.5 Carrying value assessment

Boral annually tests goodwill and other intangible assets with indefinite useful lives for impairment. Other non-financial assets, with the exception of inventories (see note 3.2) and deferred tax assets (see note 5.2), are tested if there is any indication of impairment or if there is any indication that an impairment loss recognised in a prior period may no longer exist or may have decreased.

An asset that does not generate independent cash flows and its individual value in use cannot be estimated is tested for impairment as part of a cash generating unit (CGU).

An impairment loss is recognised in the Income Statement when the carrying amount of an asset or CGU exceeds its recoverable amount. The asset's recoverable amount is estimated based on the higher of its value in use and fair value less costs to sell.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

Significant accounting judgements, estimates and assumptions

Management is required to make significant estimates and judgements in determining whether the carrying amount of non-financial assets has any indication of impairment, in particular in relation to:

- *the forecasting of future cash flows* – these are based on the Group's latest approved forecasts and reflect expectations of sales growth, operating costs, margin, capital expenditure and cash flows, based on past experience and management's expectation of future market changes, taking into account external forecasts.
- *discount rates applied to those cash flows* – pre-tax discount rates used are the weighted average cost of capital determined by current market inputs and adjusted for the risks specific to the asset or CGU.
- *the expected long-term growth rates* – cash flows beyond the forecast period are extrapolated using estimated growth rates. The growth rates are based on the long-term performance of each CGU in their respective market.

Such estimates and judgements are subject to change as a result of changing economic and operational conditions. Actual cash flows may therefore differ from forecasts and could result in changes in the recognition of impairment charges in future periods.

Impairment testing for cash generating units containing goodwill

For the purposes of 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 CGU are as follows:

	2017 $m	2016 $m
Headwaters	**2,171.5**	-
US bricks	**-**	109.0
Other[1]	**103.4**	104.1
	2,274.9	213.1

1. Relates to multiple business units, none of which are considered individually significant.

Headwaters

Goodwill of $2,171.5 million is recorded at 30 June 2017 with respect to the acquisition of Headwaters Incorporated which completed on 8 May 2017. The recoverable amount of the CGU is supported on a fair value less costs to sell basis with reference to the market price paid to acquire the business. No indicators of impairment have arisen since the acquisition date.

Key goodwill considerations, including the allocation and final value of goodwill are subject to a purchase price accounting exercise which will be finalised during financial year 2018.

Impairment testing for other cash generating units

The recoverable amount of other CGUs has been reviewed and exceed their carrying values as at 30 June 2017. No reasonable changes in the key assumptions on which the estimates have been based for these businesses would cause the carrying amount to exceed the recoverable amount, nor have similar key assumptions been used in determining the recoverable amount.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 3: Operating assets and liabilities (continued)

3.6 Provisions

A provision is recognised in the Balance Sheet when:

- Boral has a present obligation (legal or constructive) as a result of a past event;
- a reliable estimate can be made of the amount of the obligation; and
- it is probable that an outflow of economic benefits will be required to settle the obligation.

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 the risk specific to the liability.

Provision	Description	Significant accounting judgements, estimates and assumptions
Rationalisation and restructuring	Provisions for rationalisation and restructuring are recognised when the Group has a detailed formal plan identifying the business or part of the business concerned, the location and approximate number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the restructuring has either commenced or been publicly announced. Costs related to ongoing activities are not provided for.	Future costs associated with the restructuring and the expected time period.
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.	Likelihood of settling customer and insurance claims.
Restoration and environmental rehabilitation	The restoration and environmental rehabilitation provisions comprise mainly: • make-good provisions included in lease agreements for which the Group has a legal or constructive obligation; • restoration and decommissioning costs associated with environmental risks. At a number of sites, there are areas of restoration and environmental rehabilitation required of areas from which natural resources are extracted. The provision includes costs associated with the clean-up of sites the Group owns, or contamination that the Group caused, to enable ongoing use of the land as an industrial property or development to a higher value end use, and costs associated with the decommissioning, removal or repair of sites.	Future costs associated with dismantling and removing assets and restoring sites to their original condition, requiring assumptions on closure dates, application of environmental legislation, available technologies, regulatory requirements, expected future use of the site and consultant cost estimates.
Other	Other primarily includes provision for onerous contracts. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the obligations under the contract. The provision is measured as the lower of the cost of fulfilling the contract and any compensation or penalties arising from the failure to fulfil it and is recognised only in respect of the onerous element of the contract.	Profitability assessment of contracts.

3.6 Provisions (continued)

As at 30 June 2017	Rationalisation and restructuring $m	Claims $m	Restoration and environmental rehabilitation $m	Other $m	Total $m
Reconciliations					
Balance at the beginning of the year	**11.6**	**9.8**	**60.9**	**34.9**	**117.2**
Provisions made during the year	**-**	**(2.1)**	**3.9**	**4.6**	**6.4**
Unwind of discount	**-**	**-**	**1.8**	**0.7**	**2.5**
Increase through acquisition	**-**	**56.6**	**38.7**	**11.0**	**106.3**
Payments made during the year	**(9.5)**	**(0.4)**	**(3.0)**	**(4.8)**	**(17.7)**
Net foreign currency exchange differences	**-**	**(1.9)**	**(1.3)**	**(0.5)**	**(3.7)**
Balance at the end of the year	**2.1**	**62.0**	**101.0**	**45.9**	**211.0**
Current	**2.1**	**15.6**	**16.6**	**19.2**	**53.5**
Non-current	**-**	**46.4**	**84.4**	**26.7**	**157.5**
Total	**2.1**	**62.0**	**101.0**	**45.9**	**211.0**

As at 30 June 2016	Rationalisation and restructuring $m	Claims $m	Restoration and environmental rehabilitation $m	Other $m	Total $m
Reconciliations					
Balance at the beginning of the year	11.2	11.9	68.3	40.8	132.2
Provisions made during the year	12.7	-	-	3.0	15.7
Unwind of discount	-	-	1.8	0.9	2.7
Payments made during the year	(12.4)	(2.2)	(9.2)	(9.8)	(33.6)
Net foreign currency exchange differences	0.1	0.1	-	-	0.2
Balance at the end of the year	11.6	9.8	60.9	34.9	117.2
Current	11.6	8.3	16.5	21.8	58.2
Non-current	-	1.5	44.4	13.1	59.0
Total	11.6	9.8	60.9	34.9	117.2

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 4: Capital and financial structure

This section provides information relating to the Group's capital structure and its exposure to financial risks, how they affect the Group's financial position and performance, and how the risks are managed.

The capital structure of the Group consists of debt and equity. The Directors determine the appropriate capital structure of Boral, specifically how much is raised from shareholders (equity) and how much is borrowed from financial institutions (debt) in order to finance the current and future activities of the Group. The Directors review the Group's capital structure and dividend policy regularly and do so in the context of the Group's ability to continue as a going concern, to invest in opportunities that grow the business and enhance shareholder value.

This section also provides information around the Group's risk management policies and how Boral uses derivatives to hedge the underlying exposure to changes in interest rates, foreign exchange rate fluctuations and commodity prices.

4.1 Loans and borrowings

Loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequently, loans and borrowings are stated at amortised cost, with any difference between amortised cost and redemption value being recognised in the Income Statement over the period of the borrowings on an effective interest rate basis.

	2017 $m	2016 $m
Current		
Other loans – unsecured	**398.3**	351.1
Finance lease liabilities	**9.1**	1.3
	407.4	352.4
Non-current		
Other loans – unsecured	**2,157.2**	990.0
Finance lease liabilities	**6.5**	2.8
	2,163.7	992.8
Total	**2,571.1**	1,345.2

Term and debt repayment schedule
Terms and conditions of outstanding loans were as follows:

				30 June 2017		30 June 2016	
	Currency	Effective interest rate 2017	Calendar year of maturity	Carrying amount $m	Fair value $m	Carrying amount $m	Fair value $m
Current							
US senior notes – unsecured	USD	7.12%	2018	**398.3**	**411.7**	351.0	355.2
Other loans – unsecured	USD	-	-	**-**	**-**	0.1	0.1
Finance lease liabilities	AUD	5.90%	2017 - 2018	**9.1**	**9.1**	1.3	1.3
				407.4	**420.8**	352.4	356.6
Non-current							
US senior notes – unsecured	USD	4.95%	2018 - 2030	**355.4**	**365.3**	784.6	810.9
CHF notes – unsecured	CHF	2.25%	2020	**203.2**	**212.6**	205.4	220.8
Acquisition loan facility – unsecured	USD	2.07%	2018	**1,237.0**	**1,237.0**	-	-
Syndicated loan facility – unsecured	Multi	2.90%	2021	**361.6**	**361.6**	-	-
Finance lease liabilities	AUD	5.91%	2018 - 2022	**6.5**	**6.5**	2.8	2.8
				2,163.7	**2,183.0**	992.8	1,034.5
Total				**2,571.1**	**2,603.8**	1,345.2	1,391.1

4.1 Loans and borrowings (continued)

US SENIOR NOTES – UNSECURED

Borrower	Notional amount US$m	Issue date	Interest rate	Maturity date	AUD equivalent $m
Boral USA	30.0	04/2008	7.12%	04/2018	39.0
Boral USA	76.2	04/2008	7.22%	04/2020	99.3
Boral Limited	276.0	04/2008	7.12%	04/2018	359.3
Boral Limited	135.0	05/2015	4.01%	05/2025	173.1
Boral Limited	41.0	05/2015	4.16%	05/2027	52.5
Boral Limited	24.0	03/2015	4.31%	03/2030	30.5
Total	**582.2**				**753.7**

CHF NOTES – UNSECURED

Borrower	Notional amount CHF $m	Issue date	Interest rate	Maturity date	AUD equivalent $m
Boral Limited	**150.0**	02/2013	2.25%	02/2020	**203.2**

BANK FACILITIES

Syndicated loan facility

On 25 August 2016, the Group increased its existing multi-currency syndicated loan facility from US$400 million to US$750 million, and extended the maturity date to 1 July 2021. The facility was drawn down A$290.0 million and US$55.0 million as at 30 June 2017.

Acquisition loan facility

The Group entered into a new committed US$1.2 billion syndicated loan facility upon the announcement of the Headwaters Incorporated acquisition. The maturity date of the facility is 8 November 2018, being 18 months following the date of completion of the acquisition. The facility was drawn down US$950.0 million as at 30 June 2017.

Bank overdraft, lease liabilities and other

The Group operates unsecured bank overdraft facility arrangements in Australia and USA that have combined limits of A$19.0 million (2016: A$20.0 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 are subject to lease terms of various maturities.

For the above named facilities, the Group has complied with the respective borrowing covenants throughout the year ended 30 June 2017.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 4: Capital and financial structure (continued)

4.2 Financial risk management

Boral's Treasury function provides 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.

Derivative financial 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. Any gains or losses arising from changes in fair value of derivatives, except those that qualify as effective hedges, are immediately recognised in the Income Statement.

Fair value hedge
Fair value hedges are used to hedge exposure to changes in the fair value of recognised assets, liabilities or firm commitments. Changes in the fair value of derivatives, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk, are immediately recognised in the Income Statement.

Cash flow hedge
Cash flow hedges are used to hedge risks associated with highly probable forecast transactions. For cash flow hedges, changes in the fair value of the derivative are recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts deferred in equity are transferred to the Income Statement in the periods the hedged item is recognised in profit or loss. When the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously deferred in equity are transferred to form part of the initial cost and carrying amount of the asset or liability.

If a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is immediately recognised in the Income Statement. If the hedging instrument expires or is sold, terminated, or no longer qualifies for hedge accounting, any gain or loss deferred in equity remains in equity until the forecast transaction occurs.

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
The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. The ISDA agreements do not meet the criteria for offsetting in the Balance Sheet. Accordingly, derivatives have been disclosed on a gross basis on the Balance Sheet.

CREDIT RISK
Credit risk is the risk of loss if a counterparty fails to fulfil their obligations under a financial instrument contract. The Group is exposed to credit risk arising from financing activities including cash at bank, trade and other receivables and other financial instruments.

Management has a counterparty credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis.

Exposure to credit risk
Credit risk relating to cash at bank and derivative contracts is minimised by using financial counterparties that have a long-term credit rating equal to or greater than BBB+/Baa3 although allowance is given for credit exposures up to A$100.0 million with financial counterparties with a rating below BBB+/Baa3.

For information on the management of credit risk relating to trade and other receivables, see note 3.1.

No more than 40% of Boral's total credit exposure is to be with any individual eligible counterparty.

4.2 Financial risk management (continued)

CREDIT RISK (continued)

The following table indicates the Group's maximum credit exposure from non-derivative financial assets.

	Carrying amount 2017 $m	Carrying amount 2016 $m
Non-derivative financial assets		
Loans to and receivables from associates	**19.0**	14.7
Trade and other receivables	**885.0**	625.2
Cash at bank, on hand and bank short-term deposits	**237.8**	452.1
Equity securities	**29.5**	15.3
	1,171.3	1,107.3

The following table indicates the Group's maximum credit exposure for derivative financial assets, the periods in which the cash flows associated with derivative financial assets are expected to occur and the impact on profit or loss:

30 June 2017	Carrying amount $m	Fair value $m	Contractual cash flows $m	6 months or less $m	6-12 months $m	1-2 years $m	2-5 years $m	More than 5 years $m
Derivative financial assets								
Forward exchange contracts[1]	**1.0**	**1.0**	**1.0**	**0.9**	**-**	**0.1**	**-**	**-**
Interest rate swaps[2]	**2.3**	**2.3**	**2.2**	**-**	**-**	**0.2**	**2.0**	**-**
Commodity swaps[1]	**2.8**	**2.8**	**2.9**	**2.3**	**0.5**	**0.1**	**-**	**-**
	6.1	**6.1**	**6.1**	**3.2**	**0.5**	**0.4**	**2.0**	**-**

30 June 2016	Carrying amount $m	Fair value $m	Contractual cash flows $m	6 months or less $m	6-12 months $m	1-2 years $m	2-5 years $m	More than 5 years $m
Derivative financial assets								
Forward exchange contracts[1]	0.1	0.1	0.1	0.1	-	-	-	-
Interest rate swaps[2]	7.7	7.7	7.8	(1.4)	1.3	2.5	5.4	-
Commodity swaps[1]	1.2	1.2	1.2	1.2	(0.1)	0.1	-	-
Cross currency swaps[2]	17.7	17.7	17.7	-	17.7	-	-	-
	26.7	26.7	26.8	(0.1)	18.9	2.6	5.4	-

1. Designated as cash flow hedges.
2. Designated as fair value hedges.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 4: Capital and financial structure (continued)

4.2 Financial risk management (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 liquidity risk by ensuring that:

(a) Boral has a well spread debt facility maturity profile with a target of exceeding 3.5 years;
(b) Current debt less cash deposits, is not to exceed 20% of the sum of Total Debt plus Committed Undrawn Facilities > 1 year;
(c) Committed Undrawn Facilities plus cash exceeds A$500 million.

30 June 2017	Carrying amount $m	Contractual cash flows $m	6 months or less $m	6-12 months $m	1-2 years $m	2-5 years $m	More than 5 years $m
Non-derivative financial liabilities							
US senior notes – unsecured	**753.7**	**(894.8)**	**(13.9)**	**(421.6)**	**(17.7)**	**(138.2)**	**(303.4)**
CHF notes – unsecured	**203.2**	**(215.7)**	**-**	**(2.9)**	**(4.6)**	**(208.2)**	**-**
Acquisition loan facility – unsecured	**1,237.0**	**(1,237.0)**	**-**	**-**	**(1,237.0)**	**-**	**-**
Syndicated loan facility – unsecured	**361.6**	**(361.6)**	**-**	**-**	**-**	**(361.6)**	**-**
Finance lease liabilities	**15.6**	**(15.8)**	**(4.6)**	**(4.7)**	**(5.4)**	**(1.1)**	**-**
Trade creditors	**812.4**	**(812.4)**	**(812.4)**	**-**	**-**	**-**	**-**
	3,383.5	**(3,537.3)**	**(830.9)**	**(429.2)**	**(1,264.7)**	**(709.1)**	**(303.4)**
Derivative financial liabilities							
Forward exchange contracts[1]	**8.7**	**(8.7)**	**(8.2)**	**(0.5)**	**-**	**-**	**-**
Commodity swaps[1]	**3.0**	**(3.1)**	**(2.3)**	**(0.4)**	**(0.3)**	**(0.1)**	**-**
Cross currency swaps[1,2]	**13.3**	**(13.6)**	**(2.9)**	**0.2**	**(4.0)**	**(6.9)**	**-**
Interest rate swaps[3]	**1.3**	**(1.3)**	**(1.7)**	**0.4**	**-**	**-**	**-**
	26.3	**(26.7)**	**(15.1)**	**(0.3)**	**(4.3)**	**(7.0)**	**-**
	3,409.8	**(3,564.0)**	**(846.0)**	**(429.5)**	**(1,269.0)**	**(716.1)**	**(303.4)**

30 June 2016	Carrying amount $m	Contractual cash flows $m	6 months or less $m	6-12 months $m	1-2 years $m	2-5 years $m	More than 5 years $m
Non-derivative financial liabilities							
US senior notes – unsecured	1,135.6	(1,330.5)	(21.6)	(374.7)	(459.4)	(150.3)	(324.5)
CHF notes – unsecured	205.4	(222.7)	-	(2.9)	(4.6)	(215.2)	-
Other loans – unsecured	0.1	(0.1)	-	(0.1)	-	-	-
Finance lease liabilities	4.1	(4.0)	(0.5)	(0.7)	(1.3)	(1.5)	-
Trade creditors	607.9	(607.9)	(607.9)	-	-	-	-
	1,953.1	(2,165.2)	(630.0)	(378.4)	(465.3)	(367.0)	(324.5)
Derivative financial liabilities							
Forward exchange contracts[1]	0.8	(0.8)	(0.8)	-	-	-	-
Commodity swaps[1]	4.5	(4.5)	(3.8)	(0.7)	-	-	-
Cross currency swaps[1,2]	20.8	(22.0)	(3.0)	0.1	(4.4)	(14.7)	-
Cross currency swaps[1]	0.3	(0.3)	(0.2)	(0.1)	-	-	-
	26.4	(27.6)	(7.8)	(0.7)	(4.4)	(14.7)	-
	1,979.5	(2,192.8)	(637.8)	(379.1)	(469.7)	(381.7)	(324.5)

1. Designated as cash flow hedges.
2. Designated as natural investment hedges.
3. Designated as fair value hedges.

4.2 Financial risk management (continued)

FOREIGN CURRENCY RISK

The Group is exposed to fluctuations in foreign currency as a result of purchase of raw materials, interest expenses related to non-Australian dollar borrowings, imported plant and equipment, some export-related receivables and the translation of its investments in overseas assets.

The Group manages this risk by adopting the following policies:

(a) All global operational foreign exchange 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 greater than A$0.5 million must be 100% hedged at the time of capital expenditure approval.

(c) Net investments, including net intercompany loans, in overseas domiciled investments are hedged, where regulatory conditions and available hedge instruments permit.

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.

(i) Translation risk

Foreign currency translation risk is the risk that upon consolidation for financial reporting the value of the Group's investment in foreign domiciled entities will fluctuate due to changes in foreign currency rates.

The Group uses foreign currency denominated borrowings and cross currency swaps to hedge the Group's net investment in overseas domiciled assets. The related exchange gains/losses on foreign currency movements are taken to the Foreign Currency Translation Reserve.

The table below shows the Group's net exposure to translation risk. The Group's investment in foreign operations is partially offset against foreign currency borrowings, reducing the Group's overall exposure to translation risk. Amounts below are calculated based on notional amounts:

	USD	CAD	Euro	GBP	Multi[1]
Currency	Notional A$ equivalent ($m)[2]				
30 June 2017					
Balance sheet					
Net investment in overseas domiciled entities	**4,214.8**	**121.9**	**1.8**	**(1.9)**	**625.0**
Cash	**63.7**	**-**	**-**	**-**	**-**
Foreign currency borrowings	**(2,077.9)**	**-**	**-**	**-**	**-**
	2,200.6	**121.9**	**1.8**	**(1.9)**	**625.0**

	USD	CAD	Euro	GBP	Multi[1]
Currency	Notional A$ equivalent ($m)[2]				
30 June 2016					
Balance sheet					
Net investment in overseas domiciled entities	940.3	-	1.7	(2.0)	642.0
Cash	10.0	-	-	-	-
Foreign currency borrowings	(1,147.8)	-	-	-	-
Cross currency swaps	278.9	-	-	-	-
	81.4	-	1.7	(2.0)	642.0

1. Exposure relates to investment in USG Boral Building Products Pte Ltd, which is denominated in multiple Asian currencies.
2. The notional amount shows the principal face value for each instrument.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 4: Capital and financial structure (continued)

4.2 Financial risk management (continued)

FOREIGN CURRENCY RISK (continued)

(ii) Transaction risk

Foreign currency transaction risk is the risk that the value of financial commitments, recognised monetary assets or liabilities or cash flows will fluctuate due to changes in foreign currency rates.

The Group's foreign currency transaction risk is managed through the use of forward exchange contract derivatives. A forward exchange contract is an agreement between two parties to exchange two currencies at a given exchange rate at some point in the future with the aim of mitigating foreign currency transaction risk.

Based on notional amounts, the forward exchange contracts taken out to hedge foreign exchange transactional risk at balance date were as follows:

	Notional amount AUD[1]		Average exchange rate	
	2017 $m	2016 $m	2017	2016
US dollars				
Buy USD/sell AUD – One year or less	**282.0**	38.7	**0.7447**	0.7280
Euros				
Buy EUR/sell AUD – One year or less	**15.5**	11.9	**0.7017**	0.6620

1. The notional amount shows the principal face value for each instrument.

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. There was no significant cash flow hedge ineffectiveness in the current or prior year.

As at balance date, most of the Group's US senior notes interest payables were hedged using forward exchange contracts.
The unhedged foreign currency payables and receivables were nil at 30 June 2017 (2016: nil). The related exchange gains/losses on foreign currency movements are taken to the Income Statement.

Sensitivity

At 30 June 2017, 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$0.2 million (2016: equivalent A$0.3 million) and equity would have increased/decreased respectively by around equivalent A$228.8 million (2016: equivalent A$10.6 million).

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2017	2016	2017	2016
USD	**0.7536**	0.7270	**0.7680**	0.7432
Euro	**0.6897**	0.6572	**0.6725**	0.6692
GBP	**0.5932**	0.4948	**0.5900**	0.5532
CAD	**1.0032**	-	**0.9959**	-

4.2 Financial risk management (continued)

INTEREST RATE RISK

Interest rate risk is the risk that the Group is impacted by significant changes in interest rates. Borrowings issued at or swapped to floating rates expose the Group to interest rate risk.

Interest rate swaps and cross currency swaps have been transacted to assist with achieving an appropriate mix of fixed and floating interest rate borrowings. All interest rate derivative instruments mature progressively over the next six years, with the duration applicable to the interest rate and cross currency swaps consistent with maturities applicable to the underlying borrowings.

The Group adopts a policy that ensures a minimum of 35% and a maximum of 75% of its long-term borrowings are fixed interest rate borrowings. The use 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.

The acquisition loan facility is short-term in nature and is excluded from this policy requirement until it is refinanced with long-term debt.

Borrowings are held at amortised cost, meaning that the borrowing's effective rate of interest is charged as a finance cost to the Income Statement (not the interest paid in cash) and changes in market rates of interest are ignored. Whilst generally close, the carrying value at amortised cost may be different to the principal face value.

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was:

	2017 Carrying amount $m	2017 Notional amount[4] $m	2016 Carrying amount $m	2016 Notional amount[4] $m
Fixed rate instruments				
US senior notes – unsecured[1]	**753.7**	**758.1**	1,135.6	1,124.5
CHF notes – unsecured[2,3]	**203.2**	**203.6**	205.4	206.0
Other loans – unsecured	**-**	**-**	0.1	0.1
Finance lease liabilities	**15.6**	**15.6**	4.1	4.1
	972.5	**977.3**	1,345.2	1,334.7
Variable rate instruments				
Acquisition loan facility – unsecured	**1,237.0**	**1,237.0**	-	-
Syndicated loan facility – unsecured	**361.6**	**361.6**	-	-
	1,598.6	**1,598.6**	-	-
	2,571.1	**2,575.9**	1,345.2	1,334.7
Pay variable interest rate derivatives				
Interest rate swap pay floating US$ LIBOR[3]	**13.3**	**221.1**	(7.7)	228.5
Cross currency swap pay floating A$ BBSW[1]	**-**	**-**	(17.4)	278.9
	13.3	**221.1**	(25.1)	507.4
Other interest rate derivatives				
Cross currency swap pay fixed US$/ receive fixed CHF[2]	**(0.8)**	**203.2**	20.9	205.4
	(0.8)	**203.2**	20.9	205.4

1. In the prior year, US$200 million (equivalent A$278.9 million) fixed rate senior notes were swapped to AUD floating rates via cross currency swaps. The borrowing was repaid in May 2017, at which time the cross currency swaps also matured.
2. CHF150 million (equivalent A$203.2 million) fixed rate notes due February 2020 have been swapped to USD fixed rate via cross currency swaps.
3. US$169.8 million (equivalent A$221.1 million) fixed rate notes due February 2020 have been swapped to USD floating rate via interest rate swaps.
4. The notional amount shows the principal face value for each instrument.

Sensitivity

At 30 June 2017, 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$0.1 million higher/lower (2016: A$0.3 million) and the change in equity would have been A$0.3 million (2016: A$0.5 million) mainly as a result of a higher/lower interest cost applying to interest rate derivatives.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 4: Capital and financial structure (continued)

4.2 Financial risk management (continued)

COMMODITY PRICE RISK

Commodity price risk is the risk that the Group is exposed to fluctuations in commodity prices from the purchase of diesel, natural gas, electricity and coal purchases under variable price contract arrangements. The Group uses commodity swaps to hedge these exposures.

The Group's policy is to hedge a minimum of 50% of purchases of diesel for the Australian business, for a period of six months. Other global commodity exposures may be hedged at the discretion of the Group. The maximum hedging levels are:

- 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.

Commodities hedging activities

The notional and fair value of commodity derivative instruments at year end is as follows:

	2017 Notional $A equivalent[1] $m	2017 Fair value/ Carrying amount $m	2016 Notional $A equivalent[1] $m	2016 Fair value/ Carrying amount $m
Singapore gasoil 0.05%	**22.8**	**(1.3)**	30.8	(4.3)
Natural gas (NYMEX)	**7.5**	**-**	7.1	(0.2)
Newcastle Coal	**0.6**	**0.1**	-	-
Electricity	**17.4**	**1.1**	11.8	1.2

1. The notional amount shows the principal face value for each instrument.

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 a $0.1 million gain in 2017 (2016: $0.3 million loss).

Sensitivity

At 30 June 2017, 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 (2016: unchanged) and the change in equity would have been A$4.6 million (2016: A$4.4 million).

FAIR VALUE

The fair value of all financial instruments approximates its carrying value. The following describes the methodology adopted to derive fair values:

Financial instrument	Valuation method	Carried at fair value?
Commodity swaps and options	The fair value is based on a valuation calculation using closing commodity market prices.	Yes
Forward exchange contracts and cross currency swaps	The fair value is based on a valuation calculation using market derived spot and forward rates applicable to the respective currency.	Yes
Interest rate swaps	The fair value is calculated from the present value of expected future cash flows for each instrument. The expected future cash flows are derived from yield curves constructed from market sources reflecting their term to maturity.	Yes
Cash, deposits, loans and receivables, payables and short-term borrowings	The carrying value approximates fair value due to the short-term nature of these assets and liabilities.	No
Long-term borrowings	Loans and borrowings are recognised initially at fair value less attributable transaction costs. Fair value on inception reflects the present value of expected cash flows using interest rates derived from market sources reflecting their term to maturity. Subsequently, loans and borrowings are stated at amortised cost, with any difference between amortised cost and redemption value being recognised in the Income Statement over the period of the borrowings on an effective interest rate basis.	No
Equity securities	The fair value represents the market value of the underlying securities.	Yes

4.2 Financial risk management (continued)

INTEREST RATES USED FOR DETERMINING FAIR VALUE

Where appropriate, the Group uses BBSW, LIBOR and Treasury Bond yield curves as of 30 June 2017 plus an adequate credit spread to discount financial instruments. The interest rates used are as follows:

	2017 % pa	2016 % pa
Derivatives	**2.00 – 3.20**	2.30 – 3.00
Interest bearing loans and borrowings	**2.25 – 7.12**	2.25 – 7.12
Finance leases	**5.64 – 6.09**	5.64 – 6.09

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 following table presents the Group's financial assets and liabilities that are measured at Level 1 and Level 2 fair value:

	Level 1		Level 2	
	2017 $m	2016 $m	2017 $m	2016 $m
Assets				
Equity securities	**29.5**	15.3	**-**	-
Derivative financial assets	**-**	-	**6.1**	26.7
Total assets	**29.5**	15.3	**6.1**	26.7
Liabilities				
Derivative financial liabilities	**-**	-	**26.3**	26.4
Total liabilities	**-**	-	**26.3**	26.4

The Group does not have financial instruments that have been valued at Level 3.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 4: Capital and financial structure (continued)

4.3 Issued capital

Ordinary shares issued are classified as equity and are fully paid, have no par value and carry one vote per share and the right to dividends. Incremental costs directly attributable to the issue of new shares or the exercise of options are recognised as a deduction from equity, net of any related income tax effects.

Where the Group purchases the Company's own equity instruments, as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. The amount of the consideration paid, including directly attributable costs, is recognised as a deduction from contributed equity, net of any related income tax effects.

During the year, the Group undertook an equity raising of $2,018.9 million net of transaction costs of $38.9 million. The equity raising consisted of a 1 for 2.22 pro rata accelerated renounceable entitlement offer at an offer price of $4.80 per share. The capital raising resulted in the issue of 93,750,000 ordinary shares under the Institutional Placement, 233,648,069 ordinary shares under the Institutional Entitlement Offer and 101,334,418 ordinary shares under the Retail Entitlement Offer.

In the prior year, the Company completed the buy-back of 20,641,950 shares, at an average price of $5.59. This is part of the Company's on-market share buy-back program which commenced on 18 March 2015 and completed on 22 September 2015. The total consideration for shares bought back on market during the buy-back period is $231.4 million, at an average price of $5.91. The consideration paid was allocated to share capital.

In the event of a winding up of Boral Limited, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

	2017 $m	2016 $m
Issued and paid up capital		
1,172,331,924 (2016: 743,599,437) ordinary shares, fully paid	**4,265.1**	2,246.2
Movements in ordinary issued capital		
Balance at the beginning of the year	**2,246.2**	2,361.6
428,732,487 (30 Jun 2016: Nil) shares issued under capital raising net of costs	**2,018.9**	-
Nil (30 Jun 2016: 20,641,950) on-market share buy-back	**-**	(115.4)
Balance at the end of the year	**4,265.1**	2,246.2

4.4 Reserves

Foreign currency translation reserve (FCTR)

Exchange differences arising on translation of foreign operations are recognised in FCTR, together with foreign exchange differences from the translation of liabilities that hedge the Group's net investment in a foreign operation. Gains or losses accumulated in equity are recognised in the Income Statement when a foreign operation is disposed of.

	2017 $m	2016 $m
Balance at the beginning of the year	**98.5**	97.4
Net (loss)/gain on translation of assets and liabilities of overseas entities	**(101.3)**	20.4
Foreign currency translation reserve transferred to net profit on disposal of controlled entities	**(24.5)**	-
Net gain/(loss) on translation of long-term borrowings and foreign currency forward contracts net of tax expense $0.5 million (2016: $8.1 million tax benefit)	**1.4**	(19.3)
Balance at the end of the year	**(25.9)**	98.5

Hedging reserve

The hedging reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge relationship.

Balance at the beginning of the year	**(3.9)**	1.5
Transferred to the Income Statement	**4.8**	0.2
Transferred to initial carrying amount of hedged item	**0.1**	0.2
Loss taken directly to equity	**(2.3)**	(8.1)
Tax (expense)/benefit	**(0.8)**	2.3
Balance at the end of the year	**(2.1)**	(3.9)

Other reserve

The other reserve relates to gains or losses arising from step-acquisitions of controlled entities, including our share of gains or losses from equity accounted investments. At 30 June 2017, Boral transferred this reserve into retained earnings.

Balance at the beginning of the year	**(6.9)**	(6.9)
Acquisition of non-controlling interest by associate	**(5.8)**	-
Transfer to retained earnings	**12.7**	-
Balance at the end of the year	**-**	(6.9)

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options and rights recognised as an expense.

Balance at the beginning of the year	**74.3**	74.2
Option/rights expense	**11.3**	14.7
Share acquisition rights vested	**(38.3)**	(14.6)
Balance at the end of the year	**47.3**	74.3
Total reserves	**19.3**	162.0

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 5: Taxation

This section provides the information that is most relevant to understanding the taxation treatment by the Group during the financial year.

Boral Limited and its wholly owned Australian controlled entities are part of a tax consolidated group. As a consequence, all members of the tax consolidated group are taxed as a single entity. The head entity within the tax consolidated group is Boral Limited.

5.1 Income tax expense

Income tax expense includes current and deferred tax. Current and deferred tax are recognised in the Income Statement except to the extent that they relate to items recognised directly in other comprehensive income or equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Significant accounting judgements, estimates and assumptions
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.

5.1 Income tax expense (continued)

For the year ended 30 June	Note	2017 $m	2016 $m
(i) Income tax expense			
Current income tax expense		**76.2**	15.5
Deferred income tax expense/(benefit)		**(26.6)**	19.4
Changes in estimate from prior years		**(2.5)**	(2.7)
Income tax expense attributable to profit		**47.1**	32.2
(ii) Reconciliation of income tax expense to prima facie tax			
Income tax expense on profit:			
– at Australian tax rate 30% (2016: 30%)		**103.2**	86.5
– adjustment for difference between Australian and overseas tax rates		**(3.4)**	4.3
Income tax expense on pre-tax profit at standard rates		**99.8**	90.8
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:			
Non-deductible depreciation and amortisation		**0.4**	(0.4)
Capital and income tax losses realised		**(20.4)**	(2.5)
Non-deductible asset impairments and write-downs		**6.1**	-
Share of associates' net profit (excluding significant items)		**(28.5)**	(27.3)
Tax benefit arising from share acquisition rights vested		**(11.5)**	(4.4)
Finalisation of tax matters	2.6	**-**	(28.9)
Non-deductible significant items and other items		**3.7**	7.6
Income tax expense on profit		**49.6**	34.9
Changes in estimate from prior years		**(2.5)**	(2.7)
Income tax expense attributable to profit		**47.1**	32.2
Income tax expense/(benefit) from continuing operations			
Income tax expense excluding significant items		**66.7**	70.1
Income tax benefit relating to significant items	2.6	**(15.3)**	(34.5)
		51.4	35.6
Income tax benefit from discontinued operations			
Income tax benefit excluding significant items		**(0.2)**	(3.4)
Income tax benefit relating to significant items	2.6	**(4.1)**	-
	6.1	**(4.3)**	(3.4)
		47.1	32.2
(iii) Tax amounts recognised directly in equity			
The following deferred tax amounts were charged/(credited) directly to equity during the year in respect of:			
Net exchange differences taken to equity		**0.5**	(8.1)
Fair value adjustment on cash flow hedges		**0.8**	(2.3)
Recognised in comprehensive income		**1.3**	(10.4)

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 5: Taxation (continued)

5.2 Deferred tax assets and liabilities

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting and taxation purposes.

The measurement of deferred tax mirrors the tax consequences that the Group expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced if it is no longer probable that the related tax benefit will be realised.

Significant accounting judgements, estimates and assumptions
The assumptions regarding future realisation, and the recognition of deferred tax assets, may change due to future operating performance and other factors.

	2017 $m	2016 $m
Recognised deferred tax balances		
Deferred tax asset	**128.4**	237.4
Unrecognised deferred tax assets		
The potential deferred tax asset has not been taken into account in respect of tax losses where recovery is not probable	**136.8**	134.7

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	2017 $m	2016 $m
Australia[1]	No restriction	**39.2**	-
Germany	No restriction	**46.0**	46.2
United Kingdom[1]	No restriction	**39.4**	42.0
United States of America	30 June 2029 - 30 June 2037	**268.6**	295.6

1. Unbooked capital losses.

5.2 Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year

As at 30 June 2017	Balance at the beginning of the year $m	Recognised in income $m	Recognised in equity $m	Other movements[1] $m	Balance at the end of the year $m
Receivables	**3.3**	**(0.9)**	**-**	**1.3**	**3.7**
Inventories	**(3.5)**	**8.4**	**-**	**(4.9)**	**-**
Property, plant and equipment	**(79.9)**	**37.5**	**-**	**(59.4)**	**(101.8)**
Intangible assets	**(37.6)**	**(0.7)**	**-**	**(201.2)**	**(239.5)**
Payables	**2.6**	**5.2**	**-**	**0.2**	**8.0**
Loans and borrowings	**(5.5)**	**(3.4)**	**(1.3)**	**-**	**(10.2)**
Provisions	**88.3**	**(29.4)**	**-**	**69.2**	**128.1**
Other	**(4.5)**	**(12.4)**	**-**	**(24.0)**	**(40.9)**
Unrealised foreign exchange	**11.6**	**15.4**	**-**	**-**	**27.0**
Tax losses carried forward	**262.6**	**6.9**	**-**	**84.5**	**354.0**
	237.4	**26.6**	**(1.3)**	**(134.3)**	**128.4**

As at 30 June 2016	Balance at the beginning of the year $m	Recognised in income $m	Recognised in equity $m	Other movements $m	Balance at the end of the year $m
Receivables	3.5	(0.2)	-	-	3.3
Inventories	(5.5)	2.0	-	-	(3.5)
Property, plant and equipment	(68.3)	(9.6)	-	(2.0)	(79.9)
Intangible assets	(35.4)	(0.7)	-	(1.5)	(37.6)
Payables	2.9	(0.3)	-	-	2.6
Loans and borrowings	(4.1)	(3.7)	2.3	-	(5.5)
Provisions	92.3	(1.2)	-	(2.8)	88.3
Other	(13.4)	8.6	-	0.3	(4.5)
Unrealised foreign exchange	7.2	(3.7)	8.1	-	11.6
Tax losses carried forward	264.4	(10.6)	-	8.8	262.6
	243.6	(19.4)	10.4	2.8	237.4

1. Other movements include adjustments in relation to the Headwaters acquisition, specifically fair value adjustments in relation to property, plant and equipment, intangible assets and provisions.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 6: Group structure

This section explains significant aspects of Boral's group structure, including equity accounted investments that the Group has interest in, its controlled entities and how changes have affected the Group structure. When applicable, it also provides information on business acquisitions and disposals made during the financial year.

6.1 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. An operation would be classified as held for sale if the carrying value of the assets of the operation will be principally recovered through a sale transaction rather than continuing use. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as discontinued, the comparative Income Statement is restated as if the operation had been discontinued from the start of the comparative period.

During the year, the Group completed the following divestments on 31 October 2016.

- the divestment of its 40% interest in the Boral CSR bricks joint venture; and
- the divestment of a 50% interest in its US bricks operations.

As a result, the earnings in the current and prior year comparative periods for these respective businesses have been reclassified to "Discontinued Operations" in the Income Statement.

In addition, there were various significant items in relation to discontinued operations. Refer to note 2.6 for further information.

	Note	2017 $m	2016 $m
Results of discontinued operations			
Revenue		**130.5**	366.0
Expenses		**(131.0)**	(374.6)
Share of equity accounted income		**5.0**	11.7
Trading profit before significant items, net financing costs and income tax		**4.5**	3.1
Net profit on sale of discontinued operations	2.6	**38.5**	4.0
Profit before net financing costs and income tax		**43.0**	7.1
Net financing costs		**-**	-
Profit before income tax		**43.0**	7.1
Income tax benefit	5.1	**4.3**	3.4
Net profit		**47.3**	10.5
Cash flows from discontinued operations			
Net cash provided by/(used in) operating activities		**(8.5)**	20.8
Net cash provided by/(used in) investing activities		**120.3**	(15.4)
Net cash provided by discontinued operations		**111.8**	5.4

6.1 Discontinued operations (continued)

Effect of disposal on the financial position of the Group

(i) Meridian Brick joint venture

During August 2016, the Group entered into an agreement with an affiliate of Forterra Inc. ("Forterra"), to combine its US bricks business with Forterra's US and Canadian businesses into two 50/50 owned joint ventures, which together operate as the Meridian Brick joint venture. The transaction was completed on 31 October 2016.

For the period 1 July 2016 to 31 October 2016, the Group held a 100% interest in its US bricks operations, and the results were consolidated into the Group's financial report. On formation of the Meridian Brick joint venture, Boral:

- deconsolidated its existing US bricks business; and
- recognised an equity accounted investment in respect of its 50% shareholding in each of the US and Canadian entities.

No cash consideration was included, with the exception of working capital adjustments.

The following disposal entries were recorded in the current period.

	Note	2017 $m	2016 $m
Estimated fair value of 50% interest in new joint venture		**409.0**	-
Receivables		**(40.7)**	-
Inventories		**(76.1)**	-
Property, plant and equipment		**(228.8)**	-
Intangible assets		**(106.7)**	-
Other assets		**(1.0)**	-
Payables		**33.4**	-
Provisions		**3.3**	-
Net assets disposed		**(416.6)**	-
Costs incurred net of working capital adjustments		**(3.7)**	-
Foreign currency translation reserve transferred to net profit on disposal of controlled entities		**24.5**	-
Profit on disposal of discontinued operations before income tax	2.6	**13.2**	-

(ii) Disposal of Boral CSR bricks joint venture

On 31 October 2016, the Group disposed of its 40% interest in the Boral CSR bricks joint venture. The following disposal entries were recorded in the period.

	Note	2017 $m	2016 $m
Cash consideration net of costs		**126.2**	-
Equity accounted investment disposed		**(90.4)**	-
Profit on disposal of discontinued operations before income tax	2.6	**35.8**	-

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 6: Group structure (continued)

6.2 Equity accounted investments

The Group's investment in its equity accounted investments is initially recorded at cost and subsequently accounted for using the equity method. The carrying amount of the investment is adjusted to recognise changes in the Group's interest in the net assets of the investees. Dividends received from the investees are recognised as a reduction in the carrying amount of the investment. Goodwill relating to the investees is included in the carrying amount of the investment and is not tested for impairment individually.

The Group's share of the results of the investees is reported in the Income Statement and its share of movements in other comprehensive income is recognised in other comprehensive income.

When the Group's share of losses from an equity accounted investment exceed the Group's investment, the losses are initially taken against any long-term receivables relating to the equity accounted investment. 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.

				OWNERSHIP INTEREST		INVESTMENT CARRYING AMOUNT	
Name	Principal activity	Country of incorporation	Balance date	2017 %	2016 %	2017 $m	2016 $m
Details of equity accounted investments							
Bitumen Importers Australia Pty Ltd	Bitumen importer	Australia	30-Jun	**50**	50	**6.0**	1.6
Boral CSR Bricks Pty Limited[1]	Bricks	Australia	31-Mar	**-**	40	**-**	88.9
Caribbean Roof Tile Company Limited	Roof tiles	Trinidad	31-Dec	**50**	50	**-**	-
Flyash Australia Pty Ltd	Fly ash collection	Australia	31-Dec	**50**	50	**3.0**	2.6
Highland Pine Products Pty Ltd	Timber	Australia	30-Jun	**50**	50	**-**	-
Meridian Brick[2]	Bricks	USA/ Canada	30-Jun	**50**	-	**402.8**	-
Penrith Lakes Development Corporation Ltd	Property development	Australia	30-Jun	**40**	40	**-**	-
South East Asphalt Pty Ltd	Asphalt	Australia	30-Jun	**50**	50	**1.1**	0.7
Sunstate Cement Ltd	Cement manufacturer	Australia	30-Jun	**50**	50	**9.7**	9.7
USG Boral Building Products[3]	Plasterboard	Australia/ Singapore	30-Jun	**50**	50	**931.1**	951.1
US Tile LLC	Roof tiles	USA	31-Dec	**50**	50	**-**	-
TOTAL						**1,353.7**	1,054.6

1. On 31 October 2016, the Group divested its interest in Boral CSR Bricks Pty Limited.
2. The Group has a 50% interest in the new joint ventures in the USA (Meridian Brick LLC) and Canada (Meridian Brick Canada Ltd). The results were equity accounted from 1 November 2016 when the joint venture was formed.
3. The Group has a has a 50% interest in the Gypsum joint ventures in Australia (USG Boral Building Products Pty Ltd) and Asia (USG Boral Building Products Pte Ltd).

6.2 Equity accounted investments (continued)

	Note	2017 $m	2016 $m
Movements in carrying value of equity accounted investments			
Balance at the beginning of the year		**1,054.6**	1,048.1
Acquired during the year		**411.2**	-
Disposed during the year		**(90.4)**	-
Acquisition of non-controlling interest by associate		**(5.8)**	-
Share of equity accounted income		**99.8**	91.1
Integration costs disclosed as significant item	2.6	**(8.4)**	-
Dividends received		**(87.9)**	(75.9)
Results recognised against losses previously taken to non-current receivables		**(5.1)**	(2.5)
Share of movement in currency reserve		**5.0**	(26.4)
Net foreign currency exchange differences		**(19.3)**	21.9
Other		**-**	(1.7)
Balance at the end of the year		**1,353.7**	1,054.6

		USG Boral Building Products		Meridian Brick		Total	
	Note	2017 $m	2016 $m	2017 $m	2016 $m	2017 $m	2016 $m
Summarised Income Statement at 100%							
Revenue		**1,477.7**	1,397.1	**373.9**	-	**2,133.6**	1,678.8
Profit/(loss) before income tax		**216.9**	174.8	**(1.4)**	-	**289.7**	235.0
Income tax expense		**(72.2)**	(49.6)	**(0.3)**	-	**(91.8)**	(67.8)
Non-controlling interest		**(5.8)**	(7.1)	**-**	-	**(5.8)**	(7.1)
Net profit/(loss) before significant items		**138.9**	118.1	**(1.7)**	-	**192.1**	160.1
Integration costs disclosed as significant item net of tax		**-**	-	**(16.8)**	-	**(16.8)**	-
Net profit/(loss) – equity accounted relating to continuing operations		**138.9**	118.1	**(18.5)**	-	**175.3**	160.1
The Group's share based on % ownership:							
Net profit/(loss) before significant items		**69.5**	59.0	**(0.9)**	-	**94.8**	79.4
Integration costs disclosed as significant item net of tax	2.6	**-**	-	**(8.4)**	-	**(8.4)**	-
Net profit/(loss) – equity accounted relating to continuing operations		**69.5**	59.0	**(9.3)**	-	**86.4**	79.4
Depreciation and amortisation		**(67.3)**	(72.2)	**(16.8)**	-		
Net financing costs		**0.3**	(3.7)	**(0.7)**	-		

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 6: Group structure (continued)

6.2 Equity accounted investments (continued)

	USG Boral Building Products		Meridian Brick		Total	
	2017 $m	2016 $m	2017 $m	2016 $m	2017 $m	2016 $m
Summarised Balance Sheet at 100%						
Current assets	**518.5**	534.1	**207.4**	-	**809.1**	723.0
Non-current assets	**1,717.3**	1,882.4	**705.9**	-	**2,549.8**	2,186.0
Total assets	**2,235.8**	2,416.5	**913.3**	-	**3,358.9**	2,909.0
Current liabilities	**(183.7)**	(246.5)	**(99.1)**	-	**(326.1)**	(333.7)
Non-current liabilities	**(59.6)**	(113.7)	**(8.5)**	-	**(194.8)**	(267.6)
Total liabilities	**(243.3)**	(360.2)	**(107.6)**	-	**(520.9)**	(601.3)
Non-controlling interest	**(130.4)**	(154.0)	**-**	-	**(130.4)**	(154.0)
Net assets	**1,862.1**	1,902.3	**805.7**	-	**2,707.6**	2,153.7
The Group's share of net assets based on % ownership	**931.1**	951.1	**402.8**	-	**1,353.7**	1,054.6
Cash and cash equivalents	**146.5**	173.7	**11.6**	-		
Current financial liabilities	**(22.3)**	(11.2)	**(37.7)**	-		
Non-current financial liabilities	**(17.8)**	(56.1)	**-**	-		

6.3 Acquisitions

Business combinations are accounted for using the acquisition method. Identifiable assets, liabilities and contingent liabilities acquired are measured at fair value at the acquisition date.

The fair value of the consideration transferred comprises the initial cash paid to the sellers and an estimate for any future payments the Group may be liable to pay, based on future performance of the business. The excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the fair value of the net identifiable assets acquired is goodwill.

On the acquisition of a subsidiary, or of an interest in an associate or joint venture, fair values are attributed to the net assets including identifiable intangible assets and contingent liabilities acquired.

The non-controlling interests on the date of acquisition can be measured at either fair value or at the non-controlling shareholders' proportion of the net fair value of the identifiable assets assumed. This choice is made separately for each acquisition. Transactions with non-controlling interests are recorded directly in retained earnings.

Significant accounting judgements, estimates and assumptions

Accounting for acquisition of businesses requires judgement and estimates in determining the fair value of acquired assets and liabilities. Techniques used to determine the fair value of acquired assets and liabilities include the excess earnings approach and relief from royalty for the valuation of intangibles, and depreciated replacement cost for the valuation of property, plant and equipment. The relevant accounting standard allows the fair value of assets acquired to be refined for a window of one year after the acquisition date, and judgement is required to ensure that the adjustments made reflect new information obtained about facts and circumstances that existed as of the acquisition date. The adjustments made on fair value of assets are retrospective in nature and have an impact on goodwill recognised on acquisition.

6.3 Acquisitions (continued)

The following controlled entity was acquired during the financial year ended 30 June 2017:

Headwaters Incorporated acquisition

During November 2016, the Group announced that it had entered into a binding agreement to acquire 100% of the shares of Headwaters Incorporated. The acquisition completed on 8 May 2017. The acquisition positions Boral with a more balanced portfolio of traditional and light weight products with strengthened ability to grow in large, contestable US markets and through innovation.

The acquisition had the following effect on the Group's assets and liabilities:

	2017 $m	2016 $m
Consideration transferred		
Cash paid – purchase price	**3,611.6**	-
Non-controlling interest	**25.0**	-
Less: Fair value of net identifiable assets acquired	**(1,379.2)**	-
Preliminary goodwill on acquisition	**2,257.4**	-

Acquisition-related costs of $63.2 million are included in other expenses in the Income Statement, and $82.0 million of cash payments associated with acquisition-related costs are included in operating cash flows in the Statement of Cash Flows.

The below represents a proforma consolidated Income Statement for Boral Limited for the 12 months to 30 June 2017, assuming an acquisition date for Headwaters of 1 July 2016. The proforma financial statements have been prepared on the basis of reported results for the year, adjusted for:

- acquisition costs incurred with respect to the Headwaters acquisition;
- the estimated impact of purchase price accounting on financial performance for the year; and
- alignment of accounting policies between Boral and Headwaters.

	Consolidated 1 July to 30 June 2017 $m
Revenue	**5,481.9**
Cost of sales and operating expenses	**(5,059.3)**
	422.6
Other income	**35.2**
Other expenses	**(46.3)**
Results of equity accounted investments	**86.4**
Profit before net financing costs and income tax	**497.9**
Net financing costs	**(100.4)**
Profit before income tax	**397.5**
Income tax expense	**(76.0)**
Profit from continuing operations	**321.5**
Profit from discontinued operations (net of income tax)	**47.2**
Net profit	**368.7**
Depreciation and amortisation	**(388.4)**

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 6: Group structure (continued)

6.3 Acquisitions (continued)

Headwaters Incorporated acquisition (continued)

The table below represents the preliminary fair value of net identifiable assets acquired, based on the purchase price accounting exercise performed to date. This exercise is in progress, and further adjustments are expected as this exercise is finalised, with any revisions to be reflected as an adjustment to goodwill up to 12 months following the acquisition date of 8 May 2017.

The purchase price accounting exercise is ongoing due to the inherent complexity in determining the fair value of certain balances, particularly intangible assets, tax balances and provisions.

Preliminary fair value of net identifiable assets acquired	$m
CURRENT ASSETS	
Cash and cash equivalents	**74.8**
Receivables	**190.2**
Inventories	**139.4**
Other assets	**23.8**
NON-CURRENT ASSETS	
Receivables	**13.9**
Financial assets	**11.2**
Property, plant and equipment	**437.8**
Intangible assets	**959.3**
Other assets	**18.1**
CURRENT LIABILITIES	
Trade creditors	**(209.3)**
Loans and borrowings	**(8.3)**
Provisions	**(16.4)**
NON-CURRENT LIABILITIES	
Payables	**(6.8)**
Loans and borrowings	**(5.5)**
Deferred tax liabilities	**(137.8)**
Employee benefit liabilities	**(11.2)**
Provisions	**(94.0)**
Net identifiable assets acquired	**1,379.2**

The amounts recognised on acquisition above represent provisional assessment of the fair values of assets and liabilities acquired.

During the period from 8 May 2017 to 30 June 2017, Headwaters has contributed revenue of $258.6 million and earnings before interest and tax of $27.9 million to the Group's Income Statement. If this business acquisition had taken place at 1 July 2016, additional revenue of $1,224.1 million and earnings before interest and tax of $97.3 million would have been recorded in Boral's Income Statement.

Preliminary goodwill on acquisition of $2,257.4 million represents the difference in consideration paid and identifiable fair value of the net assets acquired, and reflects the synergies and economies of scale expected from combining the operations of Boral and Headwaters, benefits from the diversification of market exposures in North America, and transforming the North American business to a more flexible, variable cost structure with lower capital intensity. The goodwill is not tax deductible.

Acquisition of 20% non-controlling interest in Entegra

On 31 May 2017, Boral acquired the 20% non-controlling interest in Entegra Holdings LLC, that was included in the acquisition of Headwaters Incorporated, for consideration of $24.9 million.

6.4 Controlled entities

The consolidated financial statements include Boral Limited (parent entity) and the following wholly owned subsidiaries, unless stated otherwise, in the table below.

	Country of incorporation	Beneficial ownership by Group 2017 %	Beneficial ownership by Group 2016 %
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
MJI (Thailand) Ltd	Thailand	**100**	100
Boral Concrete (Thailand) 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, L.L.C.	USA	**100**	100
BCM Oklahoma LLC	USA	**100**	100
McCanne Ditch and Reservoir Company	USA	**100**	100
Boral Industries Inc.	USA	**100**	100
Boral Lifetile Inc.	USA	**100**	100
Boral Roofing de Mexico, S. de R.L. de C.V.	Mexico	**100**	100
Boral Concrete Tile Inc.	USA	**100**	100
Boral Roofing LLC	USA	**100**	100
Tile Service Company LLC	USA	**100**	100
E.U.M. Tejas De Concreto Servicios, S. DE R.L. DE C.V.	Mexico	**100**	100
Boral Bricks Inc.	USA	**-**	100
Dennis Brick Distributors	USA	**-**	50
Boral Composites Inc.	USA	**100**	100
Boral Material Technologies LLC	USA	**100**	100
Boral Stone Products LLC	USA	**100**	100
Boral IP Holdings LLC	USA	**100**	100
Headwaters Incorporated **	USA	**100**	-
Headwaters Synfuel Investments, LLC **	USA	**100**	-
Global Climate Reserve Corporation **	USA	**100**	-
Headwaters Technology Innovation Group Inc. **	USA	**100**	-
Headwaters Heavy Oil, LLC **	USA	**100**	-
Headwaters Windows, LLC **	USA	**100**	-
Magnolia Windows & Doors, LLC **	USA	**100**	-
Evonik Headwaters LLP **	UK	**100**	-
Tapco International Corporation **	USA	**100**	-
Tapco Europe Limited **	UK	**100**	-
Headwaters Building Products Inc. **	USA	**100**	-
Headwaters Concrete Products Louisiana, LLC **	USA	**100**	-
Headwaters Concrete Products, LLC **	USA	**100**	-
Headwaters Stone LLC **	USA	**100**	-
Eldorado Stone LLC **	USA	**100**	-
Stonecraft Manufacturing, LLC **	USA	**100**	-
Eldorado Stone Operations, LLC **	USA	**100**	-

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 6: Group structure (continued)

6.4 Controlled entities (continued)

	Country of incorporation	Beneficial ownership by Group 2017 %	Beneficial ownership by Group 2016 %
Eldorado Stone Philippines, Inc. **	Philippines	**100**	-
Chihuahua Stone, LLC **	USA	**100**	-
Piedras Headwaters, S. DE R.L. DE C.V. **	Mexico	**100**	-
Quarry Stone, LLC **	USA	**100**	-
Dutch Quality Stone, Inc. **	USA	**100**	-
Headwaters CM Holdings, LLC **	USA	**100**	-
Headwaters CM Services, LLC **	USA	**100**	-
Headwaters Construction Materials, LLC **	USA	**100**	-
Headwaters Plant Services, LLC **	USA	**100**	-
Headwaters Services, LLC **	USA	**100**	-
Headwaters Resources, LLC **	USA	**100**	-
FlexCrete Building Systems, LLC **	USA	**100**	-
Synthetic Materials, LLC **	USA	**100**	-
Headwaters Resources Limited **	Canada	**100**	-
Headwaters Energy Services Corp. **	USA	**100**	-
Environmental Technologies Group, LLC **	USA	**100**	-
Headwaters Clean Carbon Services LLC **	USA	**100**	-
Headwaters Ethanol Operators, LLC **	USA	**100**	-
Headwaters CTL, LLC **	USA	**100**	-
HES Ethanol Holdings, LLC **	USA	**100**	-
American Lignite Energy, LLC **	USA	**67**	-
Covol Fuels Alabama No. 3, LLC **	USA	**100**	-
Covol Fuels Alabama No. 4, LLC **	USA	**100**	-
Covol Fuels Alabama No. 5, LLC **	USA	**100**	-
Covol Fuels Alabama No. 7, LLC **	USA	**100**	-
Covol Fuels Chinook, LLC **	USA	**100**	-
Covol Fuels Rock Crusher, LLC **	USA	**100**	-
Covol Engineered Fuels, LLC **	USA	**100**	-
Covol Fuels No.2, LLC **	USA	**100**	-
Covol Fuels No.4, LLC **	USA	**100**	-
Covol Fuels No.5, LLC **	USA	**100**	-
Entegra Holdings, LLC **	USA	**100**	-
Entegra Roof Tile, LLC **	USA	**100**	-
Entegra Roof Tile Inc. –Deerfield **	USA	**100**	-
Gerard Roof Products, LLC **	USA	**100**	-
Allmet Roof Products, Ltd **	Canada	**100**	-
Metrotile Manufacturing, LLC **	USA	**100**	-
Boral (UK) Ltd	UK	**100**	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 Canada Ltd +	Canada	**100**	-

6.4 Controlled entities (continued)

	Country of incorporation	Beneficial ownership by Group 2017 %	Beneficial ownership by Group 2016 %
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**	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
Bayview Pty Ltd*	Australia	**100**	100
Dandenong Quarries Pty Ltd*	Australia	**100**	100
Boral Insurance Pty Ltd	Australia	**100**	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
Boral Hollostone Masonry (South Aust) Pty Ltd >*	Australia	**100**	100
Boral Montoro Pty Ltd >*	Australia	**100**	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**	100
Boral Finance Pty Ltd + >*	Australia	**100**	-

> Granted relief by the Australian Securities and Investments Commission from specified accounting requirements in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (refer to note 8.7).
* Entered into cross guarantee with Boral Limited (refer to note 8.7).
** Acquired in May 2017.
\+ Incorporated during the year.
< A Delaware general partnership.

All the shares held by Boral Limited in controlled entities are ordinary shares.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 7: Employee benefits

This section provides a breakdown of the various programs Boral uses to reward and recognise employees and key executives, including Key Management Personnel (KMP). Boral believes that these programs reinforce the value of ownership and incentives and drive performance both individually and collectively to deliver better returns to shareholders.

7.1 Employee liabilities

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date, is measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for long service leave are measured as the present value of estimated future payments for the services provided by employees up to the reporting date. Liabilities which are not expected to be settled within 12 months are discounted at the reporting date using market yields of high quality corporate bonds or government bonds for countries where there is no deep market for corporate bonds. The rates used reflect the terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

	2017 $m	2016 $m
Employee liabilities		
Current	**115.5**	118.8
Non-current	**44.4**	11.3
	159.9	130.1

7.2 Employee benefits expense

Employee benefits expense includes salaries and wages, defined contribution expenses, share-based payments and other entitlements.

	2017 $m	2016 $m
Employee benefits expense[1]	**945.4**	891.3

1. Total defined contribution expense for the period was $47.7 million (2016: $41.6 million).

7.3 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, and amortised over the expected vesting period with a corresponding increase in equity. The amount recognised is adjusted to reflect the actual number of rights that vest, except for those that fail to vest due to market conditions not being achieved.

Significant accounting judgements, estimates and assumptions

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.

7.3 Share-based payments (continued)

Share Acquisition Rights (SAR)

During the current year, SARs were issued under the Boral Equity Plan Rules. SARs issued with a Total Shareholder Return (TSR) hurdle were valued at $3.53 per right, while SARs with a Return on Funds Employed (ROFE) target were valued at $5.97 per right.

The following represents the inputs to the pricing model used in estimating fair value:

	2017	2016
Grant date share price	**$6.64**	$5.76
Risk-free rate	**1.41%**	1.78%
Dividend yield	**3.63%**	3.56%
Volatility factor	**25%**	25%

In addition, SARs were issued during the year for Deferred Short-Term Incentive (STI) – representing the deferral of 20% of short-term incentive payments into equity, subject to a vesting requirement for the employee to remain with the Company for two years following grant date. The rights were valued at $6.74 per right, being the volume weighted average price traded on the ASX over the five trading days following the release of the FY2016 full year results.

Further details of the terms and conditions of the issue of rights are contained in the Remuneration Report.

Set out below are summaries of share acquisition rights granted under the plans.

Rights	Grant date	Expiry date	Exercise price	Balance at beginning of the year	Issued during the year	Cancelled during the year	Vested and exercised during the year	Balance at end of the year
				Number	Number	Number	Number	Number
Consolidated – 2017								
TSR	**5/11/2009**	**5/11/2016**	**$0.00**	**1,224,423**	**-**	**(1,224,423)**	**-**	**-**
TSR	**12/11/2010**	**12/11/2017**	**$0.00**	**1,415,343**	**-**	**(9,241)**	**-**	**1,406,102**
TSR	**1/9/2011**	**1/9/2018**	**$0.00**	**2,544,057**	**-**	**(126,007)**	**(1,706,555)**	**711,495**
TSR	**1/9/2013**	**1/9/2016**	**$0.00**	**2,379,807**	**-**	**(99,809)**	**(2,279,998)**	**-**
ROFE	**1/9/2013**	**1/9/2016**	**$0.00**	**1,189,903**	**-**	**(49,952)**	**(1,139,951)**	**-**
TSR	**1/9/2014**	**1/9/2017**	**$0.00**	**1,780,477**	**-**	**(70,667)**	**-**	**1,709,810**
ROFE	**1/9/2014**	**1/9/2017**	**$0.00**	**890,239**	**-**	**(35,320)**	**-**	**854,919**
Deferred STI	**1/9/2014**	**1/9/2016**	**$0.00**	**563,657**	**-**	**-**	**(563,657)**	**-**
TSR	**1/9/2015**	**1/9/2018**	**$0.00**	**1,912,538**	**-**	**(95,523)**	**-**	**1,817,015**
ROFE	**1/9/2015**	**1/9/2018**	**$0.00**	**956,270**	**-**	**(47,770)**	**-**	**908,500**
TRI[1]	**1/9/2015**	**1/9/2018**	**$0.00**	**427,463**	**-**	**-**	**-**	**427,463**
Deferred STI	**1/9/2015**	**1/9/2017**	**$0.00**	**834,987**	**-**	**(36,164)**	**-**	**798,823**
TSR	**1/9/2016**	**1/9/2019**	**$0.00**	**-**	**1,615,865**	**(17,241)**	**-**	**1,598,624**
ROFE	**1/9/2016**	**1/9/2019**	**$0.00**	**-**	**807,901**	**(8,621)**	**-**	**799,280**
Deferred STI	**1/9/2016**	**1/9/2019**	**$0.00**	**-**	**685,946**	**(12,912)**	**-**	**673,034**
				16,119,164	**3,109,712**	**(1,833,650)**	**(5,690,161)**	**11,705,065**

1. Targeted retention incentive.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 7: Employee benefits (continued)

7.3 Share-based payments (continued)

Share Acquisition Rights (SAR) (continued)

Rights	Grant date	Expiry date	Exercise price	Balance at beginning of the year	Issued during the year	Cancelled during the year	Vested and exercised during the year	Balance at end of the year
				Number	Number	Number	Number	Number
Consolidated – 2016								
TSR	3/11/2008	3/11/2015	$0.00	802,339	-	(802,339)	-	-
TSR	5/11/2009	5/11/2016	$0.00	1,245,728	-	(21,305)	-	1,224,423
TSR	12/11/2010	12/11/2017	$0.00	1,734,491	-	(319,148)	-	1,415,343
TSR	1/9/2011	1/9/2018	$0.00	2,562,482	-	(18,425)	-	2,544,057
TSR	1/9/2012	1/9/2019	$0.00	2,680,816	-	(47,467)	(2,633,349)	-
TSR	1/9/2013	1/9/2016	$0.00	2,454,883	-	(75,076)	-	2,379,807
ROFE	1/9/2013	1/9/2016	$0.00	1,227,441	-	(37,538)	-	1,189,903
TSR	1/9/2014	1/9/2017	$0.00	1,857,915	-	(77,438)	-	1,780,477
ROFE	1/9/2014	1/9/2017	$0.00	928,958	-	(38,719)	-	890,239
Deferred STI	1/9/2014	1/9/2016	$0.00	579,687	-	(16,030)	-	563,657
TSR	1/9/2015	1/9/2018	$0.00	-	1,932,703	(20,165)	-	1,912,538
ROFE	1/9/2015	1/9/2018	$0.00	-	966,352	(10,082)	-	956,270
TRI	1/9/2015	1/9/2018	$0.00	-	427,463		-	427,463
Deferred STI	1/9/2015	1/9/2017	$0.00	-	849,927	(14,940)	-	834,987
				16,074,740	4,176,445	(1,498,672)	(2,633,349)	16,119,164

During the year ended 30 June 2017, the Group recognised an expense of $11.3 million (2016: $14.7 million) in relation to share-based payments.

7.4 Key management personnel disclosures

Key management personnel compensation

Key management personnel compensation is set out below. Detailed remuneration disclosures are provided in the audited Remuneration Report section in the Directors' Report.

	2017 $'000	2016 $'000
Short-term employee benefits	**10,246.8**	12,064.7
Post-employment benefits	**266.1**	352.9
Share-based payments	**3,796.9**	5,828.1
Long-term employee benefits	**114.9**	83.7
	14,424.7	18,329.4

June 2016 comparatives include key management personnel for that year.

Section 8: Other notes

This section provides details on other required disclosures relating to the Group to comply with the accounting standards and other pronouncements.

8.1 Contingent liabilities

Details of contingent liabilities where the probability of future payments/receipts is not considered remote are set out below.

	2017 $m	2016 $m
Unsecured contingent liabilities		
Bank guarantees	**23.3**	24.7
Other items	**-**	0.2
	23.3	24.9

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. 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, from time to time, subject to various lawsuits, claims, regulatory investigations, and on occasion, prosecution.

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.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 8: Other notes (continued)

8.2 Commitments

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.

	2017 $m	2016 $m
Capital expenditure commitments		
Contracted but not provided for are payable as follows:		
Not later than one year	**11.6**	8.6
The capital expenditure commitments are in respect of the purchase of plant and equipment.		
Finance leases		
Lease commitments in respect of finance leases are payable as follows:		
Not later than one year	**9.3**	1.5
Later than one year but not later than five years	**6.5**	2.9
	15.8	4.4
Less: Future finance charges and executory costs	**(0.2)**	(0.3)
	15.6	4.1

	2017 $m	2016 $m
Operating leases		
Lease commitments in respect of operating leases are payable as follows:		
Not later than one year	**99.6**	66.5
Later than one year but not later than five years	**209.8**	124.3
Later than five years	**81.7**	31.8
	391.1	222.6

8.3 Auditors' remuneration

	2017 $'000	2016 $'000
Audit services:		
KPMG Australia – audit and review of financial reports	**1,628**	1,322
KPMG overseas firms – audit and review of financial reports	**1,033**	401
KPMG Australia – other assurance services	**241**	144
	2,902	1,867
Other services:		
KPMG Australia – taxation services	**303**	185
KPMG Australia – due diligence	**432**	312
KPMG Australia – advisory	**591**	154
KPMG Australia – other	**44**	56
KPMG overseas firms – due diligence and advisory	**1,390**	287
KPMG overseas firms – taxation services	**70**	32
	2,830	1,026
	5,732	2,893

8.4 Related party disclosures

Controlled entities

Interests held in controlled entities are set out in note 6.4.

Associated entities

Interests held in associated entities are set out in note 6.2. 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, interest and loans. 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; and
- 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

Section 8: Other notes (continued)

8.5 Parent entity disclosures

	BORAL LIMITED	
For the year ended 30 June	2017 $m	2016 $m
RESULT OF THE PARENT ENTITY		
Profit after tax	**218.8**	35.1
Other comprehensive loss after tax	**(5.9)**	(2.7)
Total comprehensive income for the period	**212.9**	32.4
SUMMARISED BALANCE SHEET		
Current assets	**6,230.2**	4,616.3
Non-current assets	**430.1**	478.2
Total assets	**6,660.3**	5,094.5
Current liabilities	**1,165.0**	1,182.1
Non-current liabilities	**474.7**	870.3
Total liabilities	**1,639.7**	2,052.4
Net assets	**5,020.6**	3,042.1
Issued capital	**4,265.1**	2,246.2
Reserves	**40.3**	73.3
Retained earnings	**715.2**	722.6
Total equity	**5,020.6**	3,042.1

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	**23.0**	24.5

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.

The Company, from time to time, may be subject to 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.

8.6 Deed of cross guarantee

Under the terms of ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, 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 6.4.

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, after eliminating all transactions between parties to the Deed.

	2017 $m	2016 $m
STATEMENT OF COMPREHENSIVE INCOME		
Continuing operations		
Revenue	**3,295.7**	3,278.7
Profit before income tax expense	**344.9**	210.1
Income tax expense	**(51.6)**	(17.1)
Profit from continuing operations	**293.3**	193.0
Discontinued operations		
Profit from discontinued operations (net of income tax)	**40.8**	15.7
Net profit	**334.1**	208.7
Other comprehensive income		
Items that may be reclassified subsequently to Income Statement:		
Exchange differences from translation of foreign operations taken to equity	**(13.5)**	(12.5)
Fair value adjustment on cash flow hedges	**2.6**	(7.7)
Income tax on items that may be reclassified subsequently to Income Statement	**(0.8)**	2.3
Total comprehensive income	**322.4**	190.8
Reconciliation of movements in retained earnings		
Balance at the beginning of the year	**897.3**	842.8
Net profit	**334.1**	208.7
Dividends paid	**(226.2)**	(154.2)
Balance at the end of the year	**1,005.2**	897.3

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 8: Other notes (continued)

8.6 Deed of cross guarantee (continued)

	2017 $m	2016 $m
BALANCE SHEET		
CURRENT ASSETS		
Cash and cash equivalents	**183.3**	358.1
Receivables	**576.3**	564.9
Inventories	**331.8**	341.5
Financial assets	**3.8**	18.9
Other assets	**27.7**	28.5
TOTAL CURRENT ASSETS	**1,122.9**	1,311.9
NON-CURRENT ASSETS		
Receivables	**1,730.5**	16.0
Inventories	**13.9**	12.6
Investments accounted for using the equity method	**951.0**	1,054.7
Financial assets	**3,066.5**	1,346.9
Property, plant and equipment	**2,000.0**	1,941.8
Intangible assets	**74.7**	74.0
Deferred tax assets	**76.4**	62.4
Other assets	**15.1**	13.9
TOTAL NON-CURRENT ASSETS	**7,928.1**	4,522.3
TOTAL ASSETS	**9,051.0**	5,834.2
CURRENT LIABILITIES		
Payables	**867.5**	958.3
Loans and borrowings	**400.3**	352.3
Financial liabilities	**15.4**	7.8
Current tax liabilities	**54.4**	28.8
Employee benefit liabilities	**111.8**	113.7
Provisions	**34.2**	51.5
TOTAL CURRENT LIABILITIES	**1,483.6**	1,512.4
NON-CURRENT LIABILITIES		
Loans and borrowings	**2,158.2**	992.8
Financial liabilities	**10.9**	18.6
Employee benefit liabilities	**11.3**	11.4
Provisions	**59.0**	56.6
Other liabilities	**28.3**	30.8
TOTAL NON-CURRENT LIABILITIES	**2,267.7**	1,110.2
TOTAL LIABILITIES	**3,751.3**	2,622.6
NET ASSETS	**5,299.7**	3,211.6
EQUITY		
Issued capital	**4,265.1**	2,246.2
Reserves	**29.4**	68.1
Retained earnings	**1,005.2**	897.3
TOTAL EQUITY	**5,299.7**	3,211.6

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 72 to 134 and the Remuneration Report in the Directors' Report, set out on pages 51 to 71, 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 2017 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 6.4 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 Corporations (Wholly-owned Companies) Instrument 2016/785.
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 2017.
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:

Brian Clark

Dr Brian Clark
Chairman

Mike Kane
CEO & Managing Director

Sydney, 30 August 2017

KPMG

Independent Auditor's Report to the shareholders of Boral Limited

Report on the audit of the Financial Report

Opinion

We have audited the *Financial Report* of Boral Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the *Group*'s financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The *Financial Report* comprises:

- Balance Sheet as at 30 June 2017;
- Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended;
- Notes including summaries of significant accounting policies; and
- Directors' Declaration.

The *Group* consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The *Key Audit Matters* we identified are:

- Acquisition of Headwaters;
- Carrying value of investment in the USG Boral JV and Meridian Brick JV;
- Formation of the Meridian Brick JV; and
- Availability and recoverability of US tax loss asset.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Acquisition of Headwaters (A$3.6 billion)

The Key Audit Matter	*How the matter was addressed in our audit*

Boral's acquisition of Headwaters for consideration of $3.6 billion on 8 May 2017 represents a significant single transaction for Boral. This was a Key Audit Matter due to the size and scale of the acquisition. The transaction had a pervasive impact on the financial statements and consequently was a large part of the audit.
 	
Significant effort was required to audit judgements made by Boral relating to the acquisition, in particular:
 	
• the preliminary purchase price allocation (PPA) at 30 June 2017. Boral engaged an independent valuation expert to advise on the identification and measurement of inventory, property, plant and equipment and intangible assets which form the PPA. We focused on the valuation methodologies applied to value inventory, property, plant and equipment and identifiable intangibles;
• the impact of the accounting treatment of transaction costs, such as debt and equity raising costs and change in control payments. These could be pre or post-acquisition in nature, are large, and therefore may significantly impact the Balance Sheet and Income Statement; and
• treatment of retrospective adjustment to earnings per share (EPS) due to complexities applying the Theoretical Ex-Rights Price (TERP) factor following Boral's equity raising.
 	
Headwaters represents a new, large, diversified and decentralised business for Boral, which required significant effort to familiarise and understand as part of the audit.
	Our procedures included, amongst others:
	
	• reading the acquisition contract to understand key terms including purchase price, rights and restrictions for appropriate accounting treatment in line with accounting standards;
	• working with our valuation specialists we challenged the valuation methodologies applied in the preliminary PPA to value inventory, property, plant and equipment and identifiable intangible assets. This included:
	  – comparing the valuation methodologies against generally accepted valuation techniques; and
	  – assessing the objectivity, competence, experience and skills of the independent expert;
	• assessing the appropriateness of accounting treatment of transaction costs, such as debt and equity raising costs and change in control payments. This involved:
	  – tracing transactions back to source documentation and evaluating their classification against criteria in the accounting standards; and
	  – checking allocation to pre or post-acquisition based on transaction cost obligations in the acquisition contract;
	• using our accounting specialists and checking the retrospective application of the TERP factor following the equity raising to Boral's EPS calculations against the criteria in the accounting standards;
	• revising our group audit approach, including component scoping and audit procedure timing, to address the changes in Boral's structure, business and audit risks resulting from the acquisition; and
	• meeting with Headwaters management and visiting key sites to build our understanding of the business and its operations.

Carrying value of investment in the USG Boral JV (A$931m) and Meridian Brick JV (A$403m)

The Key Audit Matter	***How the matter was addressed in our audit***
The carrying value of Boral's equity accounting investment in the USG Boral JV and the Meridian Brick JV is a Key Audit Matter due to: • the complexity of auditing forward looking estimates used to support carrying values that are inherently subjective and require a significant level of judgement to assess; • the variation in market demand for building products and average selling prices across countries that create a risk that business forecasts, which are the basis for the assessment of recoverability, may not be achieved. Boral's recoverability assessment over the carrying value of these investments involves our consideration of impairment indicators at the investment level and the output of valuation models for each CGU prepared by external valuers. This recoverability assessment applies significant judgements which include: • key assumptions relating to forecast market demand and average selling prices in Australia, Asia, the Middle East and North America; • discount rates applied to forecast cash flows as well as the assumptions underlying the forecast growth and terminal growth rates; • determination of cash generating units (CGUs) within each of the joint ventures; • consideration of impairment indicators across multiple countries with varied and opposing economic conditions; and • specifically for the Meridian Brick JV, assumptions over synergies on formation of the JV between Boral's existing US Bricks business and Forterra Brick. In assessing this Key Audit Matter, we involved senior audit team members, including valuation specialists and our component auditors, who understand the USG Boral JV and Meridian Brick JV business, industries and the economic environment in which they operate.	Our procedures included: • challenging Boral's key assumptions such as forecast market demand for building products, average selling prices and synergies by: – comparing key assumptions to historical actual data over multiple housing cycles; – comparing forecasts of market demand for building products against published analyst views; – comparing forecast synergies against similar industry transactions and actual synergy achievement to date; – performing sensitivity analysis to identify changes in assumptions that may give rise to a reasonably possible change in each of the valuations; – comparing key underlying data in valuation models to Board approved forecasts; and – assessing Boral's historical forecasting accuracy as an indication of risk in future forecasts; • using the auditors' valuation specialists to assist the audit team in assessing Boral's valuation approach. We compared the calculation methodology and inputs for discount rates, forecast growth rates and terminal growth rates to industry practice and externally sourced market data; • assessing Boral's determination of CGUs based on our understanding of the JVs' businesses. CGUs were compared to the JVs' internal reporting to identify inconsistencies between how results are monitored and CGU identification; • challenging Boral's assessment of impairment indicators at the investment level by considering the impact of decreases in the estimated future cash flows in individual CGUs as an indication of impairment of Boral's investment balance; and • assessing the competence, capability and objectivity of the external valuer engaged by the USG Boral JV and Meridian Brick JV to prepare the valuation models.

Formation of the Meridian Brick JV (A$403m)

The Key Audit Matter	*How the matter was addressed in our audit*
The disposal of Boral's US Bricks business and subsequent formation of the Meridian Brick JV with Forterra on 1 November 2016 was a significant transaction in the year ended 30 June 2017. This was a Key Audit Matter as the transaction involved: • complicated contractual arrangements across multiple jurisdictions which required an increased level of effort to audit; • accounting for taxation on formation of the JV required us to involve our US taxation specialists; • the fair value of net assets acquired on formation of the Meridian Brick JV, and consequently the proceeds on disposal of Boral's US Bricks business, was estimated based on a discounted cash flow model. This was prepared by Meridian Brick's external valuers using the methods and assumptions outlined in the *Carrying value of investment in the Meridian Brick JV* Key Audit Matter above. Significant judgement was required to audit these forward looking estimates.	Our procedures included: • examining contractual arrangements, identifying key terms as applicable to the legal structure of the Meridian Brick JV and involving our business combination accounting specialists. We assessed accounting implications related to these key terms by comparing them to the criteria and requirements of the accounting standards; • using our US taxation specialists and assessing Boral's tax treatment of tax structure of the Meridian Brick JV for compliance with US taxation requirements; and • assessing the valuation of Boral's net assets acquired on formation of the Meridian Brick JV by performing the procedures outlined in the *Carrying value of investment in the Meridian Brick JV* Key Audit Matter above over Boral's valuation on formation of the JV.

Availability and recoverability of US tax loss asset (A$352m)

The Key Audit Matter	*How the matter was addressed in our audit*
The availability and recoverability of the US tax loss asset was a Key Audit Matter due to: • the complexity of US continuity of ownership requirements, necessitating involvement of our tax specialists; and • the significant level of judgement required to audit forward looking estimates in Boral's assessment of the future utilisation of tax losses, which are inherently subjective. Tax losses in the US generally have a maximum carry forward period of 20 years before which they must be utilised. On an annual basis they are subject to the US continuity of ownership requirements. This added complexity to our audit, due to: • the specialised nature of US taxation requirements; • changes in the equity ownership of Boral in the current year; • the impact of the acquisition of Headwaters and the formation of the Meridian Brick JV on Boral's forecast; • the slower than expected recovery of the US housing market; and • the extended period of the forecast. Boral's assessment of the recoverability of the US tax loss asset is based on forecast future taxable income and applies significant judgements. Key judgements made by Boral include assumptions over forecast EBIT and taxable income. In assessing this Key Audit Matter, we involved senior audit team members and our US taxation specialists, who understand Boral's US business, industry and the economic and regulatory environment it operates in.	Our procedures included: • obtaining the results of the most recent US continuity of ownership assessment performed by Boral's taxation experts, which included changes in Boral's equity ownership, when assessing the tax losses that remain available to be utilised; • assessing the competence, capability and objectivity of Boral's taxation experts who prepared the continuity of ownership assessment; • analysing the timing of origination of US tax losses against the timing of forecast future taxable income when assessing the 20 year carry forward period; • challenging Boral's key assumptions such as forecast EBIT and taxable income by: – comparing key assumptions to historical actual data over multiple housing cycles; – comparing housing starts to published analyst views; – comparing key assumptions in the forecast future taxable income to Board approved forecasts; and – assessing Boral's prior forecasting accuracy; • performing sensitivity analysis on the key assumptions of forecast EBIT and taxable income with a range of scenarios.

Other Information

Other Information is financial and non-financial information in Boral Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error;
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Boral Limited for the year ended 30 June 2017 complies with *section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in pages 51 to 71 of the Directors' Report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our Audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Kenneth Reid
Partner
Sydney, 30 August 2017

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 +61 1300 730 644
Facsimile +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

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 FY2017 of 12.0 cents per share is expected to be paid by Boral on 3 October 2017. The dividend will be 50% franked.

Dividend Reinvestment Plan (DRP)

Following payment of the interim dividend on 24 March 2014, Boral's DRP was suspended until further notice. Additional amendments to the terms and conditions of the DRP were notified to shareholders on 24 March 2014. For further information on the suspension and amendments to the DRP, please visit Boral's website. In future, if the DRP is reactivated, it will be notified by way of an ASX announcement.

Dividend payments

Boral has 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 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

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.
- November – the Annual General Meeting.

Requests for publications and other enquiries about Boral's affairs should be addressed to:

Group Communications & Investor Relations Director
Boral Limited
PO Box 1228
North Sydney NSW 2059

Enquiries can also be made via email: info@boral.com.au or visit Boral's website at www.boral.com

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 available on the internet and 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 +61 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 Mellon (BNY Mellon). Each ADR represents four ordinary Boral shares.

Holders of Boral's ADRs should contact BNY Mellon on all matters relating to their ADR holdings.

By mail:
BNY Mellon Shareowner Services
PO Box 30170
College Station, TX 77842-3170
USA

By telephone:
To speak directly to a BNY Mellon representative, please call 1-888-BNY-ADRS (1-888-269-2377) if you are calling from within the United States. If you are calling from outside the United States, please call 201-680-6825.

By email:
You may also send an email enquiry to shrrelations@bnymellon.com or visit the website at www.bnymellon.com/shareowner

Share information as at 16 August 2017

Substantial shareholders

BlackRock Group (BlackRock Inc. and subsidiaries), by notice of initial substantial holder dated 19 April 2017, advised that it and its associates were entitled to 58,721,314 ordinary shares.

The Capital Group of Companies, Inc., by notice of change of interest of substantial holder dated 1 December 2016, advised that it and its associates were entitled to 61,918,012 ordinary shares.

Shareholder Information

Boral Limited and Controlled Entities

Distribution schedule of shareholders as at 16 August 2017

Size of shareholding	Number of shareholders	% of ordinary shares
(a) in the categories –		
1 to 1,000	23,605	1.00
1,001 to 5,000	26,795	5.49
5,001 to 10,000	5,850	3.57
10,001 to 100,000	3,883	7.03
100,001 and over	165	82.91
	60,298	100.00
(b) holding less than a marketable parcel (73 shares)	1,127	0.001

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 share buy-back

There is no current on-market buy-back of ordinary shares.

Twenty largest shareholders as at 16 August 2017

		Ordinary shares	% of ordinary shares
1	HSBC CUSTODY NOMINEES	339,668,286	28.97
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	263,107,753	22.44
3	CITICORP NOMINEES PTY LIMITED	128,772,299	10.98
4	NATIONAL NOMINEES LIMITED	92,810,758	7.92
5	BNP PARIBAS NOMS PTY LTD	69,315,230	5.91
6	AMP LIFE LIMITED	8,707,096	0.74
7	BOND STREET CUSTODIANS LIMITED <MACQ HIGH CONV FUND A/C>	4,978,411	0.42
8	ANZ EXECUTORS & TRUSTEE	4,563,736	0.39
9	ARGO INVESTMENTS LIMITED	4,460,327	0.38
10	AUSTRALIAN FOUNDATION INVESTMENT	4,008,492	0.34
11	UBS WEALTH MANAGEMENT AUSTRALIA	3,942,225	0.34
12	BOND STREET CUSTODIANS LIMITED	3,472,403	0.30
13	PACIFIC CUSTODIANS PTY LIMITED	3,058,506	0.26
14	RODNEY PEARSE	2,826,831	0.24
15	GWYNVILL INVESTMENTS PTY LTD	2,521,264	0.22
16	EQUITY TRUSTEES LIMITED	2,293,665	0.20
17	MILTON CORPORATION LIMITED	2,041,793	0.17
18	INVIA CUSTODIAN PTY LIMITED	2,035,384	0.17
19	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	1,435,000	0.12
20	EQUITAS NOMINEES PTY LIMITED	1,109,424	0.09

Financial History

Boral Limited and Controlled Entities

30 June	2017 $m	2016 $m	2015 $m	2014 $m	2013 $m	2012 $m	2011 $m	2010 $m	2009 $m	2008 $m
Revenue	**4,388**	4,311	4,415	5,204	5,286	5,010	4,711	4,599	4,875	5,199
Earnings before interest, tax, depreciation and amortisation (EBITDA)[1]	**720**	645	605	556	519	473	522	505	539	688
Depreciation and amortisation	**260**	247	249	261	291	273	245	253	263	240
Earnings before interest and tax[1]	**460**	398	357	294	228	200	277	252	276	448
Net financing costs[1]	**(51)**	(63)	(64)	(83)	(97)	(88)	(64)	(97)	(127)	(112)
Profit before tax[1]	**409**	335	293	211	130	111	213	155	149	336
Income tax expense[1]	**(67)**	(67)	(44)	(37)	(20)	(9)	(40)	(22)	(17)	(90)
Non-controlling interests	**-**	-	-	(3)	(6)	(1)	2	(1)	-	1
Profit after tax[1]	**343**	268	249	171	104	101	175	132	131	247
Significant items - net of tax	**(46)**	(12)	8	2	(316)	75	(8)	(222)	11	(4)
Net profit/(loss) attributable to members of Boral Limited	**297**	256	257	173	(212)	177	168	(91)	142	243
Total assets	**9,314**	5,801	5,865	5,559	6,316	6,499	5,668	5,209	5,491	5,895
Total liabilities	**3,873**	2,294	2,341	2,211	2,923	3,096	2,512	2,583	2,738	2,985
Net assets	**5,441**	3,506	3,524	3,348	3,394	3,403	3,156	2,626	2,754	2,910
Shareholders' funds	**5,441**	3,506	3,524	3,348	3,394	3,403	3,156	2,626	2,754	2,910
Net debt	**2,333**	893	817	718	1,446	1,518	505	1,183	1,514	1,515
Funds employed	**7,774**	4,399	4,341	4,066	4,840	4,921	3,662	3,809	4,268	4,425
Dividends paid or declared	**281**	167	139	117	85	82	105	88	77	202
Statistics										
Dividend per ordinary share	**24.0c**	22.5c	18.0c	15.0c	11.0c	11.0c	14.5c	13.5c	13.0c	34.0c
Dividend payout ratio[1]	**82%**	62%	56%	68%	81%	81%	60%	67%	59%	82%
Dividend cover[1]	**1.2**	1.6	1.8	1.5	1.2	1.2	1.7	1.5	1.7	1.2
Earnings per ordinary share[1]	**33.7c**	35.8c	31.9c	22.0c	13.6c	13.6c	24.4c	22.1c	22.2c	41.4c
Earnings per ordinary share[1,2]	**33.7c**	33.3c	29.7c	20.5c	12.7c	12.7c	22.7c	20.5c	20.7c	38.4c
Return on equity[1]	**6.3%**	7.6%	7.1%	5.1%	3.2%	3.0%	5.6%	5.0%	4.8%	8.5%
EBIT to sales[1]	**10.5%**	9.2%	8.1%	5.7%	4.3%	4.0%	5.9%	5.5%	5.7%	8.6%
EBIT to funds employed[1,3]	**9.2%**	9.0%	8.2%	7.2%	4.7%	4.1%	7.6%	6.6%	6.5%	10.1%
ROFE[4] (EBIT to average funds employed)[1]	**7.6%**	9.1%	8.5%	6.6%	4.7%	4.7%	7.4%	6.2%	6.3%	10.1%
Net interest cover (times)[1]	**9.1**	6.3	5.6	3.5	2.3	2.3	4.4	2.6	2.2	4.0
Gearing (net debt to equity)	**43%**	25%	23%	21%	43%	45%	16%	45%	55%	52%
Gearing (net debt to net debt plus equity)	**30%**	20%	19%	18%	30%	31%	14%	31%	35%	34%
Net tangible asset backing per share	**$1.90**	$4.40	$4.31	$4.03	$3.17	$3.31	$3.91	$3.92	$4.12	$4.41

1. Excludes the impact of significant items from 2008 to 2017.
2. Adjusted to reflect the bonus element in the renounceable entitlement offer which occurred during November and December 2016.
3. FY2008 – FY2016 return on funds employed (ROFE) calculated as EBIT (before significant items) on funds employed at 30 June. FY2017 ROFE is based on average monthly funds employed due to the impact of Headwaters only contributing eight weeks of EBIT in FY2017 but funds employed increasing fully at 30 June 2017. Based on year end funds employed, ROFE for FY2017 would be reported as 5.9%.
4. Refer to the Remuneration Report for a discussion of how ROFE is used as an additional performance hurdle under the Company's long-term incentive plan.

Results have been prepared under Australian equivalents to International Financial Reporting Standards (A-IFRS).

Figures may not add due to rounding.

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Sydney South NSW 1235

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