

Boral

a resource-based manufacturing
company with strong reserve and
market positions



BORAL LIMITED
ANNUAL REVIEW
2007



The Annual General Meeting of Boral Limited will be held at the City Recital Hall, Angel Place, Sydney on Monday 29 October at 10.30am.

Financial Calendar*

Ex dividend share trading commences **23 August 2007**
 Record date for final dividend **29 August 2007**
 Final dividend payable **18 September 2007**
 Annual General Meeting **29 October 2007**
 Half year **31 December 2007**
 Half year profit announcement **13 February 2008**
 Ex dividend share trading commences **25 February 2008***
 Record date for interim dividend **29 February 2008***
 Interim dividend payable **19 March 2008***
 Year end **30 June 2008**

* Timing of events is subject to change

The Annual Review includes a concise report containing abbreviated financial statements. Detailed financial statements are available in the separate 2007 Financial Report, which shareholders may access on Boral's website www.boral.com.au or request free of charge by phoning Boral's share registry on (02) 8280 7133 or via email to registrars@linkmarketservices.com.au or by writing to Link Market Services, Locked Bag A14 Sydney South NSW 1235. Boral Limited is a company limited by shares, incorporated and domiciled in Australia.

Front Cover: Pictured at Boral's Petrie Quarry in Queensland are Clayton Hill, Development Manager, Australian Construction Materials, Queensland and Andy Stuart, Quarry Manager Petrie

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CEO and Managing Director

Rod Pearce

Chief Financial Officer

Ken Barton

Company Secretary

Michael Scobie

Auditors

KPMG



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Over Boral's 60 year history, we have developed a valuable integrated position in the building products and construction materials industries.

We leverage our strong operational management capability through industry value chains across Boral's geographic footprint in Australia, the USA and Asia.

Boral's reserves*

As at 30 June 2007

Hard rock, sand and gravel

	million tonnes	years at current production rates
Australia	943	35
USA	31	19
Thailand	58	34
Indonesia	5	11

Limestone and shale

Australia	141	40
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Clay

Australia	116	63
USA	112	36

*Comprises reserves which are licensed for extraction and economically recoverable, with geological certainty in the proven and probable category. Excludes reserves held by joint venture operations.



In August 2007 Boral acquired the concrete and sand assets of Schwarz Readymix and a limestone quarry from Arbuckle Materials for US\$80 million to secure the #2 market position in construction materials in Oklahoma.

Boral's capability to meet large-scale infrastructure projects is demonstrated by our successful execution of the EastLink motorway project in Melbourne (the largest infrastructure project in Australia to date), which continued in 2006/07. Locating new concrete and asphalt plants adjacent to the EastLink project is an example of Boral's commitment.

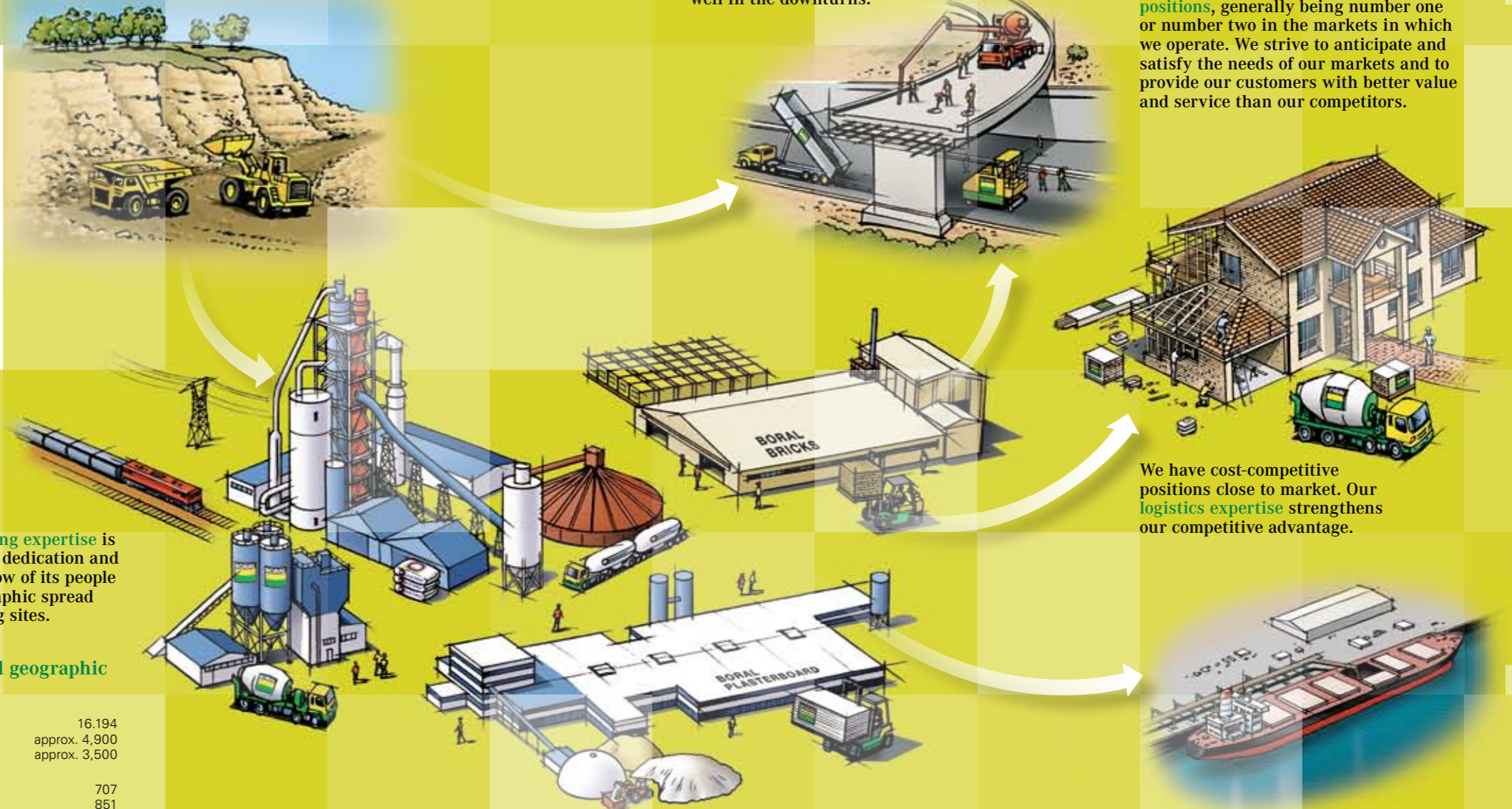


Boral's reserves are a long-term, fundamental source of value creation. Development and acquisitions are ongoing to ensure that over time reserves are replaced as they are extracted.

Boral's markets are generally cyclical in nature, requiring us to have capacity to supply the upturns and to manage well in the downturns.

Boral has strong downstream market positions, generally being number one or number two in the markets in which we operate. We strive to anticipate and satisfy the needs of our markets and to provide our customers with better value and service than our competitors.

**BORAL:
FROM RESOURCE
TO MARKET**



Boral's manufacturing expertise is underpinned by the dedication and operational know-how of its people and its broad geographic spread across 707 operating sites.

Boral's people and geographic footprint

Boral's people	
Employees	16,194
Contractors	approx. 4,900
JV employees	approx. 3,500
Boral sites	
Operating sites	707
Total sites	851
Operating countries	11

We have cost-competitive positions close to market. Our logistics expertise strengthens our competitive advantage.



Significant investments to lift capacity for market peaks and to strengthen Boral's cost-competitive positions continued in 2006/07. For example, an \$85 million upgrade of cement grinding capacity of Boral's JV Sunstate Cement operation in Queensland was announced; a new state-of-the-art plasterboard plant in Queensland will be commissioned by the end of 2007; full commissioning of Midland Brick's \$53 million Kiln #11 continued; and a new US\$55 million brick plant in Indiana will be completed by March 2008, positioning Boral well for a US market recovery.



Boral has strong downstream market positions, generally being number one or number two in the markets in which we operate. We strive to anticipate and satisfy the needs of our markets and to provide our customers with better value and service than our competitors.

integrated

Boral is an integrated **resource-based manufacturing** company with strong upstream **reserves** and downstream **market positions**, around which we continue to perform and grow.

Boral's strategic intent is to be a value(s) and market-driven, focused building and construction materials supplier, operating in Australia and increasingly offshore.

Our core competencies are:

- securing and extending our cost-competitive natural resource positions close to market, and
- utilising our manufacturing, logistics and marketing expertise to create cost and quality competitive materials and products which meet the needs of building and construction markets.

In 2007, Boral's performance reflects strength in Boral's largest reporting group, Construction Materials Australia, offset by the effects of a continued downturn in Australian housing activity and a severe downturn in US housing markets. Favourable pricing outcomes, operational cost savings and benefits from growth contributed to a solid underlying result. The Company is well positioned to benefit from recovering market conditions.

Key financial results for 2007

- **Net profit after tax down 18% to \$298 million**
- **Sales revenue up 3% to \$4.9 billion**
- **EBITDA down 7% to \$762 million**
- **EBITDA to sales margin of 15.5%**
- **EBIT down 14% to \$531 million**
- **EBIT return on funds employed of 11.9%**
- **Earnings per share down 19% to 50.0 cents**
- **Full year fully franked dividend of 34 cents per share**

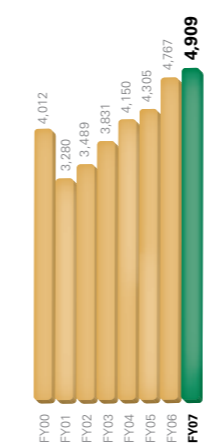
FINANCIAL HIGHLIGHTS

Financial highlights

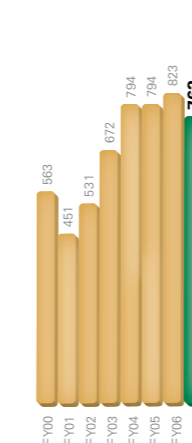
A\$ million unless stated

YEAR ENDED 30 JUNE	2007	2006	% CHANGE
Revenue	4,909	4,767	3
EBITDA	762	823	(7)
EBIT	531	614	(14)
Net interest	111	98	13
Profit before tax	420	516	(18)
Tax	122	153	(20)
Profit after tax	298	362	(18)
Cash flow from operating activities	482	449	
Gross assets	5,817	5,587	
Funds employed	4,470	4,333	
Liabilities	2,829	2,832	
Net debt	1,482	1,578	
Growth and acquisition capital expenditure	226	307	
Stay-in-business capital expenditure	192	207	
Depreciation	231	209	
Employees	16,194	15,802	
Sales per employee, \$ million	0.303	0.302	
Net tangible asset backing, \$ per share	4.41	4.07	
EBITDA margin on sales, %	15.5	17.3	
EBIT margin on sales, %	10.8	12.9	
EBIT return on funds employed, %	11.9	14.2	
Return on equity, %	10.0	13.2	
Gearing (net debt/equity), %	50	57	
Interest cover, times	4.8	6.3	
Earnings per share, ¢	50	61.7	
Dividend per share, ¢	34.0	34.0	
Safety:			
Lost time injury frequency rate ¹	2.8	3.1	
Hours lost, %	0.09	0.11	

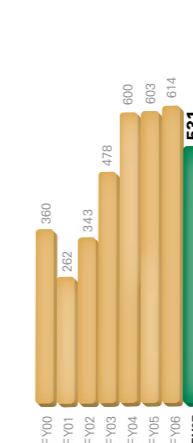
Sales revenue \$m



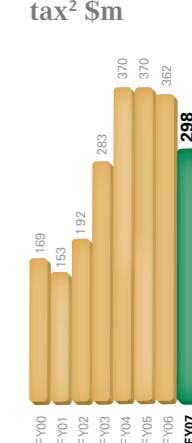
EBITDA² \$m



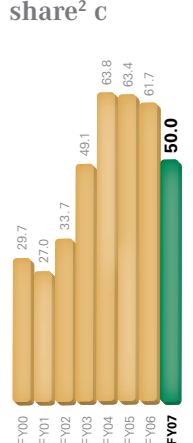
EBIT² \$m



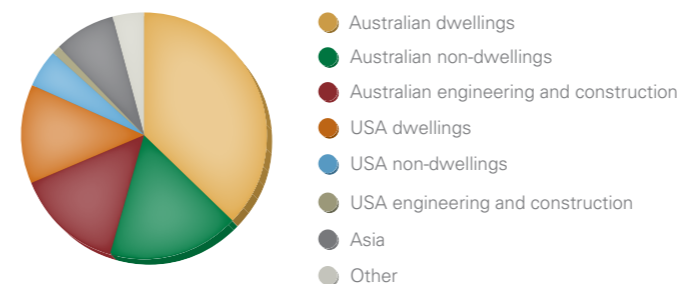
Profit after tax² \$m



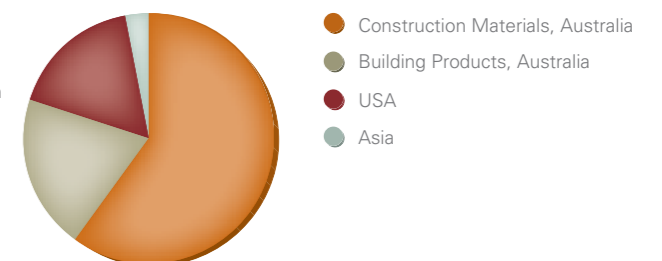
Earnings per share² ¢



Share of revenue³ by market



EBIT by segment

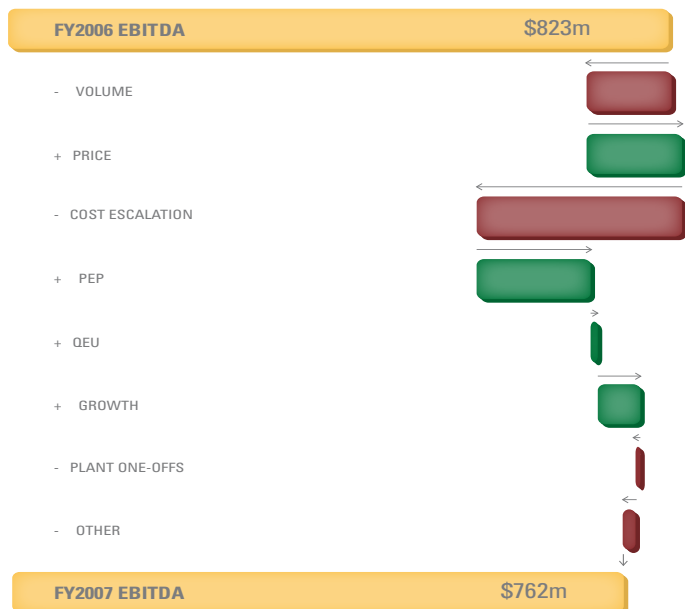


1. per million hours worked

2. FY05 results onwards restated to reflect transition to A-IFRS accounting standards.

3. Includes Boral's share of revenues from Asia Plasterboard and MonierLifetile joint ventures.

EBITDA variance analysis



Volume

US brick and roofing volumes were down due to the severe downturn in housing construction activity. Australian brick, roofing and masonry volumes further declined due to the continued downturn in Australian housing, especially in New South Wales. Volumes in other business lifted due to market lifts and/or growth initiatives.

Price

Pricing outcomes were strong despite housing downturns in two of Boral's key markets. In Australia, cement, concrete and quarry prices lifted 4%, whilst bricks and roofing products were up 2-4%. US bricks and clay roofing gained 6%.

Costs and PEP

Despite cost savings of \$142 million from the Performance Enhancement Program (PEP), equal to 3.4% of compressible costs, costs increased by around 6% due in part to increased US natural gas costs.

Growth and QEU

The benefits of recent growth activities together with a \$9 million lift in Quarry End Use earnings contributed \$62 million in total to the result. Benefits of growth will progressively enhance Boral's profitability particularly as markets recover.

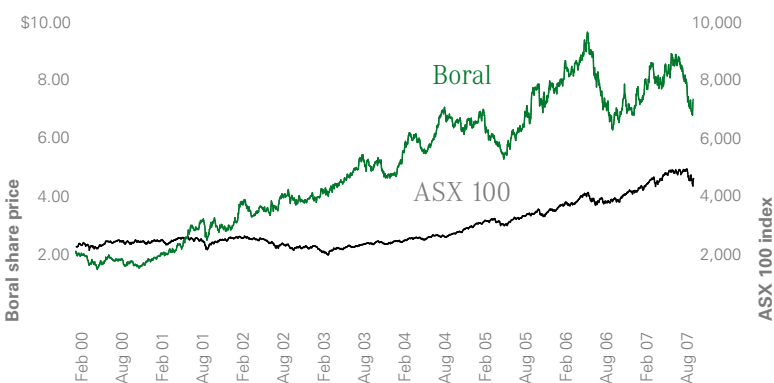
Plant one-offs

One-off production costs at Berrima cement and Galong lime kilns (\$7 million), together with Midland Brick Kiln 11 commissioning costs, extended temporary plant shutdowns in bricks particularly in the US but also in Australia, impacted the result.

Other

Other items include the effects of the previous year's (FY2006) one-off compensation payment for land resumed in Shanghai and profit on sales of assets. Foreign exchange strength cost around \$6 million during FY2007.

Share price



Company Announcements

18 August 2006

Boral announces the opening of its **new \$12 million production facility** at Wacol, Queensland, in response to industry demand and the high number of landscaping projects being undertaken by Australian homeowners.

8 September 2006

Boral announces it would **suspend manufacturing at its Gloucester plant** in New South Wales from 29 September 2006.

27 October 2006

Boral announces that it was expecting its profit after tax for the year ending 30 June 2007 to be around 15% below the previous year and its first half year profit after tax to be around 15% below the previous year's corresponding period.

7 February 2007

Boral announces an **after tax profit of \$147 million for the half year ended 31 December 2006**, a 15% decrease on the PAT for the half year ended 31 December 2005

29 May 2007

Boral announces that **Dr Brian Clark** has been appointed as a **non-executive Director** of Boral Limited.

26 June 2007

Leading cement supplier to Queensland's construction industry, **Sunstate Cement**, has announced **plans for an \$85 million expansion** to meet the growing building and infrastructure needs of the state's strong economy. The company is a joint venture between Adelaide Brighton Ltd and Blue Circle Southern Cement.

26 July 2007

Boral welcomed the announcement by the New South Wales Premier, Morris Iemma, to **approve development of the third and final stage of the redevelopment of Boral's Greystanes site**. The redevelopment of the Greystanes site, as a result of Boral phasing out its Prospect Quarry operations, commenced some seven years ago with the support of the NSW Government.

13 August 2007

Boral announces that it **acquired the assets of two construction materials businesses in Oklahoma City**: Schwarz Readymix, a ready-mixed concrete and sand business and the quarry assets of Davis Arbuckle Materials. The total acquisition price of US\$80 million represents a multiple of 5.4 times annualised FY2008 projected EBITDA and the combined acquisitions will be earnings per share accretive in the first full year of ownership.

CHAIRMAN'S REVIEW



The Company's 2007 financial performance

For the 2006/07 financial year, Boral's sales revenue of \$4.9 billion was 3% higher than the prior year due to price strength, stronger Australian construction materials volumes and growth initiatives. Boral's reported net profit after tax of \$298 million however, was 18% below the net profit for the year ended 30 June 2006, due to housing volume-related weakness in the USA and in New South Wales.

Boral's Australian earnings before interest, tax, depreciation and amortisation (EBITDA) of \$605 million were 6% higher than the prior year. Earnings from Australian construction materials businesses was 11% stronger on the back of major infrastructure project work and non-dwellings activity particularly in Queensland and Victoria. Price gains and growth initiatives also benefited the result. Despite this, ongoing weak Australian dwelling activity continued to adversely impact earnings, negatively affecting volumes and manufacturing costs.

EBITDA from Boral's offshore operations decreased by \$98 million (or 40%) to \$150 million. A severe downturn in housing construction across all major US markets negatively impacted sales and production volumes in Boral's US brick and roof tile businesses. In Asia, conditions and results improved in a number of key plasterboard markets, whilst construction materials markets remained challenging.

Earnings per share for the year decreased by 19% from 61.7 cents to 50.0 cents. Boral's return on funds employed (ROFE) of 11.9% was below last year's ROFE of 14.2%.

Shareholder returns

The Board declared a final dividend of 17.0 cents per share, fully franked, taking Boral's full year 100% franked dividend to 34.0 cents per share. When grossed up for the impact of franking credits, the 34.0 cent dividend represents, for most shareholders, an annualised dividend yield of 6.1% per annum on Boral's average share price for the year to 30 June 2007. A dividend payout ratio of 68% of after tax profits was up from 55% in the

prior year. We continue to offer shareholders the opportunity to participate in the Dividend Reinvestment Plan (DRP) and we are preparing for an on-market share buyback of up to 15 million shares to offset the anticipated dilutive effect of the issue of shares through the DRP during 2005/06 and 2006/07.

Boral retains its 19.9% strategic shareholding in Adelaide Brighton Limited (ABL) which was acquired in December 2003 at a cost of \$167 million or \$1.55 per share. This investment has been strongly value-creating; as at 30 June 2007, there has been \$229 million of capital growth from the ABL investment which has not been included in Boral's earnings.

Boral's sustainability

To deliver the Company's overarching objective of superior returns in a sustainable way, the Board is focused on reviewing and approving strategies and plans that will position the Company well for long-term, sustainable value creation.

We continue to recognise the importance of comprehensive reporting of Boral's non-financial impacts and achievements. Boral's Sustainability Report, which forms part of this Annual Review, details the progress we have made in 2006/07 as well as our current sustainability priorities and goals. As in the past, I encourage shareholders to review Boral's Sustainability Report and to provide feedback to Boral's Management (using the contact details on the inside front cover of this report).

Safety remains the highest of priorities across Boral. In 2006/07, Boral's safety performance as measured by lost time injury frequency rate (LTIFR) per million hours worked and percent hours lost, continued to improve. LTIFR was 2.8 for the year ended 30 June 2007, which was a 10% improvement on the prior year, and percent hours lost reduced by 18% to 0.09. However, between August and December 2006, we had five tragic accidents that resulted in fatalities. We deeply regret that two contractors in the USA were fatally injured in accidents involving falls from height; in Indonesia, an employee was killed in a heavy vehicle accident; and electrocutions were the cause of death of an employee in Thailand and a contractor in Australia. There were no workplace-related fatalities in the second half of the year. The full year outcome has caused all of us at Boral great concern and resulted in extensive reviews of electrical and contractor safety management.

The Board reviews in detail all fatalities, including the corrective actions taken. The Board also reviews divisional Health and Safety Management Plans, we approve safety improvement targets and we regularly monitor performance against target for all divisions. Boral's Directors and executives are determined to continue to improve workplace safety for both employees and contractors working in Boral's operations.

Boral's board

The Board has been very stable for several years. However, after 11 years of valued contribution, Mark Rayner, who joined the Board in 1996, will retire as a Director at this year's Annual General Meeting. The Board and I acknowledge the significant contribution that Mark has made to the Board, including his contribution as a member of the Compensation Committee.

In May 2007, we announced that Dr Brian Clark had been appointed as a non-executive Director of the Board. Brian, who is 58, adds to the Board's breadth of experience and expertise. He has particular interest and skills in the fields of technology, research and development, organisational change, international business, consumer markets and leadership development.

Currently in his eighth year as Boral's CEO and Managing Director, Rod Pearse continued to provide strong and effective leadership in 2006/07. The Board remains confident in Rod's ability to effectively lead the Company and to deliver Boral's strategy.

Boral's people

The Board also has strong confidence in the ability of the Management Committee, which remains a stable team of senior executives. In March 2007, following the resignation of Peter Boyd, Bryan Tisher took up the role of Executive General Manager, Timber. Bryan, who is 44, joined Boral in 1998 and has been a member of Boral's Management Committee since 2000 when he was appointed General Manager, Corporate Development. Andrew Warburton replaced Bryan Tisher as General Manager, Corporate Development, joining the Management Committee in March 2007. Andrew, who is aged 43, joined Boral's Construction Materials division in 2000 and became General Manager of Boral's Quarry End Use business in 2004.

Boral's succession planning and performance management processes are well entrenched and continue to support internal promotion, cross-fertilisation, and executive development.

The contribution from the management team and all employees to Boral's result in 2006/07 is appreciated by the Board. I thank Boral's employees for their persistence and hard work, particularly in times of challenging marketing conditions.

Remuneration and governance

Boral's Directors support appropriate and transparent corporate governance processes and controls. Boral's corporate governance framework is kept under review and is responsive to changes in Boral's businesses and to Boral's external environment. On page 28 to 32, we report on our corporate governance activities in accordance with the Principles of Good Corporate Governance and Best Practice Recommendations of the ASX. A separate Remuneration Report for shareholders as part of the Directors' Report (on pages 37 to 43) provides extensive information on the Company's remuneration structures.

In order to oversee the implementation of Boral's plans the Board undertakes regular site visits and takes opportunities to meet with Boral's customers, shareholders, market analysts, managers and employees. During 2006/07, the Board of Directors toured Boral's joint venture plasterboard operations and Boral's construction materials operations in Asia. We also spent time visiting clay and concrete products plants as well as our GoCrete panels business in Western Australia.

Boral operates in cyclical industries and is currently experiencing challenging conditions in a number of its key markets. The Directors believe though that Boral has demonstrated a solid underlying performance in 2006/07 and is well positioned for long-term value creating growth as housing markets on the Australian east coast and in the USA recover from cyclical lows.

"Boral has demonstrated a solid underlying performance in 2006/07 and is well positioned for long-term value creating growth as housing markets on the Australian east coast and in the USA recover from cyclical lows."

Ken Moss
Chairman



Ken Moss
Chairman

MANAGING DIRECTOR'S REVIEW



We are leveraging our core competencies

Boral is a resource-based, manufacturing company with strong upstream reserve and downstream market positions. Our core competencies are around:

- natural resource management,
- manufacturing, logistics and marketing, and
- strategy and execution.

We have expertise in securing and extending cost-competitive natural resource positions which are close to market and in converting those positions into a leading market presence. We use our manufacturing, logistics and marketing competencies to transform our natural resources into cost- and quality-competitive construction materials and building products that meet the needs of the markets in which we operate. And our strategic understanding and operational management of the relevant industry value chains strengthens our ability to maximise the outcomes from our leading resource and market positions.

Boral's Strategic Intent is to be a value(s) and market-driven, focused building and construction materials supplier, operating in Australia and increasingly offshore. We leverage our core competencies and our geographic footprint, to search for opportunities to grow for value through the integrated value chains of the building products and construction materials industries.

2006/07 financial results

Boral's 2006/07 sales revenue of \$4.9 billion was 3% higher than last year, and earnings before interest, tax, depreciation and amortisation (EBITDA) of \$762 million was only 4% below 2003/04 earnings which were delivered at the peak of the Australian housing cycle and when US housing was 25% stronger than it was in 2006/07.

Despite the challenging market conditions experienced by some of Boral's businesses, the underlying performance of the Company was solid in 2006/07. Pricing was up in most businesses, with price gains contributing well over \$100 million to earnings. Cost savings delivered through Boral's Performance Enhancement Program (PEP) totalled \$142 million, were equivalent to 3.4% of compressible costs. Together, price increases and cost reductions offset inflationary cost increases including wage growth and energy cost increases.

Weaker housing volumes reduced EBITDA by around \$100 million but growth investments lifted EBITDA by around half that amount and Quarry End Use (QEU) earnings increased by \$9 million. A stronger Australian dollar and the non-repetition of one-off gains experienced in 2005/06 reduced EBITDA in 2006/07 compared to the prior year. Depreciation and funding costs increased by \$23 million.

Record results in Australian construction materials

Boral's largest reporting group, Construction Materials in Australia, recorded an 11% lift in earnings on a 6% increase in sales. This result was based on strong levels of activity in commercial and infrastructure construction in most Australian states. The 6% lift in Construction Materials Australia revenues to \$2.5 billion resulted from strong quarry volumes, price increases in cement, concrete and quarries, and higher asphalt volumes and margins. EBITDA for Construction Materials increased by \$44 million or 11% on the prior year to a record \$454 million. The second-half lift in earnings was particularly significant both in QEU and in other businesses. Improved earnings from Blue Circle Southern Cement, from Asphalt and from QEU were the key drivers of the improved result. Our QEU business delivered \$56 million of earnings, which was \$9 million higher than last year.

Managing well through the US and Australian housing downturns

Throughout the Company's 60-year history, Boral's businesses have benefited from strong volumes during the cyclical upturns of the building and construction markets in which we operate and we have weathered the cyclical market lows.

Whilst some Boral businesses enjoyed favourable market conditions in 2006/07, especially construction materials businesses in Australia, more generally it has been a challenging financial year. Our US building products businesses were significantly impacted (especially in the second half of the year) by a dramatic decline in housing activity; the weakness in the New South Wales housing market continued; and in Asia, our construction materials businesses faced ongoing difficult market conditions.

Boral's Australian Building Products businesses and some Construction Materials businesses continued to experience low volumes in east coast housing markets, especially in Boral's key state of New South Wales where we derive around 40% of our Australian revenues and where, in 2006/07, housing activity levels were the lowest in 34 years. Boral's Building Products reported a 7% decline in EBITDA to \$151 million. Lower volumes and higher manufacturing costs associated with lower levels of plant utilisation and temporary plant shutdowns in East Coast markets together with weaker masonry earnings impacted the result.

Despite this, our Australian Building Products businesses reported a 5% lift in revenues to \$1.3 billion, driven by higher prices offsetting weaker volumes across bricks, roofing and masonry. Plasterboard revenues were underpinned by increased volumes and sales of re-sale products. Increased hardwood and engineered flooring product sales also contributed.

Boral's most challenging market in 2006/07 was the US housing market, which declined significantly during the year, falling by 29%¹ in the states in which Boral operates. Revenues from our US operations were down 2% on last year to US\$699 million. However, if MonierLifetile revenues (which are equity accounted) are included on a pro-rata basis, Boral's US revenues reduced by 8%. EBITDA from US operations declined by 37% to US\$102 million. The most significant decline in US earnings came from the MonierLifetile joint venture and from Boral's US brick business (which was particularly impacted by the downturn in US housing activity in the second half of the year).

Market conditions remained challenging for our businesses in Asia, particularly in Construction Materials. Boral's Asian operations delivered a full year EBITDA of \$21 million, which was down 31%

on last year due to a one-off land resumption compensation benefit in last year's result. In an underlying sense, earnings from Asia were steady year-on-year. A decline in earnings from construction materials in Asia due to volume (Indonesia) and margin pressures (Indonesia and Thailand) was offset by significantly improved underlying earnings in the LBGA plasterboard joint venture business.

Our balance sheet remains strong

With a gearing (net debt/equity) level of 50% at 30 June 2007, which compares with 57% a year earlier and Boral's targeted gearing range of 40% to 70%, Boral's financial position remains strong. Net debt at 30 June 2007 was \$1,482 million compared with \$1,578 million at 30 June 2006.

Cash flows from operating activities of \$482 million were 7% above the prior year. Capital expenditure for the year was \$418 million, consisting of \$226 million of growth and acquisition capital expenditure and \$192 million of stay-in-business capital (which was 83% of depreciation).

Delivering our financial objectives

Our three financial objectives remain unchanged: to exceed the weighted average cost of capital (WACC) through the cycle; to deliver better financial returns than the competition in comparable markets; and to deliver superior total shareholder returns.

Whilst return on funds employed (ROFE) for 2006/07 of 11.9% was broadly in line with WACC, ROFE has averaged 15% since demerger, which is well ahead of Boral's weighted average cost of capital through the cycle. Boral's performance continues to compare well to competitors in like markets across most businesses. Boral's total shareholder return (TSR) from share price appreciation and dividends over the twelve months to 30 June 2007 underperformed the ASX100 with a TSR of 12%, compared with the TSR of the ASX100 Index of 22%. Over the seven-and-a-half years since demerger to 30 June 2007, however, Boral's TSR was 25% per annum which was at the 21st percentile of ASX100 companies over this period.

Managing in a sustainable way

Our commitment to pursuing industry-specific best practice in the area of sustainability management and reporting remains firm. In our 2007 Sustainability Report, which is published on the reverse side of this Annual Review, on pages s2-s3 I provide a comprehensive message to shareholders, employees, customers and other interested parties on Boral's sustainability performance and priority areas, including detailed commentary on Boral's safety performance for 2006/07.

"Our focus has been on managing well through the downturns of the market cycles in which we operate and ensuring that the Company is well positioned to benefit from the cyclical upturns."

Rod Pearce
CEO and Managing Director

¹ In terms of the value of dwellings work commenced for the year ended 30 June 2007 in "Boral's US States"

Major growth activities

Growth project	Current status
\$95m upgrade of the Waurn Ponds (Victoria) cement works	Achieved target production levels and around cost of capital returns in FY07; further optimisation being pursued to meet higher levels of demand.
New US\$35m, 100m SBE brick plant at Union City, Oklahoma (USA)	Commissioning commenced in Mar-06 quarter in line with plan. Benefits phased from Jun-06 quarter and returns ahead of cost of capital and business plan. Low-cost plant servicing a relatively resilient South West US market.
Midland Brick's (Western Australia) new \$53m, 50m SBE Kiln #11	Running well with commissioning of full product range to be completed in Sep-07 quarter. Achieving above cost of capital returns.
\$28m upgrade of the cement bagging plant at Maldon NSW	Completed on time/budget. Benefits increasing in line with plan since Jun-06. Relocation of operations to Maldon allowed closure of Seven Hills in Jun-06.
New \$12m 'wetcast' paving plant at Wacol (Queensland)	Commissioning complete, securing Boral's low cost position in relatively fast-growing segment. Currently delivering above cost of capital returns.
Acquisition of a further 30% in Giotto Precast for \$9m	Increased exposure to the fast-growing precast market on the East Coast through lift in Boral's equity from 50% to 80%.
New 10m m ² plasterboard plant in Vietnam involving a total JV investment of US\$13m	Completed on time and on budget. Plasterboard production commenced in the Sep-06 quarter and is achieving business case sales volumes.
New US\$12m (132k squares) clay roof tile plant in Trinidad in JV with ANSA McAL	Completion in FY06 but operating at lower volumes due to weak market conditions in South Florida. Production issues experienced during the first year have been resolved.
\$24m Herons Creek timber mill upgrade (NSW)	Fully commissioned and achieved design throughputs. Weakness in NSW market requires reduced operating hours to limit inventory growth.
\$27m upgrade of Berrima's cement mill #7 to 800k tpa	Practical completion in Jan-07 with benefits to be progressively delivered in line with business plan.
\$7m investment in south east Queensland Concrete & Quarries capacity	Building capacity to meet ongoing infrastructure activity in SE Qld, including Lawnton concrete plant, Narangba, Purga and Stapleton quarries.
\$30m investment in asphalt plants at Geelong (Victoria), West Burleigh (Queensland) and Welshpool (Western Australia) and two mobile plants.	Construction completed on Geelong and West Burleigh by Jul-07. Welshpool is under construction and due for completion by Dec-07. Mobile plants are currently deployed on EastLink in Victoria and in Queensland.
Net \$106m new 40m m ² plasterboard plant in Queensland	Construction under way with commissioning anticipated during Dec-07 quarter. Market demand remains solid and in line with expectations.
New US\$55m, 120m SBE brick plant at Terre Haute, Indiana	Construction under way, completion anticipated in Mar-08 quarter. Low-cost plant will operate at high utilisation rates reaching full production in FY09.
New US\$27.5m, 130k square, clay roof tile plant at Lone, California	Construction progressing satisfactorily and completion expected by Dec-07.
US\$69m MonierLifetile JV concrete roof tile plants – Las Vegas, Nevada and Lake Wales, Florida	Lake Wales plant successfully commissioned and well positioned to supply re-roofing market and future recovery in Florida's new construction market. Construction of Las Vegas plant delayed due to market downturn.
US\$42m upgrade (total) of LBGA's Dangjin plant, Seoul, double capacity to 75m m ²	Commissioning expected in early CY2008 with benefits flowing from anticipated Korean residential market recovery.
US\$28m (total) in new LBGA plants Rajasthan, India (8m m ²) and Chengdu, China (10m m ²)	Long-term natural gypsum supply to the plant in India and long-term FGD gypsum supply in Chengdu have been secured. Both plants are expected to be in operation in the first half of CY2008.
New \$10m automated panels plant at GoCrete in Perth, Western Australia	Due for completion in Dec-07 and will significantly lift our flooring and walling penetration in multi-unit construction in the buoyant Perth market.
\$85m (total) to upgrade cement grinding capacity of Sunstate Cement in Queensland	Expansion of clinker storage (and grinding) from 1.0m to 1.5m tpa to meet growing demand in Qld. Completion of clinker storage expected in first half of CY2008.
US\$80m acquisition of Schwarz and AMI, Oklahoma	Acquired Schwarz concrete and sand assets and AMI limestone quarry to secure #2 market position in Oklahoma City.

1 One square = 100 square feet.

Strengthening our resource-based manufacturing positions

Acquisitions and organic growth projects that have been completed are proving to be value creating and have offset the reduction in Boral's EBITDA which would otherwise have resulted from the significant Australian and USA housing downturns.

Most organic growth projects take a few years of construction and commissioning before benefits are delivered. As current projects are completed, and as markets grow, Boral's growth portfolio will be increasingly value-adding and will improve Boral's overall returns. A status of recently completed and continuing growth projects is summarised in the accompanying table (page 8).

During 2006/07, we continued to invest in growth projects to strengthen Boral's leading market positions. The \$226 million of growth capital in 2006/07 was spent largely on previously announced organic growth projects including the upgrade of cement mill #7 at Berrima (which is now complete), new US brick and roof tile plants and the new Queensland plasterboard plant (which are still under construction), and the acquisition of a further 30% of Giroto Precast.

The performance of recently completed growth projects continued to improve during the year. Some growth initiatives, such as those in construction materials in Australia, have progressively delivered increased value whilst others, such as brick and roof tile investments in the USA, are positioning Boral well for growth with market recovery.

Our 50/50 Asian plasterboard joint venture with Lafarge, LBGA, has progressed construction of a new plasterboard plant in Chengdu, China, and a new plant in Rajasthan, India, for a total combined investment of US\$28 million. Both plants are expected to be in operation in the March 2008 quarter. Together with the new US\$13 million plasterboard plant in Vietnam, which was completed in 2006/07, these investments are securing LBGA's number one market position in the Asian region (excluding Japan), positioning the business well to benefit from high growth markets in the longer term.

Following the end of the financial year, in August 2007 we announced that Boral had acquired the Schwarz concrete and sand business and the Arbuckle limestone quarry in Oklahoma, for an acquisition price of US\$80 million. This acquisition is another step in our value-adding

US construction materials growth strategy. The step out into the Oklahoma construction materials market follows Boral's successful move into Denver construction materials in September 2004 and the continued incremental benefits delivered from this acquisition strategy. The Oklahoma acquisition is expected to be earnings per share accretive in 2007/08 and results will improve as synergies are realised.

Boral's acquisition spend has continued to be an important contributor to current earnings and is providing substantial strategic benefits. Overall, acquisitions are delivering returns which exceed Boral's hurdle rate.

Organic growth has accounted for around half of Boral's growth spend and portfolio returns are currently averaging around cost of capital for completed projects. These returns are improving as projects mature.

Outlook for 2007/08

In 2007/08 we expect Australian dwelling commencements to be around 145,000 to 150,000 starts compared to the estimated 149,000 starts in 2006/07. This is well below underlying demand levels of around 170,000 starts per annum. Boral's building products results are expected to soften as result of the weakness in dwelling construction volumes.

We expect that earnings from our construction materials businesses in Australia will continue to improve as a result of an anticipated increase in the levels of non-dwelling and infrastructure construction activity in 2007/08 and the continued flowthrough of concrete and quarry price increases that were implemented in April 2007.

QEU earnings are expected to be around \$50 million in 2007/08 and will again be weighted heavily to the second half of the year.

Forecasters in the USA are currently expecting housing starts to be around 1.4 million to 1.5 million starts in the 2007/08 financial year, which equates to around a 3% to 10% decline year-on-year. This decline in housing construction activity will reduce brick and roof tile sales and production volumes and Boral's US earnings will be lower compared to 2006/07 levels. Our recently announced construction materials acquisitions in Oklahoma City will, however, positively impact US earnings with an expected EBITDA contribution of around US\$12 million in 2007/08.

In Asia, we anticipate growth in Boral's businesses despite an expected continuation of competitive market conditions for the remainder of 2007/08.

In addition to the expected cost improvement benefits from PEP of around 3%, Boral's growth initiatives will progressively deliver improved benefits to the Company, particularly as markets recover.

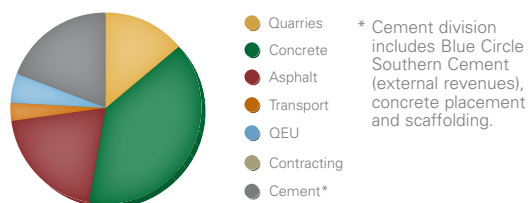
It is difficult to comment further at this time on the expected financial outcomes for 2007/08 because of the volatile market conditions that currently exist in some of our key markets. We will provide an update for shareholders on trading conditions at the Annual General Meeting on 29 October 2007.



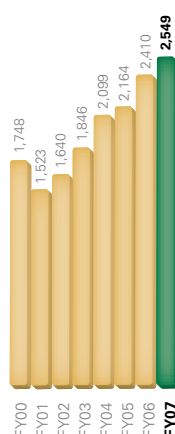
Rod Pearse
CEO and Managing
Director

Construction Materials, Australia

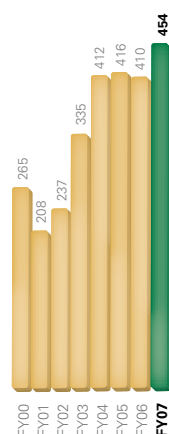
Share of External Revenue



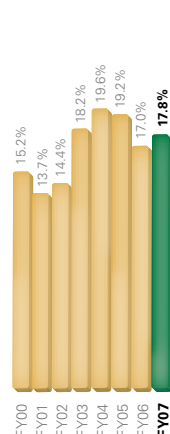
Revenue \$m



EBITDA³ \$m

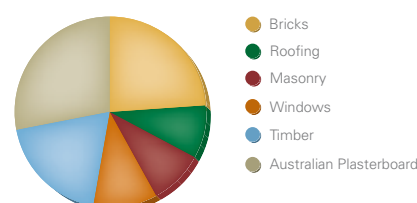


EBITDA/Revenue %

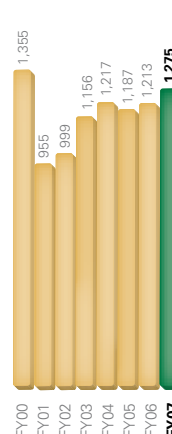


Building Products, Australia

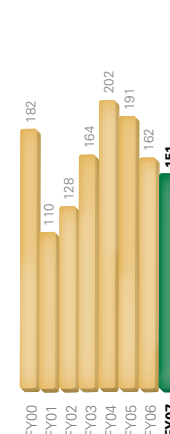
Share of External Revenue



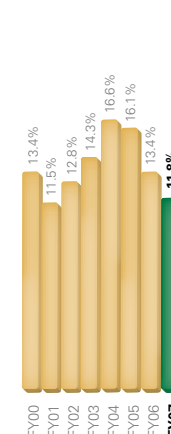
Revenue \$m



EBITDA³ \$m



EBITDA/Revenue %



1. Includes acquisitions.
2. Boral's share of revenues from LPGA Asian plasterboard joint venture do not appear in consolidated accounts. Boral's profits from LPGA are equity accounted and are after financing and tax.

year ended 30 June	2007	2006	% change
<i>A\$ million unless stated</i>			
Sales revenue	2,549	2,410	6
EBITDA	454	410	11
EBIT	318	286	11
Capital expenditure ¹	169	273	(38)
Funds employed ¹	2,271	2,202	3
EBITDA return on sales, %	17.8	17.0	
EBIT return on sales, %	12.5	11.9	
EBIT return on funds employed, %	14.0	13.0	
Employees, number	5,838	5,754	
Revenue per employee	0.437	0.419	

Performance

- Improved revenues due to strong quarry volumes; cement, concrete and quarry pricing gains; and higher asphalt volumes and margins. Boral ownership of Girotto Precast now 80% and revenues now consolidated.
- Improved earnings from Blue Circle Southern Cement (BCSC) and Asphalt. Quarry End Use (QEU) contributed \$56m of EBIT.
- Significantly improved results in Queensland and WA. Victoria benefited from Melbourne's EastLink project. Markets weaker in NSW; Sydney ABS concrete volumes were down by 8%.
- \$17m operational improvement from BCSC Waurm Ponds kiln. Berrima kiln #6 operating at above rated capacity, Waurm Ponds and Galong now performing well.
- \$70m of PEP cost reductions.

FY2008 Outlook

- Increased non-dwelling and infrastructure activity.
- Concrete and quarry price increases will continue to flow through.
- QEU earnings of around \$50m weighted to June half.

3. FY05 result onward has been adjusted for adoption of A-IFRS.
4. FY01 onwards includes Boral's share of LPGA revenues.

year ended 30 June	2007	2006	% change
<i>A\$ million unless stated</i>			
Sales revenue	1,275	1,213	5
EBITDA	151	162	(7)
EBIT	99	118	(16)
Capital expenditure ¹	127	119	7
Funds employed ¹	1,114	1,001	11
EBITDA return on sales, %	11.8	13.4	
EBIT return on sales, %	7.8	9.7	
EBIT return on funds employed, %	8.9	11.8	
Employees, number	4,107	4,143	
Revenue per employee	0.311	0.293	

Performance

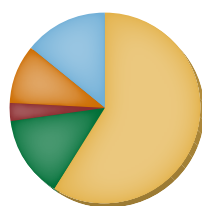
- Higher prices offset weaker volumes across bricks, roofing and masonry.
- Plasterboard revenues underpinned by increased volumes and sales of re-sale products.
- Timber revenue lift driven by stronger conditions in Queensland, sales growth from the Davis & Herbert business and engineered flooring sales.
- Earnings decline due to weaker masonry earnings and lower volumes and higher manufacturing costs associated with low plant utilisation and temporary plant shutdowns.
- \$32m of PEP cost reductions.

FY2008 Outlook

- Expect 145,000-150,000 dwelling starts.
- Effective price and cost management should mitigate volume related impacts and temporary plant closures should contain inventory growth in bricks and roof tiles.

USA

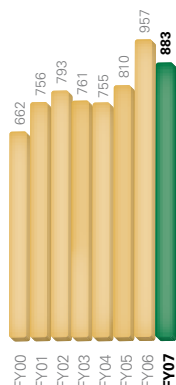
Share of External Revenue



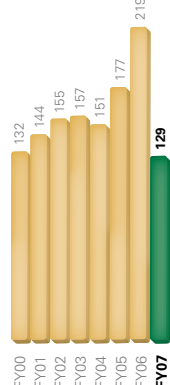
● US Bricks
● Concrete Roof Tiles**
● Clay Roof Tiles
● Construction Materials
● Fly Ash

** MonierLifetile joint venture is equity accounted – Boral's share of revenue does not appear in consolidated accounts but is included in the revenue pie chart.

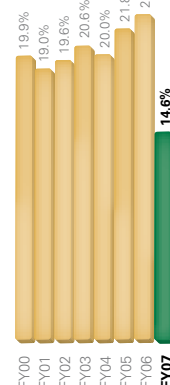
Revenue \$m



EBITDA³ \$m



EBITDA/Revenue %



year ended 30 June	2007	2006	% change
<i>US\$m</i>			
Sales revenue	699	714	(2)
EBITDA	102	163	(37)
EBIT	75	139	(46)
<i>A\$m</i>			
Sales revenue	883	957	(8)
EBITDA	129	219	(41)
EBIT	95	186	(49)
Capital expenditure ¹	100	100	–
Funds employed ¹	813	848	(4)
EBITDA return on sales, %	14.6	22.8	
EBIT return on sales, %	10.7	19.4	
EBIT return on funds employed, %	11.6	21.9	
Employees, number	2,503	2,679	
Revenue per employee	0.353	0.357	

Performance

- Severe downturn in US housing activity, with the most significant decline in earnings coming from the MLT concrete roof tile joint venture and from US bricks.
- Brick and clay roof tile prices up 6% but June 07 on June 06 brick prices flat and clay roof tiles up 1%. Concrete roof tiles up 4% year-on-year but June 07 on June 06 prices down 11%.
- Revenue growth in Construction Materials. Concrete volumes down due to slowing residential market and adverse weather, but aggregate and block volumes up and overall price lifts.
- US\$26m of PEP cost reductions.

FY2008 Outlook

- Forecasters expect 1.4–1.5 million housing starts down around 3%–10% on FY2007.
- Natural gas costs should be lower than in FY2007.
- Schwarz/Arbuckle acquisitions should increase USA construction materials EBITDA by around US\$12m.

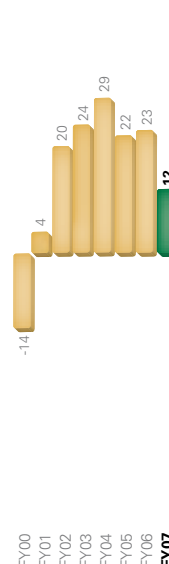
Asia

* Includes Boral's Asian plasterboard joint venture with Lafarge and Boral's Indonesian and Thailand construction materials businesses.

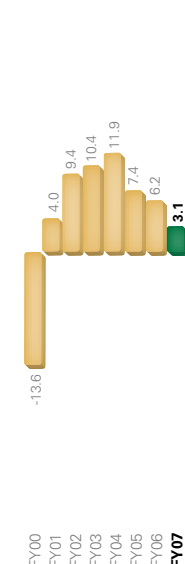
Revenue \$m⁴



EBIT³ \$m



EBIT/Revenue³ %



year ended 30 June	2007	2006	% change
<i>A\$ million unless stated</i>			
Sales revenue ²	183	177	3
EBITDA	21	30	(31)
EBIT	12	23	(46)
Funds employed	376	377	
Return on funds employed, %	3.2	6.0	

Performance

- Decline in earnings from construction materials due to volume (Indonesia) and margin pressures (Indonesia and Thailand) offset by improved market conditions and underlying earnings in Asia plasterboard JV.
- Concrete and quarry business in Thailand recovered market share and expanded geographically and concrete volumes lifted significantly.
- Income of \$16m from Asian plasterboard JV 18% below last year, but on an underlying basis earnings substantially stronger. South Korea trading was more stable and volumes were well up but there was continued pressure on prices.
- Plasterboard prices up in East China and total China volumes were higher. Market conditions remained soft in Thailand and exports were lower, resulting in continued pressure on prices and volumes.
- New US\$13m 10m m² plasterboard plant commissioned in Vietnam in August 2006 but faced some early competitive pressures.

FY2008 Outlook

- Expect continued growth and competitive market conditions in Asia.

REVIEW OF OPERATING DIVISIONS



JOHN DOUGLAS
EXECUTIVE GENERAL MANAGER

AUSTRALIAN CONSTRUCTION MATERIALS

The Australian Construction Materials (ACM) division employs around 4,600 employees and 1,600 contractors in quarry, concrete, asphalt, transport, contracting and land development activities throughout Australia. With around 400 operating sites, ACM has a regional focus to serve Boral's local markets.

Performance

ACM's FY2007 sales were around 9% higher than the prior year. Market conditions in Queensland and Western Australia remained strong during the year. In Victoria, Boral benefited from participation in Melbourne's EastLink project. Robust infrastructure spending in these states, together with effective price management, offset weaker market conditions in New South Wales where Boral has significant exposure. In Sydney where ABS concrete volumes were down by 8%.

Boral's concrete volumes were 2% higher during the year, despite difficult trading conditions in New South Wales where detached dwelling construction activity

remained at 30-year low levels, with increased demand driven by strong infrastructure activity. Average price increases of 4% were not sufficient to fully offset cost increases.

Asphalt performed very strongly during the year with higher volumes underpinning a 16% lift in revenues. Margins improved despite bitumen cost escalation.

Quarry volumes were 7% higher than last year, due to concrete and asphalt pull-through and participation in a number of infrastructure projects. Our quarry businesses experienced cost pressures associated with the resources boom. Our Queensland and Western Australia plants were operating at near capacity which put further pressure on operating costs. Penrith Lakes (PLDC) costs in New South Wales increased as quarrying moved into the final years of extraction. These cost pressures were partially offset by price increases of 4% and cost reduction initiatives.

Boral Transport's EBITDA earnings were lower than last year following our exit from the Hunter Valley transport business. The transport business now largely supports internal transport needs.

We exited the mining contracting business in Western Australia but the asset value of all related equipment was recovered.

Boral's Quarry End Use (QEU) business contributed \$56 million of EBIT (up by around \$9 million on last year). QEU earnings came from the George's Fair (Moorebank) and Nelson's Ridge (Greystanes) developments, the sale of land at Northgate and Richmond Lowlands, and the Deer Park Western Landfill operation.

Outlook

We anticipate that increased non-dwelling and infrastructure activity will favourably impact ACM in Australia during FY2008. Concrete and quarry price increases that were announced effective 1 April 2007 will continue to flow through in FY2008. QEU earnings of around \$50m will again be weighted heavily to the second half of the FY2008 year.

Widespread cost control programs exist within the division. Major performance enhancement programs are under way in New South Wales aimed at improving our cost structure and in Queensland aimed at further improving our cost structure and maximising our network capacity.

QUARRIES

Boral has leading quarry resource positions close to market and is Australia's leading quarry operator with around 100 quarries, sand pits and gravel operations producing products such as concrete aggregates, crushed rock, asphalt and sealing aggregates, road base materials, sands and gravels.

CONCRETE

The network of around 240 premix concrete plants produces a wide range of mixes in metropolitan and country areas. Boral's acquisition of GoCrete in Western Australia and 80% of Girotto Precast on the East Coast gives it interests in precast concrete plants in key markets.

ASPHALT

Boral is a national supplier of asphalt with around 50 plants producing asphalt and other materials for the surfacing and maintenance of road networks.

TRANSPORT

The company-owned fleet totals around 400 vehicles providing bulk transport and logistics solutions to the construction materials businesses, other Boral divisions and to selected external freight markets where it supports our internal business. Boral Transport manages approximately a further 300 contracted vehicles and drivers.

QUARRY END USE

QEU focuses on realising appropriate end uses for quarry properties and other Boral land assets that are nearing the end of their economic life. Current major QEU activities include development of the Greystanes Estate and the Moorebank brick plant redevelopment in Sydney and a 40% share in the Penrith Lakes Development Scheme.

A key growth driver for ACM, asphalt capacity has been increased via the construction of plants at Geelong in Victoria and West Burleigh in Queensland we have also purchased two new mobile plants currently located at Ipswich in Queensland and Eastlink in Melbourne. A new plant is currently under construction at Welshpool in Perth and is due for completion by December 2007. These new plants complement our existing network which is performing strongly, as evidenced by the Enfield plant in New South Wales.



Queensland's infrastructure spend is at unprecedented levels, and underpinned a solid increase in revenues from this region. This level of activity is expected to grow in coming years. ACM is well placed to meet the infrastructure demands due to targeted investment in our concrete, quarry and asphalt networks, particularly in South East Queensland.

ACM has significant capacity and capability to meet the large scale infrastructure projects that are forecast to come on stream over the next few years. This is demonstrated by our involvement in the Boddington Gold Mine project in WA and the successful execution of the EastLink motorway project in Melbourne (the largest infrastructure project in Australia to date). Locating new concrete and asphalt plants adjacent to the EastLink project is an example of the commitment and capability that ACM can bring to its infrastructure partners.

DARWIN

- ▲ ASPHALT
- CONCRETE
- ▲ QUARRIES
- TRANSPORT

PERTH



ADELAIDE

CANBERRA

SYDNEY

MELBOURNE

HOBART

ACM is continuing to review the composition of its businesses. Expansion of our precast business is continuing with our investment in Giroto, which operates on the East Coast, increasing to 80% and the construction of an automated plant for our GoCrete precast operations in Perth. Business rationalisation includes exiting the Cooljarloo contract mining business and unprofitable transport contracts, both in Western Australia, and the sale of our non-core Hunter Valley New South Wales transport business.

REVIEW OF OPERATING DIVISIONS



PHIL JOBE
EXECUTIVE GENERAL MANAGER

CEMENT

The Cement division is a portfolio of businesses comprising Blue Circle Southern Cement (BCSC), Boral Formwork & Scaffolding, De Martin & Gasparini, Dowell Windows, PT Jaya Readymix (Indonesia) and Boral Thailand Concrete & Quarries. The division operates across 135 operating sites in Australia, Indonesia and Thailand and employs approximately 5,400 people (with around 3,400 in Asia).

Performance

BCSC drove the Cement division's improved operating performance with the remaining businesses in the portfolio producing mixed results.

Overall cement volumes were similar to last year. A decline in New South Wales volumes was offset by increases in both Victoria and Queensland where Sunstate Cement achieved double digit growth. Average cement prices were 4% higher than the prior year.

Following a three-week shutdown in July 2006 to replace a trunnion bearing failure costing around \$5 million, Berrima's kiln #6 has

been operating well. Berrima's capability was further enhanced with the successful March 2007 commissioning of the new 800k tpa cement mill. The Waurin Ponds kiln significantly improved its performance with the benefits of the upgrade becoming apparent in a \$17 million earnings uplift in FY2007.

Lime volumes were up significantly from last year's low base with demand from the steel sector improving but still short of expectations. Despite an early refractory change at Galong costing around \$2 million during the year, the Galong kiln is now performing well.

The Formwork & Scaffolding business environment remains very competitive. During the period, several competitors sought to continue to expand market share using imported hire stock. The consequent pressure on hiring rates reduced earnings despite increased volumes and formwork capability.

De Martin & Gasparini revenues were down significantly on last year. EBITDA was lower due to a less favourable business mix.

Dowell Windows EBITDA earnings improved on last year due to stronger volumes and cost controls. Revenue increased despite difficult conditions in the housing market particularly in New South Wales. Sales in Queensland, Victoria and Western Australia were stronger.

In Indonesia, concrete volumes were well down but market share was stable in an uncertain market environment driven by large economy-wide cost increases, particularly diesel, and major flooding in Jakarta earlier in 2007. Price increases did not offset cement and other cost increases. The quarry and pipe businesses progressed and the review of cement supply options advanced during the year.

In the Thailand Concrete & Quarries business, concrete volumes lifted significantly as we recovered market share and expanded geographically. There was ongoing political upheaval and severe monsoonal flooding during the year. Margin compression was experienced as a result of cement and diesel cost increases.

Outlook

Cement demand should remain well supported by continued strength in non-dwellings and infrastructure construction. An increasing Australian dollar exchange rate and reduced cement exports from Asia to the US may have a dampening effect on increases in domestic cement pricing in the short term. Asian operating environments are expected to remain challenging.

BLUE CIRCLE SOUTHERN CEMENT (BCSC)

This leading Australian cement company has 13 operating and four distribution sites and around 700 employees. The major operations are in the Southern Highlands of NSW at Berrima where the dry process cement capacity is 1.4m tpa. At Maldon, up to 300k tpa of off-white and grey cement can be produced and development of a larger scale and lower cost bagging and dry mix facility has been completed. BCSC markets fly ash acquired from power stations in NSW and has a 50% shareholding in Fly Ash Australia. In Victoria, at Waurin Ponds near Geelong, the upgraded dry process kiln has a capacity of 800k tpa. BCSC also has a 50% interest in Sunstate Cement which operates a cement milling facility in Brisbane.

BCSC is a large producer of limestone for both internal and external customers from our substantial reserves at Marulan and at Galong in NSW. Lime is produced at Marulan and at Galong.

BORAL FORMWORK & SCAFFOLDING (BFS)

Boral is a leader in the hire and sale of formwork and scaffolding, providing engineering expertise to the Australian construction industry. BFS has 30 depots around Australia with an increasing focus on new formwork products.

DE MARTIN & GASPARINI (DMG)

DMG is a specialist concrete placing business which has been servicing Sydney's construction industry for over 50 years. DMG has built its expertise in large pours, detailed formwork design and high strength concrete.

DOWELL WINDOWS

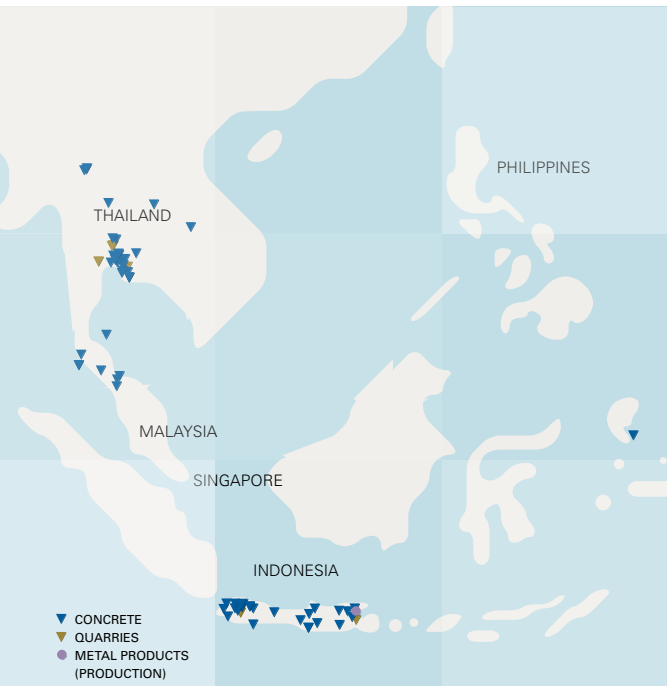
Dowell operates nationally through 15 window fabrication businesses employing around 800 people, focusing on supplying the residential builder market.

INDONESIAN CONSTRUCTION MATERIALS

PT Jaya Readymix is the largest producer of premixed concrete in Indonesia, employing around 2,100 people on 28 sites, predominantly located on the main island of Java. Its hard rock quarries produce aggregates for the Jakarta market. The business is expanding its concrete pipe and precast panels business.

BORAL THAILAND CONCRETE & QUARRIES

This business is one of Thailand's leading concrete and quarry businesses and operates around 50 concrete batch plants and quarries throughout the country.



In June 2007, Sunstate Cement announced plans for an \$85m expansion to meet growing infrastructure needs in Queensland. The expansion plans include an additional 500,000 tpa of cement grinding capacity, together with additional clinker, cement and fly ash storage capacity.



DARWIN

The Galong lime operation has emerged from a difficult commissioning phase, which culminated in an early kiln refractory replacement, to perform at high levels of availability and produce a high-quality calcined lime product. Galong is securing its position as a competitive and long life supplier of lime to south-east Australian markets.

▼ CEMENT
● SCAFFOLDING
■ WINDOWS

PERTH

ADELAIDE

The upgraded Waurn Ponds cement plant operated at improved levels of availability throughout the year and consequently lower cost, which enabled BCSC to lift production to meet customer requirements in a strong Victorian market

CANBERRA

MELBOURNE

BRISBANE

SYDNEY



HOBART

Dowell Windows has improved its operating and earnings performance this year against the background of depressed new housing construction markets, particularly in NSW, by a focus on cost containment and product innovation.



REVIEW OF OPERATING DIVISIONS



KEITH MITCHELHILL
EXECUTIVE GENERAL MANAGER

CLAY & CONCRETE PRODUCTS

Clay & Concrete Products (C&C) manufactures and markets clay and concrete bricks, blocks, roof tiles and landscaping products. These products are widely used in a range of domestic and commercial walling, roofing and landscaping applications.

Across 43 Australian locations including 22 operating sites, C&C employs around 1,800 people and over 800 contractors. The products are sold in Australia, New Zealand and Asia.

Performance

Australian dwelling construction, particularly detached housing, is the primary source of demand for the division's products. FY2007 saw a 1% increase in Australian dwelling approvals, following an 8% decline in the previous year. Dwelling starts were around 149,000 for the year, well below underlying demand levels of around 170,000 starts per annum. Again this year the conditions varied widely between different regions with near peak conditions in Western Australia and record 30-year lows in detached housing in New South Wales.

In line with market conditions, overall demand for the division's products was lower, which resulted in lower revenues and earnings on the prior year.

Despite the pressure from lower volumes; bricks down 1–2%, roof tiles down 2% and masonry products down 7%, pricing outcomes were generally positive. Average brick prices improved by around 2–4% and roofing prices were up by around 3%. Masonry prices however were flat. Market shares were broadly stable throughout the year, except in Masonry where we lost market share following the entry of new manufacturing capacity. Clay brick competitors continued to target the concrete brick share of wall in Victoria.

Manufacturing performance was variable across the businesses. In Roofing, benefits from the Emu Plains (New South Wales) and Carole Park (Queensland) concrete tile plants which have both been upgraded in recent years, offset poorer performance at the Wyee clay tile plant in New South Wales and at the aging Springvale concrete tile plant in Victoria.

To match production levels to the weak market conditions a series of plant slowdowns and/or extended temporary shutdowns occurred across the east coast. Most clay manufacturing plants had extended shuts and multiple concrete products plants operated on reduced shifts.

We continued to operate ageing high-cost plants in Western Australia to service continuing strong demand. This adversely impacted manufacturing performance as did labour supply constraints.

Major business improvement programs continued to deliver in line with expectations in both the East Coast Bricks and Concrete Masonry businesses. A new structured program was commenced to improve the effectiveness of the contract installation business in Roofing with positive early results.

Outlook

We expect dwelling commencements in Australia in FY2008 of around 145,000–150,000 starts compared to the estimated 149,000 starts in FY2007. Effective price and cost management should mitigate some volume-related impacts and an extended program of temporary plant closures should contain inventory growth, particularly in bricks and roof tiles, but will adversely impact manufacturing costs.

BRICKS

Boral is Australia's second largest producer of clay bricks and pavers. Boral is also an exporter of clay products to New Zealand, Japan and increasingly other Asian countries.

Bricks East comprises seven brick manufacturing sites in Victoria, New South Wales and Queensland.

Bricks West includes Midland Brick which is the largest clay brick manufacturer on one site in the world. Midland was established in 1945 and acquired by Boral in 1990.

ROOFING

As Australia's second largest roof tile supplier, Boral competes in both the supply-only and supply-and-fix market segments. We operate four concrete roof tile plants in the cities of Brisbane, Sydney, Melbourne and Adelaide and one clay roof tile plant at Wyee, on the New South Wales Central Coast.

MASONRY

Boral is the largest manufacturer of concrete masonry products in Australia with manufacturing sites in five states. We are a recognised leader in the paving, landscaping and retaining wall segments and have an industry-leading range of products.

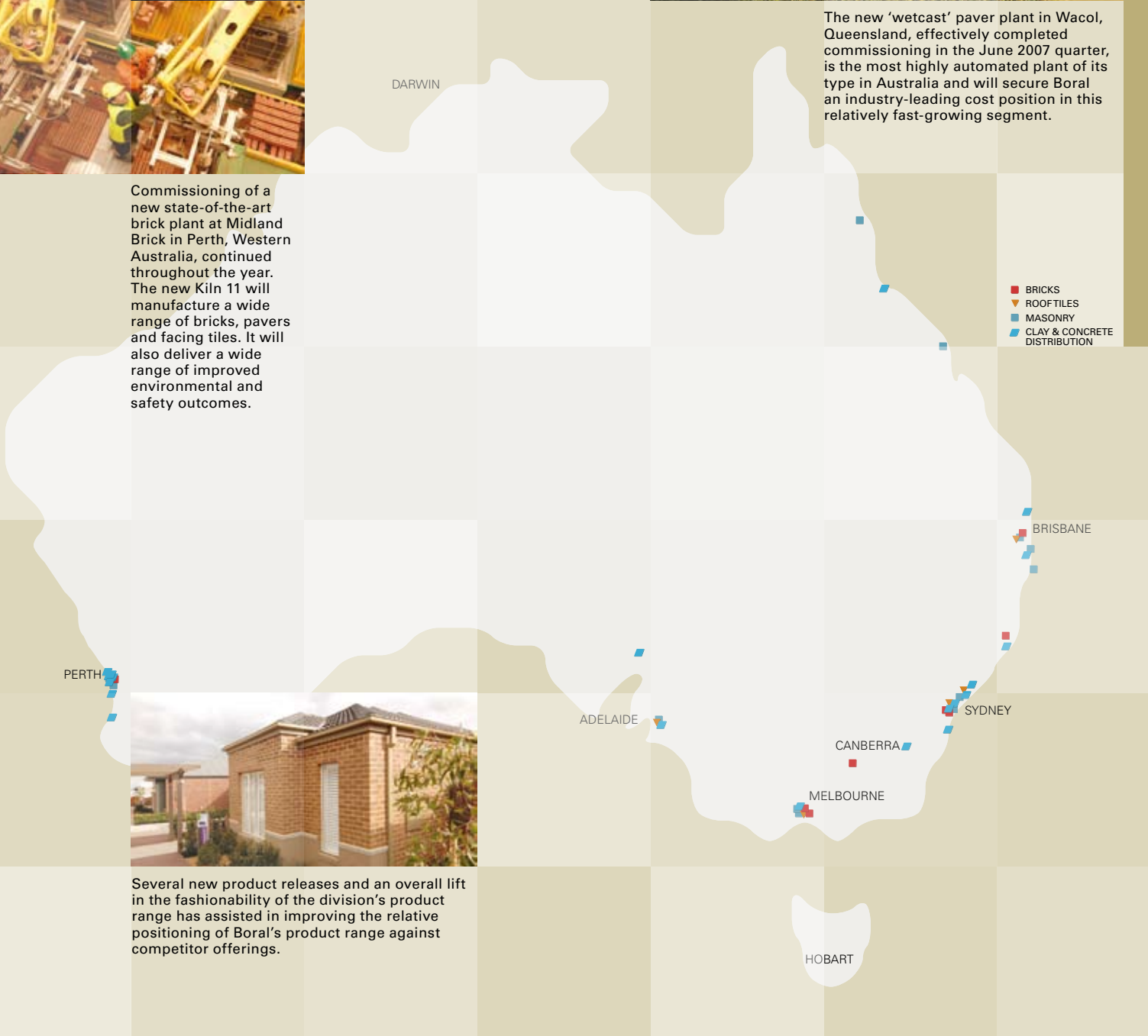


A \$6 million upgrade to the ageing Springvale concrete tile plant in Victoria commenced in the June 2007 quarter. When fully commissioned, the upgraded plant will deliver improved quality and lower costs to the previously capacity-constrained plant.



Commissioning of a new state-of-the-art brick plant at Midland Brick in Perth, Western Australia, continued throughout the year. The new Kiln 11 will manufacture a wide range of bricks, pavers and facing tiles. It will also deliver a wide range of improved environmental and safety outcomes.

The new 'wetcast' paver plant in Wacol, Queensland, effectively completed commissioning in the June 2007 quarter, is the most highly automated plant of its type in Australia and will secure Boral an industry-leading cost position in this relatively fast-growing segment.



Several new product releases and an overall lift in the fashionability of the division's product range has assisted in improving the relative positioning of Boral's product range against competitor offerings.

REVIEW OF OPERATING DIVISIONS



BRYAN TISHER
EXECUTIVE GENERAL MANAGER

TIMBER

The Timber division employs around 800 people in its hardwood, softwood and plywood operations, located on the east coast of Australia. Timber operates 17 manufacturing sites and 6 distribution outlets. Products are sold into the structural, commercial and renovation markets and are distributed across domestic and export markets.

Performance

Timber's revenues increased 12% to \$247m during the year, driven primarily by stronger market conditions in Queensland, sales growth from the recently acquired South Coast hardwood business (Davis & Herbert) and increased engineered flooring product sales.

Softwood volumes were up 3% and prices recovered in the second half from the price declines experienced in the six months ending December 2006. Plywood prices strengthened during the year by around 4%.

Hardwood volumes were up by 10% due to improving demand from structural and flooring markets and strong demand from infrastructure projects. Average selling prices for hardwood products were steady.

EBITDA earnings were flat compared with the prior year but well up in the June half. Cost pressures from log supply and wages escalation compressed margins. EBIT declined in the period as additional depreciation from last year's plant upgrade investments was incurred during the year.

Manufacturing performance also improved in the second half of the year with increased throughput and recovery at the Herons Creek mill and the engineered flooring plant at Murwillumbah. During the year, Boral Timber closed the Bostobrick green mill and suspended operations at its Gloucester hardwood mill due to the weak market conditions experienced in New South Wales.

Hardwood inventory levels increased during the year due to the continued softness in the housing market. The \$24 million upgrade at Herons Creek has been completed and productivity improved in the second half of the year. The engineered flooring operation showed significant improvement during the year with a substantial increase in sales volumes and improved plant efficiency. Performance from the newly acquired Davis & Herbert business further improved during the year with operating cashflow from the business ahead of the investment case.

Outlook

Demand for softwood and hardwood timber products is expected to strengthen in FY2008 as domestic housing construction activity firms on the east coast of Australia, particularly in Queensland. Supply of Australian hardwood and softwood timber products is expected to remain constrained in the year providing a favourable pricing environment. PEP cost reduction initiatives will be a major area of focus for FY2008.

HARDWOOD

Boral's hardwood business operates 14 manufacturing facilities in New South Wales and distributes product to domestic and export markets. The business has a strong position in both structural and flooring markets. Boral exports small quantities of woodchips processed from sawmill waste, forest residues and plantation stock from the hardwood operations in northern New South Wales.

SOFTWOOD

Softwood's single manufacturing facility is located at Oberon in New South Wales and operates through a joint venture with Carter Holt Harvey. The mill has a capacity of around 725,000m³ following a recent capital upgrade. The mill has not produced to full capacity to date due to a weak detached housing market. Softwood products are primarily sold in east coast markets.

PLYWOOD

Boral is Australia's leading plywood producer and operates one large plywood operation at Ipswich in Queensland. Products are sold in all major Australian markets.

DARWIN

Output from the Engineered Flooring plant at Murwillumbah increased in the year with external sales significantly above the prior year. Resource recovery and plant efficiencies improved.



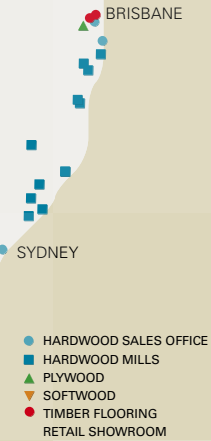
The upgrade of Boral's softwood manufacturing facility at Oberon, a joint venture with Carter Holt Harvey, has been completed and the mill now has the capacity to process 725,000m³ of incoming log.

PERTH

ADELAIDE

CANBERRA

MELBOURNE



HOBART



Productivity has improved at the upgraded Herons Creek green mill, particularly in the second half of the year. The new plant has improved safety features and is designed to operate more efficiently with the smaller diameter regrowth log resource available from Forests NSW.

The Davis & Herbert business, acquired in June 2005, achieved an improved result in FY2007 with operating cashflow ahead of the investment case.

REVIEW OF OPERATING DIVISIONS



ROSS BATSTONE
EXECUTIVE GENERAL MANAGER

PLASTERBOARD

The Plasterboard division is an integrated plasterboard manufacturing, distribution and installation business with 54 company-owned distribution and operating sites around Australia and employing around 700 people. Boral has 50% shares in gypsum supply and metal products manufacturing businesses in Australia with CSR and a 50% share of a gypsum products joint venture across Asia with the French company Lafarge SA.

Performance

Australian demand for plasterboard lifted by around 2% in the year, reflecting stronger new house construction activity in Queensland despite weakness in New South Wales. Imports, mainly from Thailand, supplied less than 1% of overall demand, down year-on-year.

Boral's Australian plasterboard sales revenues were up 7% to \$351 million despite 1% lower average prices and EBITDA earnings were in line with the prior year. The result benefited from the buoyant new house construction market in Queensland, resilient

plasterboard demand from most non-residential markets, improved non-plasterboard sales through our own direct distribution channels and stronger performance from our residential installation business, Boral Interior Linings. Boral's PartiWALL® and EurekaWALL™ partitioning systems continue to lead the market. Ongoing cost reduction initiatives offset lower prices enabling underlying margins to be maintained.

GRA, our gypsum supply joint venture with CSR, was restructured during July 2007 and Boral's shipping needs have now been outsourced to CSL Australia Pty Ltd, a subsidiary of Canada Steamship Lines Inc.

Construction of the new 40 million m² p.a. plasterboard plant in Brisbane is well advanced and close to schedule. This plant will be state-of-the-art in its automation and energy efficiency and is capable of using recycled water. Located next to the Brisbane River, it will allow gypsum feedstock to be taken directly from ship by conveyor to plant, further reducing expected operating costs and reducing trucks on local roads. It will service Queensland and other markets and allow our existing Northgate facility to be taken out of service.

Our Asian Plasterboard JV with Lafarge, LBGA, recorded an equity accounted after tax profit of \$16 million, 18% below the same period last year which included a one-off compensation benefit for land resumed in Shanghai. The underlying result was substantially stronger, reflecting market conditions that were more stable in South Korea and strong in China, and the impact of strong cost reduction and revenue enhancement outcomes. Energy-related cost increases continue to put pressure on margins.

Outlook

Whilst plasterboard demand lags other products in the construction process, a cyclical uplift in building construction will favourably impact on demand particularly in Queensland. Potential for plasterboard imports into Australia from Asia remains a threat to Australian prices and margins but our cost competitiveness, product range and segment tailored channels to market position us well to meet this threat. Plasterboard market conditions in Korea, Thailand and China are expected to remain competitive over the next year. However, strong underlying plasterboard demand is expected to underpin longer term Asian returns.

AUSTRALIA

Boral specialises in the manufacture, distribution and installation of plasterboard-based wall and ceiling lining systems and aims to be Australia's leading supplier of wall and ceiling lining solutions. This is backed by design and training support services for a national customer base of resellers, interior linings contractors and builders. We have plasterboard manufacturing plants in Queensland, New South Wales, Victoria and South Australia, a specialty plasters and jointing compounds plant in Victoria, cornice plants in New South Wales and Victoria, an integrated national network of over 50 specialist trade centres and Australia's largest residential wall and ceiling installation service. Boral is a 50% shareholder in Gypsum Resources Australia (GRA) and in Rondo Building Systems, the leading metal products supplier for wall and ceiling lining systems.

ASIA JOINT VENTURE

Boral has a 50% shareholding of the Lafarge Boral Gypsum Asia (LBGA) JV, the leading plasterboard producer in Asia (outside Japan). Around one in every four square metres of plasterboard sold in this region comes from LBGA. The JV has 306 million m² of plasterboard capacity, specialist ceiling tile plants, a metal roll forming mill and production capacity for jointing compounds and industrial plasters, all feeding established distribution networks. Boral and Lafarge intend that LBGA continues to profitably grow its leadership position across Asia in a manner which substantially increases markets for plasterboard systems and associated products and delivers value.



The construction of the new Queensland Plasterboard plant is progressing well. At a budgeted net investment of \$106m, this 40m m² p.a. plant is adjacent to the river in the suburb of Pinkenba and will be Australia's largest plasterboard plant when completed. Commissioning is anticipated during the December 2007 quarter.



Through LPGA, we are continuing to strengthen our leading plasterboard position in Asia. Our Asian Plasterboard JV has commissioned the first plasterboard plant in Vietnam, located in the Ho Chi Minh City area, for a total investment of around US\$13m. Capacity is expected to be 10m m² p.a. and the site allows flexibility to increase capacity in the future. A new US\$42m total investment is being made at LPGA's Dangjin plant near Seoul, South Korea, to double plant capacity to 75m m² p.a. The new capacity is expected to be commissioned in early calendar year 2008. New plants are also being built at Rajasthan in India (US\$17m, 8m m²) and Chengdu in China (US\$11m, 10m m²), strengthening LPGA's supply position in these markets.



Our plasterboard business continues to benefit from product research and development activities. While products such as EurekaWALL™ and CinemaZone® enjoy great success, there are many more coming through the innovation pipeline.



REVIEW OF OPERATING DIVISIONS



EMERY SEVERIN
PRESIDENT, BORAL USA

USA

Boral employs around 2,500 people across 162 operating and distribution sites across the USA. The US operations include the country's largest brick manufacturer, the largest clay tile manufacturer and one of the largest fly ash suppliers. The group holds a strong position in the Denver construction materials market and more recently in Oklahoma construction materials. Through the 50%-owned MonierLifetile (MLT), Boral is the largest concrete roof tile manufacturer in the United States.

Performance

In the USA, EBITDA earnings decreased by 37% on the prior year of US\$102 million. The result was driven by a severe downturn in single family home construction across all major markets which negatively impacted sales and production volumes in the brick and roof tile businesses. The Denver, Colorado, construction materials businesses offset soft residential demand with increased commercial business, improving on last year's performance.

Revenue from Bricks was down by 3% due to an 11% decline in sales volumes only partially offset by 6% higher average prices and an increased proportion of Boral manufactured bricks that were sold through direct distribution, which is now up to approximately 80%. Prices weakened by around 1% in the June half and June 2007 prices were flat with those achieved in June 2006. Brick sales volumes reduced by 11% (5% down in the December half and 17% down in the June half) and production volumes were 12% lower (4% up in the December half and 26% lower in the June half). EBITDA earnings were significantly down as a result of lower volumes, related production network inefficiencies and because of an US\$11 million increase in natural gas costs. Production and logistics efficiencies from Brick's "step change" program, and improved fuel efficiencies partially offset inflationary impacts.

MLT delivered a loss of US\$4 million compared to last year's record profit of US\$28 million. Average prices increased by around 4% because of the flowthrough of price increases which occurred in FY2006 but prices deteriorated by 10% in the second half and were 11% lower in June 2007 than in June 2006. Sales volumes were down by 35% (down 27% in the December half and down 44% in the June half). MLT operations are heavily concentrated on the West Coast in California, Nevada and Arizona and in Florida; the decline in single family housing starts in these key markets averaged around 40% in FY2007. Production costs were higher than last year due to raw material cost increases (cement and sand) and inefficiencies from decreased production rates necessary to control inventory levels, which reduced throughout the year.

US Clay Tile's plant in Southern California experienced reduced volumes with the deterioration in the western housing market and required reductions in plant output during the year. Average prices increased by 6% because of the flowthrough of price increases which occurred in FY2006 but prices weakened by 1% in the June half and June prices were 1% above those achieved in June 2006. Sales volumes were down by 14% (down 9% in the December half and down 18% in the second half). EBITDA earnings were well below last year as volumes and production costs were directly impacted by the slowdown in West Coast markets resulting in lower rates of production to avoid inventory build. The new plant in Trinidad incurred a loss of US\$1.7 million as a result of deteriorating market conditions in South Florida. The construction of

a new tile plant at Lone in Northern California is well under way and is scheduled to begin production in late 2007. This plant will replace an older, less efficient line at our Corona plant in Southern California which requires a kiln rebuild.

Profit from the Boral Material Technologies Inc. (BMTI) fly ash business was steady compared to last year's record result as higher prices and new product initiatives offset lower volumes resulting from the loss of the Belews Creek power station contract mid-year and because of very weak demand for cementitious products in Florida.

EBITDA earnings from Denver Construction Materials increased significantly in FY2007. Price increases for aggregates, concrete and block were sufficient to recover increases in the costs of fuel, cement and other raw materials. Concrete volumes were below last year due to slowing residential construction, as well as adverse weather conditions, however aggregate and block volumes were above last year. Key PEP initiatives also contributed to the improved result.

In August 2007 we announced the US\$80 million acquisition of the Schwarz concrete and sand business and the Arbuckle hardrock quarry in Oklahoma, which continues the Company's value-adding US construction materials growth strategy.

Outlook

Following a significant decline in activity during FY2007 with total housing starts (single and multi-dwellings in Boral's US states) declining by 27% compared to the previous year, unsold inventories are at high levels, foreclosure rates are up and credit markets are tightening. It is unclear when a turnaround may occur.

Forecasters currently expect USA housing starts to be around 1.4-1.5 million in FY2008, down around 3%-10% on FY2007 levels (1.55 million starts) which will reduce brick and roof tile sales / production volumes and earnings compared to FY2007 levels. Natural gas costs should be lower than in FY2007. The Schwarz / Arbuckle acquisitions announced in August 2007, should increase USA construction materials EBITDA in FY2008 by around US\$12 million.

We have long-term confidence in the US market. We believe that underlying demand for dwellings in the USA is around 1.8 million starts (excluding manufactured housing). Boral is well positioned in the markets it serves, and US growth initiatives are expected to strengthen those positions and deliver benefits as markets recover.

US Tile is constructing a new US\$28m clay roof tile plant at Lone, California, to produce 130,000 squares¹ per annum, with completion expected by December 2007. In addition, a 132,000 squares¹ per annum 50% joint venture clay roof tile plant in Trinidad was completed in FY2006 to supply product for importation into the Florida market. This plant is currently operating at lower volumes due to weak market conditions in South Florida.



In August 2007, Boral acquired the concrete and sand assets of Schwarz Readymix and the quarry assets of Davis Arbuckle Materials for US\$80m. The acquisitions will be EPS accretive in the first full year of ownership and position Boral as the second largest concrete producer in Oklahoma city. The acquisitions demonstrate Boral's ongoing commitment to growing in construction materials in the USA.



Boral Bricks' new US\$35m Union City, Oklahoma, brick plant was commissioned during the year and with an output of 100 million standard brick equivalents, the plant increases manufacturing capacity by around 6% and services the relatively resilient key South West US market. Boral Bricks is constructing a new US\$55m, 120 million standard brick equivalent plant at Terre Haute, Indiana, with completion anticipated in the March 2008 quarter.



- BMTI (FLY ASH)
- CONSTRUCTION MATERIALS
- USA BRICK (PRODUCTION)
- USA BRICK (DISTRIBUTION)
- ▼ MONIERLIFETILE CONCRETE ROOFTILES
- ▼ USTILE CLAY ROOFTILES

BRICKS

Boral's brick business operates 24 plants across 15 locations in eight States, primarily in the south-eastern and south-western areas of the country. Boral sells over 80% of its clay bricks and pavers through a network of 60 company-owned direct selling locations with the remainder via a strong network of independent distributors.

ROOF TILES

Boral owns 50% of MonierLifetile. The joint venture has 14 concrete roof tile plants in the western and south-western states and also in Florida. US Tile, the country's largest clay roof tile producer, operates from a plant in Southern California. Through a 50% interest in a joint venture, US Tile recently commissioned a new plant in Trinidad producing roof tiles for importation into the Florida market.

FLY ASH

BMTI is one of the largest marketers and distributors of coal combustion products in the USA. It has around 40 locations around the country including operations at electrical utility plants, fly ash terminals and sales offices. With cementitious properties, fly ash is used as a cement substitute.

CONSTRUCTION MATERIALS

Boral has a strong number three position in the growing Denver market with eight concrete batching plants, 109 trucks, three sand and gravel deposits and two masonry plants. In August 2007, Boral acquired Schwarz concrete and sand business and Arbuckle limestone quarry in Oklahoma. The business has 18 concrete plants, five sand mines and a limestone quarry.

The new US\$30m Lake Wales, Florida, plant was commissioned during the year, increasing MonierLifetile's Florida capacity by around 500,000 squares¹ per annum.

¹ One square = 100 square feet.



MANAGEMENT COMMITTEE

Rod Pearse 1

CEO AND MANAGING DIRECTOR
Biography on p.27

John Douglas 2

EXECUTIVE GENERAL MANAGER, AUSTRALIAN CONSTRUCTION MATERIALS
John is 45 and has been in his current position for three years. He joined Boral in 1995 and has held roles as Regional General Manager of Boral's NSW Construction Materials business, General Manager of NSW Metropolitan Quarries and General Manager Strategic Planning for Boral's Construction Materials Group. Prior to joining Boral, John held various positions

with the Boston Consulting Group, Pioneer Concrete UK, John Mowlem International and Douglas Partners. He holds a civil engineering degree with First Class Honours from the University of Adelaide and an MBA from London Business School.

Phil Jobe 3

EXECUTIVE GENERAL MANAGER, CEMENT
Phil is 53 and has been Executive General Manager of the Cement Division since late 1999. Prior to this he was Regional General Manager for Boral's NSW Construction Materials business and General Manager of Boral's Construction Related Businesses from 1995–1999. Before joining Boral, Phil was Managing Director of the Stegbar Group of Companies from 1987–1994. He holds a commerce degree from the University of NSW.

Keith Mitchelhill 4

EXECUTIVE GENERAL MANAGER, CLAY & CONCRETE PRODUCTS
Keith is 44 and rejoined Boral as Executive General Manager of Clay & Concrete Products in August 2002 from Sirius Telecommunications where he was CEO of the Phoneware Division. He was previously Executive General Manager of Boral Timber from 2000–2001, General Manager, Boral Masonry from 1997–1999 and General Manager Marketing, Boral Building Products Group from 1996–1997. Prior to that he held positions with Laminex BTR Nylex and NEC Australia. He holds an economics degree (Honours) and an MBA from Monash University.

Bryan Tisher 5

EXECUTIVE GENERAL MANAGER, TIMBER
Bryan is 44 and was appointed Executive General Manager, Timber in March 2007. Prior to this he was General Manager Corporate Development, a role which he held from 2000–2007. He was previously General Manager, Strategic Planning for Boral's Construction Materials Group from 1998–1999. Prior to joining Boral he held a variety of positions at Rio Tinto (1985–1998) including roles in project finance, business development and engineering design and construction. He holds a civil engineering degree (First Class Honours) from Monash University and an MBA from Harvard Business School.

Ross Batstone 6

EXECUTIVE GENERAL MANAGER, PLASTERBOARD
Ross is 59 and was Boral's Divisional General Manager Plasterboard Australia from 1996–2000 before becoming Executive General Manager of the Plasterboard division. He was previously Boral's Divisional General Manager Roofing from 1991–1995, Chief Executive Montoro Resources Ltd from 1988–1990 and held various roles at Shell Company of Australia from 1970–1987. He holds chemical engineering and commerce degrees from Queensland University.

Emery Severin 7

PRESIDENT, BORAL USA
Emery is 51 and was previously Executive General Manager of the Australian Construction Materials

division from 1999–2004 before being appointed as President of Boral USA in August 2004. He was previously National General Manager of Blue Circle Southern Cement from 1998–1999. Prior to that he was Regional General Manager of Boral's NSW Construction Materials Group from 1996–1998. Prior to joining Boral he held various management roles at BHP Steel from 1986–1995. Emery has a doctorate of philosophy in physical chemistry from Oxford University and a science degree (First Class Honours) from the University of NSW.

Ken Barton 8

CHIEF FINANCIAL OFFICER

Ken is 41 and has been Boral's Chief Financial Officer since December 2002. He was previously Vice President and Chief Financial Officer of Boral Industries Inc in the USA from August 2000. Prior to joining Boral, he was Vice President Finance, Pioneer USA from 1997–2000 and prior to that he was a Partner in the Corporate Finance division of Arthur Andersen based in Sydney. Ken has a Bachelor of Economics degree from the University of Sydney and is an Associate of the Institute of Chartered Accountants in Australia and a fellow of the Financial Services Institute of Australia.

Michael Scobie 9

GENERAL MANAGER, CORPORATE SERVICES AND COMPANY SECRETARY
Michael is 61 and is General Manager, Corporate Services and Company Secretary of Boral. He joined the Boral Group as a corporate lawyer and has over 30 years' service. He became the Company Secretary in 1983 and has also held general counsel and other corporate roles since then. Michael holds a law degree from the University of Sydney.

Robin Town 10

GENERAL MANAGER, HUMAN RESOURCES

Robin is 55 and has been Boral's General Manager Human Resources since June 2001. He was previously President of Boral Material Technologies in the USA from 1999–2001 and Regional General Manager of Boral's Construction Materials business in Queensland from 1996–1999. Prior to joining Boral, he worked in the cement industry with Queensland Cement for 23 years. He holds a chemical engineering degree from the University of Queensland.

Andrew Warburton 11

GENERAL MANAGER, CORPORATE DEVELOPMENT

Andrew is 43 and is General Manager, Corporate Development. He was previously National General Manager, Quarry End Use from 2004–2007. Prior to joining Boral, he held marketing, business development and financial positions in the plastics and electronics industries based in Europe and funds management in Australia. Andrew holds an economics degree from the University of Sydney and an MBA from INSEAD.

FINANCIAL REVIEW

Financial Performance

The results for the 2006/07 financial year reflected the strength of the Construction Materials businesses in Australia, offset by weak Australian residential markets and a substantial decline in activity in the US residential market. Largely as a result of the weaker US markets, Boral's net profit for the year decreased by 18% to \$298.1 million. This net profit is equivalent to 50.0 cents per share, a decrease of around 11.7 cents per share compared with the prior year. A final dividend of 17.0 cents per share has been declared which will be fully franked, bringing the full year dividends to 34.0 cents. The dividends remained unchanged from the 2006 dividends which were also fully franked.

The Group's revenue from operating activities increased by 3% compared with the previous year to \$4.9 billion. The increase in revenues can be largely attributed to increased prices across most Australian businesses and the impact of acquisitions. Price and volume increases, particularly in the construction materials

segment, contributed to the growth in revenue with around 4% price increases in concrete, quarry products and cement. Strength in the infrastructure segment contributed to volume growth in concrete, quarry products and asphalt. Despite continued weak housing markets across Australia's east coast, revenue increased modestly in the Australian building products segment. The revenue growth was driven largely by price increases combined with the volume impacts of growth initiatives, particularly across the timber products. US revenues in local currency declined by 2% as housing starts across the US declined by around 27%. The revenue decline does not include the impact of lower revenues in the MonierLifetile business which is equity accounted. MonierLifetile's markets experienced greater declines in housing starts than the brick markets and the US as a whole. The Australian dollar was stronger against the US dollar, which resulted in the reported Australian dollar revenue decreasing by around 8%. Revenues in Asia, which consists of the Indonesian and Thailand concrete and quarry businesses, rose around 3%. Indonesian volumes were slightly weaker due to lower levels of construction activity. In Thailand, while volumes were higher, costs, particularly energy and cement, grew at a greater rate than prices and margins declined.

The Group's underlying operating profit before interest and tax for the year declined by 14% compared to the previous year to \$530.9 million.

The Australian operations generated operating profits of \$417.2 million during the year, up 3% compared to the prior year. The improvement in earnings was due to increased building activity in a number of key markets, particularly in non-

residential segments, as well as favourable pricing outcomes.

The Construction Materials operations in Australia reported an operating profit of \$318.0 million, which compares to \$286.0 million in the prior year. Strength in the non-residential building markets and in the infrastructure segments underpinned increased volumes across most construction materials businesses, with the notable exception of NSW. Price increases were achieved in cement, concrete, quarry products and asphalt. These price increases, together with cost savings and higher volumes, saw the Construction Materials profit margin increase during the year from 11.9% to 12.5%. The improvement over the prior year was also partly attributable to improved profitability from quarry end use property sales.

Results from the Australian Building Products businesses were down by 16% compared to the prior year. This segment includes bricks, roof tiles, masonry, plasterboard, timber and windows which are all heavily reliant on the new residential construction market as a driver of demand. The Australian Building Products businesses in most cases achieved increased prices compared to the prior year, a notable achievement given the softer residential market conditions on the east coast. Profits were lower in bricks and in masonry. New entrants in the masonry markets in NSW and Queensland led to volume declines and some price weakness.

The strength observed in the US housing market in prior years turned around during 2006/07. Substantial declines in activity, particularly in key roof tile markets in California, Arizona, Nevada and Florida, led to substantial declines in profitability in a number of the US businesses.

Income Statement

For the year ended 30 June

	2007 \$ millions	2006 \$ millions
Sales revenue	4,909.0	4,767.4
EBITDA	762.3	822.6
Depreciation and amortisation	(231.4)	(208.6)
EBIT	530.9	614.0
Net Interest	(110.5)	(98.2)
Operating profit before tax	420.4	515.8
Income tax expense	(122.3)	(153.1)
Minority interests	-	(0.3)
Profit after tax	298.1	362.4
Earnings per share (cents)	50.0	61.7

Profits translated to Australian dollars were 49% lower than the prior year. In US dollar terms, profits decreased by 46%. Despite increased prices across most products, the impact of lower volumes led to declines in profits in the bricks, concrete tile and clay tile businesses. The recently acquired Denver construction materials business delivered improved results and the profits from the fly ash business were steady compared to the prior year. These two businesses benefit from more diversified end use than the brick and roof tile businesses. To further increase Boral's exposure to the US construction materials market, a further acquisition was announced subsequent to year end. US\$80 million was spent to acquire the concrete and sand operations of Schwarz Readymix and the hard rock quarry assets of Davis Arbuckle Materials. These businesses operate in and around Oklahoma City, Oklahoma.

In Asia volumes improved in plasterboard in most major markets. During the year, a new plant was successfully commissioned in Vietnam. The reported result from the Asian plasterboard business was lower due to the prior year benefit of a compensation payment for land resumed from LBGA in Shanghai. The Group's Construction materials businesses in Asia reported weaker results due to lower margins as cost increases were not recovered through higher prices. Concrete volumes were also lower in Indonesia due to lower levels of construction activity.

Net interest expense increased from \$98.2 million to \$110.5 million. This increase was predominantly due to an increase in average net debt although closing net debt was lower due to the translation effect of the appreciation of the Australian dollar. EBIT interest cover declined from 6.3 times to 4.8 times as a result of the higher interest expense.

The average underlying tax rate for the year was slightly lower than the prior year at 29%, due partly to the decline in earnings from the US where those earnings attract a higher tax rate.

The interim and final dividends for the year totalled \$203.4 million which, combined, represent a payout ratio of 68% of profit after tax, a higher payout ratio than the 55% ratio for the prior year. Boral continued its Dividend Reinvestment Plan (DRP) during the fiscal year. This resulted in proceeds of \$53.7 million being applied to the issue of 7.3 million new ordinary shares. Boral will continue to offer

Balance Sheet

As at 30 June	2007 \$ millions	2006 \$ millions
Current assets	1,451.0	1,400.8
Non current assets	4,365.6	4,186.2
Total assets	5,816.6	5,587.0
Current liabilities	921.8	863.2
Non current liabilities	1,907.5	1,968.8
Total liabilities	2,829.3	2,832.0
Net assets	2,987.3	2,755.0
Total equity	2,987.3	2,755.0

Debt and Gearing

As at 30 June	2007 \$ millions	2006 \$ millions
Total debt	1,518.0	1,654.4
Total cash and deposits	35.7	76.2
Net debt	1,482.3	1,578.2
Total shareholder equity	2,987.3	2,755.0
Gearing ratios %		
Net debt: equity (%)	50	57
Net debt: equity plus net debt (%)	33	36
Interest cover (times)	4.8	6.3

a DRP and will again prepare for an on-market buy-back to reduce earnings per share dilution.

Financial Position

The net financial position of the Group strengthened during the year with total equity increasing by 8% to \$2,987.3 million. Net borrowings decreased by 6% from \$1,578.2 million to \$1,482.3 million. The reduction in net borrowings was after approximately \$226 million of growth capital and investments during the year and was partly due to a favourable currency adjustment of around \$109 million from the appreciation of the Australian dollar and translation of our significant US dollar borrowings. The Group's gearing (measured as net debt to equity) reduced from 57% to 50% at the lower end of the stated target range of 40% to 70%.

Boral's long-term and short-term credit ratings continued at BBB+/A2 with Standard and Poor's and Baa1/P2 with Moody's Investors Service.

At 30 June 2007, the Group had available undrawn committed and uncommitted debt facilities of \$2,198 million. Boral's average debt maturity profile at 30 June 2007 was 4.9 years compared with 6.1 years at 30 June 2006.

Boral has hedged its foreign exchange exposures (primarily US dollar denominated) arising from investments in overseas operations. Earnings from foreign operations are not hedged.

Boral is exposed to financial risk in its operations as a result of fluctuations occurring in interest/foreign exchange rates and certain commodity prices. Boral uses financial instruments to manage such risks.

Boral's return on shareholders funds declined from 13.2% to 10.0% during the period as shareholders funds increased with retained earnings and other equity movements while earnings declined by around 18%.

Cash Flow

The Group generated operating cash flows of \$481.9 million after payment of interest and income tax. This represents an increase of 7% or \$32 million compared to the cash flow reported last year. The increase in operating cash flow reflects the lower earnings and higher working capital offset by lower tax payments.

These cash flows were used to fund around \$418.1 million of capital and acquisition expenditure. This largely related to major capital projects in the US and Australia, the largest being in the plasterboard operation in Queensland, the new brick plant in Indiana, new roof tile operations in California and a number of new asphalt plants in Australia.

Chairman of Outward Bound Australia and serves as a Councillor for the Australian Business Arts Foundation. He has a commerce degree (Honours) from the University of New South Wales and a MBA (High Distinction) from Harvard University.

Elizabeth A Alexander, AM

NON-EXECUTIVE DIRECTOR, AGE 64
Ms Alexander joined the Boral Board in 1994. Ms Alexander is Chairman of CSL Limited and a Director of DB RREEF Funds Management Limited (the responsible entity for the DB RREEF Trust). A chartered accountant, she was a partner in PricewaterhouseCoopers in Melbourne until 2002. Ms Alexander is a member of the Takeovers Panel and the Financial Reporting Council. She has a commerce degree from the University of Melbourne.

Ms Alexander is the chair of the Audit Committee.

Mr Cloney is the Chairman of the Compensation Committee.

Richard A Longes

NON-EXECUTIVE DIRECTOR, AGE 62
Mr Longes joined the Boral Board in 2004. He is a Director of Austbrokers Holdings Limited and Metcash Limited. Mr Longes is a lawyer and a non-executive Director of Investec Bank (Australia) Limited. He was previously an executive of Investec Bank, a principal of Wentworth Associates, the corporate advisory and private equity group, and a partner of Freehills, a leading law firm. He has arts and law degrees from the University of Sydney and a MBA from the University of New South Wales. Mr Longes is a member of the Audit Committee.

Mark R Rayner

NON-EXECUTIVE DIRECTOR, AGE 69
Mr Rayner joined the Boral Board in 1996. Mr Rayner is a Director of Alumina Limited. He was previously the Chief Executive of Comalco from 1979

BOARD OF DIRECTORS



Kenneth J Moss

NON-EXECUTIVE CHAIRMAN, AGE 62
Dr Moss joined the Boral Board in 1999 and became the Chairman of Directors in 2000. Dr Moss is the Chairman of Centennial Coal Company Limited and a Director of GPT RE Limited (the responsible entity for the General Property Trust) and Macquarie Capital Alliance Group (the responsible entity for the Macquarie Capital Alliance Trust). Dr Moss was previously the Managing Director of Howard Smith Limited and is experienced in building materials businesses. He has an engineering degree (Honours) and a doctorate of philosophy in mechanical engineering from Newcastle University.

Dr Moss is a member of the Compensation Committee.

Rodney T Pearse

MANAGING DIRECTOR, AGE 60
Mr Pearse became the Managing Director and Chief Executive Officer of Boral in January 2000. He joined the Boral Group as the Managing Director, Construction Materials Group in 1994. Mr Pearse had previously held senior management positions in Shell International, Shell Australia and CSR Limited. He is a Board Member of the Business Council of Australia, a member of the Advisory Panel of the Australian Graduate School of Management, the

J Brian Clark

NON-EXECUTIVE DIRECTOR, AGE 58
Dr Clark joined the Boral Board in May 2007. Dr Clark has experience as a non-executive Director on the Boards of a number of companies in Australia and overseas. In South Africa, he was President of the CSIR and CEO of Telkom SA. In 1997 he joined the UK's Vodafone Group and moved to Australia. He was CEO Vodafone Australia, CEO Vodafone Asia Pacific and Group Human Resources Director. Dr Clark has a doctorate in physics from the University of Pretoria, South Africa and completed the Harvard AMP106.

Dr Clark is a member of the Compensation Committee.

E John Cloney

NON-EXECUTIVE DIRECTOR, AGE 66
Mr Cloney joined the Boral Board in 1998. Mr Cloney is the Chairman of QBE Insurance Group Limited and a Director of Maple-Brown Abbott Limited and ABN AMRO Australia Holdings Pty Limited. He is a member of the Advisory Council in Australia of ABN AMRO. His career was in international insurance and he was previously the Managing Director of QBE Insurance Group Limited. Mr Cloney is a fellow of the Australian Institute of Management and the Australia and New Zealand Institute of Insurance and Finance.

to 1989 and an executive Director of CRA Limited. Mr Rayner has a chemical engineering degree (Honours) from the University of New South Wales. Mr Rayner is a member of the Compensation Committee.

J Roland Williams, CBE

NON-EXECUTIVE DIRECTOR, AGE 68
Dr Williams joined the Boral Board in 1999. He is a Director of Origin Energy Limited. Dr Williams had an international career with the Royal Dutch/Shell Group from which he retired as Chairman and Chief Executive of Shell Australia. He has a chemical engineering degree (Honours) and a doctorate of philosophy from the University of Birmingham.

Dr Williams is a member of the Audit Committee.

Pictured above, from left to right; top row: Mark Rayner, Rod Pearse, Roland Williams, Brian Clark, John Cloney; bottom row: Elizabeth Alexander, Ken Moss and Richard Longes.

CORPORATE GOVERNANCE

This section of the Annual Review discloses the key details of Boral's governance framework. Boral is committed to ensuring its policies and practices reflect good governance and compliance with all requirements applying to Australian listed companies.

The Directors consider that its governance framework and adherence to that framework are fundamental in demonstrating that they are accountable to shareholders and are appropriately overseeing the management of risk and the future direction of the Company.

Functions and Responsibilities of the Board

The Board of Directors is responsible for setting the strategic direction of the Company and for overseeing and monitoring its businesses and affairs. Directors are accountable to the shareholders for the Company's performance.

The Board reviews and approves the Company's strategic and business plans and guiding policies. Day to day management

of the Company's affairs and implementation of its strategy and policy initiatives are delegated to the chief executive officer and senior executives.

The functions of the Board include:-

- oversight of the Company including its conduct and accountability systems.
- reviewing and approving overall financial goals for the Company.
- approving strategies and plans for Boral's businesses to achieve these goals.
- approving financial plans and annual budgets.
- monitoring implementation of strategy, business performance and results and ensuring appropriate resources are available.
- approving key management recommendations (such as major capital expenditure, acquisitions, divestments, restructuring and funding).
- appointing, rewarding and determining the duration of the appointment of the chief executive officer and ratifying the appointments of senior executives including the chief financial officer and the company secretary.
- reviewing the performance of the chief executive officer and senior management.
- reviewing and verifying systems of risk management and internal compliance and control, codes of conduct and legal compliance.
- reviewing sustainability performance and overseeing occupational health and safety and environmental management and performance.

- approving and monitoring financial reporting and reporting to shareholders on the Company's direction and performance.
- meeting legal requirements and ensuring that the Company acts responsibly and ethically and prudently manages business risks and Boral's assets.

In fulfilling these functions, Directors seek to enhance shareholder value.

Structure of the Board

The Board of Directors comprises seven non-executive Directors (including the Chairman) and one executive Director, the Managing Director and Chief Executive Officer (CEO). The roles of Chairman and CEO are separate. The skills, experience and expertise of each Director are set out on page 27 of the Annual Review.

The Board has assessed the independence of non-executive Directors in light of their interests and relationships and considers all of them to be independent. It is considered that none of the interests of Directors with other firms or companies having a business relationship with Boral could materially interfere with the ability of those Directors to act in Boral's best interests. The criteria considered in assessing the independence of non-executive Directors includes:

- the Director is not a member of management.
- the Director is not a substantial shareholder of the Company or otherwise associated with a substantial shareholder.
- within the last 3 years, the Director has not been employed in an executive capacity by a Boral company or been a Director after ceasing to hold any such employment.
- within the last 3 years, the Director has not been a principal of a professional adviser or consultant to a Boral company or an employee of an adviser or consultant materially associated with any service provided by it.
- the Director is not a significant supplier or customer of Boral or otherwise associated with a significant supplier or customer.
- the Director has no significant contractual relationship with Boral other than as a Director.
- the Director is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the

Director's ability to act in the best interests of the Company.

The Board periodically undertakes an evaluation of its own performance. 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.

The Board has considered establishing a Nomination Committee and decided in view of the relatively small number of Directors that such a Committee would not be a more efficient mechanism than the full Board for detailed selection and appointment practices.

The appointment of Brian Clark as a new non-executive Director in May 2007 followed a process during which the full Board assessed the necessary and desirable competencies of potential candidates and considered a number of names before deciding on the most suitable candidate for appointment. The selection process included obtaining assistance from an external consultant to identify suitable candidates and in assessing them. Confirmation is sought from prospective directors that they would have sufficient time to fulfil their duties as a Director.

The key terms and conditions relative to the appointment of Directors and the Company's expectations of them are set out in a letter when a new non-executive Director is appointed.

The Company's Constitution currently requires that one third of the Directors must retire from office at the Annual General Meeting each year and that a Director must retire no later than the third Annual General Meeting or 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 Directors believe that limits on tenure may cause loss of experience and expertise that are important contributors to the efficient working of the Board. As a consequence, the Board does not support arbitrary limits on tenure and regards nominations for

re-election as not being automatic but 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 tenure of Directors standing for re-election in the absence of those Directors.

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 leave Board Meetings and do not vote when business in which they are interested is considered.

After consultation with the Chairman, Directors may seek independent professional advice in furtherance of their duties at the Company's expense.

Pursuant to the Company's Constitution and agreements with Directors and to the extent permitted by law, the Company must indemnify 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.

Ethical Standards and Dealings in Boral Shares

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

This policy and code guide the Directors, the CEO, the chief financial executive, 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 legitimate stakeholders.

Boral Directors must hold a minimum shareholding of 1,000 shares.

The Board has a policy that Boral Limited Group directors, officers and senior executives may not buy or sell Boral shares except within a

period of one month after any major public announcement regarding the Company's results and trading prospects (such as the yearly and half yearly profit announcements and the Chairman's and Managing Director's Addresses to the Annual General Meeting). 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. The policy supplements the Corporations Act provisions precluding directors and officers from trading in securities when they are in possession of price sensitive "insider" information.

Share dealings by Directors are promptly notified to ASX.

Work of Directors on Strategy and Other Matters

The Board reviews the strategic action plan, approves the annual budget and monitors the Company's performance against them. Initiatives have included disciplined growth strategies, capital management, cost efficiencies and other aspects of operational improvement programs.

Directors and senior management meet annually for two days to discuss in detail the strategic direction of the Company's businesses. The Board's focus is on improving shareholder returns and pursuing disciplined growth.

Each month, Directors receive a detailed operating review from the CEO regardless of whether or not a Board Meeting is being held.

Non-executive Directors would spend approximately 30 days each year on Board business and

CORPORATE GOVERNANCE

activities including Board and Committee meetings, the strategy meeting, visits to operations and meeting employees, customers, business associates and other stakeholders.

During the year, the Board visited a number of sites in Western Australia including Midland Brick. The Board also spent a week in May 2007 in Asia visiting Boral's construction materials operations in Indonesia and the plasterboard business of Lafarge Boral Gypsum in Asia Limited, the 50% owned joint venture, in South Korea and China.

The Chairman regularly communicates with the CEO to review key issues and performance trends.

Disclosure and Communication

The Company complies with all relevant disclosure laws and Listing Rules in Australia and has policies and procedures designed to ensure accountability at a senior management level for that compliance.

The company secretary is accountable to the CEO and to the Board, through the Chairman, on compliance and governance matters.

Boral is committed to effective communication with its investors so as to give them ready access to balanced and understandable information.

Board Committees

A Compensation Committee and an Audit Committee assist the effective operation of the Board. Both Committees are wholly comprised of independent non-executive Directors.

Copies of Minutes of Committee Meetings are provided to the full Board.

COMPENSATION COMMITTEE

The current members of the Committee are John Cloney (Chairman), Brian Clark, Ken Moss and Mark Rayner.

The functions of the Committee are:-

- remuneration and incentive policies and practices (including performance appraisal methodology) for Boral generally.
- remuneration arrangements for the CEO and other senior executives (including incentives) and the annual review of those arrangements.
- recruitment, retention and termination policies and practices.
- any Company share plan or other incentive scheme.
- superannuation arrangements insofar as they are relevant to remuneration policies and practices.

- review from time to time remuneration framework and the structure of the arrangements for non-executive Directors.

The Committee reviews all of the above matters and makes recommendations to the full Board on remuneration arrangements for the CEO and senior executives and as appropriate, on other aspects arising from its functions.

AUDIT COMMITTEE

The Audit Committee is chaired by Elizabeth Alexander with Richard Longes and Roland Williams being the other members. The members possess sufficient technical expertise to fulfil the functions of the Committee. The Committee meets at least four times each year.

The Audit Committee has a formal charter which sets out its role and responsibilities, composition, structure and membership requirements. The Committee has the necessary power and resources to meet the charter including rights of access to management and auditors (internal and external) and to seek explanations and additional information.

The Committee also reviews the Company's compliance with applicable accounting standards and generally accepted accounting principles.

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

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

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

As required by the Corporations Act for year end financial reports, the CEO and the chief financial officer give a declaration to the Directors that the Company's financial records have been properly maintained and that the financial reports give a true and fair view before the Board resolves that the Directors' Declarations accompanying the financial reports be signed.

At each scheduled meeting of the Committee, both external

and internal auditors report to the Committee on the outcome of their audits and the quality of controls throughout Boral. As part of its agenda, the Audit Committee meets with the external and internal auditors in the absence of management twice during the year.

The scope of the external audit is reviewed by the Audit Committee each year.

The internal audit function is outsourced with PricewaterhouseCoopers being the Company's internal audit service provider. The internal audit program is approved by the Audit Committee before the start of each year and the effectiveness of the function is kept under review.

The Chair of the Audit Committee ordinarily reports to the full Board after Committee Meetings.

Audit Independence

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

An Independence Declaration by the external auditor is now required to form part of the Directors' Report and is set out on page 36.

Recognising and Managing Risk

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

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

These matters are analysed and discussed by the Board at least annually and more frequently if required.

In addition to maintaining appropriate insurance and other risk management measures, identified risks are managed through:

- established policies and procedures for the managing of funding, foreign exchange and financial instruments (including derivatives) including the prohibition of speculative transactions. The Board has approved Treasury policies regarding exposures to foreign currencies, interest rates, commodity price, liquidity and counterparty risks which include limits and authority levels. Compliance with these policies is reported to the Board monthly and certified by Treasury management to the Audit Committee twice yearly.
- key business risks being identified on a Divisional basis and on a corporate wide basis and reported to Directors as part of the strategic planning process.
- policies, standards and procedures in relation to environmental and health and safety matters.
- training programs in relation to legal and compliance issues such as trade practices/antitrust, intellectual property protection, occupational health and safety and environmental.
- procedures requiring that significant capital and revenue expenditure and other contractual commitments are approved at an appropriate level of management or by the Board.
- comprehensive management guidelines setting out the standards of behaviour expected of employees in the conduct of the Company's business.

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

In addition to an overall risk management policy, Boral has numerous risk management systems and policies that govern the management of risk.

The CEO and the chief financial officer provide written statements to the Audit Committee confirming that the Company's yearly and half yearly financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. The CEO and the chief financial officer also confirm that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal

compliance and control system is operating efficiently and effectively in all material respects.

Compliance

The Company has adopted policies requiring compliance with occupational health and safety, environmental and trade practices laws.

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

There are ongoing programs for 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.

Despite the Company's policies and actions to avoid occurrences which infringe regulations, there have been a small number of prosecutions against subsidiary companies for breach of occupational health and safety and environmental legislation.

CORPORATE GOVERNANCE

Human Resources

The Directors place emphasis on Boral's people and its human resource practices. There are ongoing reviews of recruitment (including graduate recruitment), training, management development and succession planning for executives.

Boral has a performance management system 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.

Remuneration

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

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

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

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.

A detailed Remuneration Report is set out in clause (19) of the Directors' Report on pages 37-43. As required by the Corporations Act, a resolution that the Remuneration Report be adopted will be put to the vote at the Annual General Meeting however the vote will be advisory only and will not bind the Directors or the Company

ASX Corporate Governance Council Guidelines

Corporate governance has been reported on in this section of the Annual Review in accordance with the Principles of Good Corporate Governance and Best Practice Recommendations of the Australian Stock Exchange (ASX) Corporate Governance Council.

Boral complied with the guidelines in all substantial respects throughout the 2006/07 financial year. In the few instances where Boral has an alternative approach to

a recommendation, this has been disclosed and explained.

The corporate governance framework of the Company will be kept under review to respond to changes in Boral's businesses and applicable regulations.

Corporate Governance information on Boral's website at www.boral.com.au contains more information on corporate governance within Boral and copies of relevant policies and charters.

DIRECTORS' REPORT

The Directors of Boral Limited ("the Company") report on the consolidated entity, being the Company and its controlled entities ("Boral"), for the financial year ended 30 June 2007:

(1) Review of Operations

The Directors review the operations during the year of Boral and the results of those operations as stated in the Chairman's Review and Managing Director's Review on pages 4 to 9 of the Annual Review.

(2) State of Affairs

There were no significant changes in Boral's state of affairs during the year.

(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.

(9) Names of Directors

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

Elizabeth A Alexander	Kenneth J Moss
J Brian Clark	Rodney T Pearse
E John Cloney	Mark R Rayner
Richard A Longes	J Roland Williams

All of those persons, other than Dr Clark, have been Directors at all times during and since the end of the year. Dr Clark was appointed a Director on 29 May 2007 and has been a Director at all times since that date.

(10) Options

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

Tranche	Grant Date	Expiry Date	Exercise price	Balance	Options issued during the year	Options lapsed during the year	Shares issued during the year as a result of exercise of options	Options at end of year	
				at beginning of year			Number	Issued	Vested
(xi)	06/11/2001	06/11/2006	\$3.35	156,100	–	–	156,100	–	–
(xii)	04/11/2002	04/11/2009	\$4.12	680,900	–	–	465,100	215,800	215,800
(xiii)	29/10/2003	29/10/2010	\$5.57	4,662,300	–	130,260	1,655,232	2,876,808	978,954
(xiv)	29/10/2004	29/10/2011	\$6.60	2,099,500	–	46,400	–	2,053,100	–
(xv)	31/10/2005	31/10/2012	\$7.70	3,353,100	–	47,600	–	3,305,500	–
(xvi)	06/11/2006	06/11/2013	\$7.32	–	4,717,900	–	–	4,717,900	–
				10,951,900	4,717,900	224,260	2,276,432	13,169,108	1,194,754

The abovementioned options were held by 157 persons.

(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:

- Boral's operations in future financial years; or
- the results of those operations in future financial years; or
- Boral's state of affairs in future financial years

other than the acquisitions of the Schwarz Readymix, a ready-mixed concrete and sand business, and the Davis Arbuckle Materials quarry in Oklahoma, USA for prices totalling US\$80m.

(5) Future Developments and Results

Other than matters referred to under the heading "Outlook for 2007/08" in the Managing Director's Review on page 9 of the Annual Review, the Directors have no reference to make to likely developments in Boral's operations in future financial years and the expected results of those operations.

(6) Environmental Performance

Details of Boral's performance in relation to environmental regulation are set out under Our Environment on pages s16 to s21 of the Sustainability Report which is a supplement to the Annual Review.

(7) Other Information

Other than information in the Annual Review, there is no information that members of the Company would reasonably require to make an informed assessment of:-

- the operations of Boral; and
- the financial position of Boral; and
- Boral's business strategies and its prospects for future financial years.

(8) Dividends Paid or Declared

Dividends paid to members during the year were:

	Total Dividend \$ million
the final dividend of 17 cents per ordinary share (fully franked at the 30% corporate tax rate) for the year ended 30 June 2006 was paid on 18 September 2006	100.4
the interim dividend of 17 cents per ordinary share (fully franked at the 30% corporate tax rate) for the year was paid on 21 March 2007	101.5

The final dividend of 17 cents per ordinary share (fully franked at the 30% corporate tax rate) for the year has been declared by the Directors and will be paid on 18 September 2007.

DIRECTORS' REPORT

(10) Options (continued)

Since the end of the year, a further 42,400 shares of the Company have been issued at the price of \$4.12 each as a result of the exercise of options in tranche (xii) and 73,236 such shares have been issued at the price of \$5.57 each as a result of the exercise of options in tranche (xiii).

Tranche (xvi) was issued during the year pursuant to the Boral Senior Executive Option Plan. The number of options in that tranche granted to each of Mr R T Pearce, the Managing Director and Chief Executive Officer, and the executives named in the Remuneration Report in clause (19) as part of their emoluments for the year and certain other details of the terms of the options are set out in the Remuneration Report on page 43 of the Annual Review. The grant of options to Mr Pearce was approved by shareholders at the Company's Annual General Meeting held on 21 October 2004.

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

(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 was:

	Board of Directors		Audit Committee		Compensation Committee	
	MEETINGS HELD WHILE A DIRECTOR	MEETINGS ATTENDED	MEETINGS HELD WHILE A MEMBER	MEETINGS ATTENDED	MEETINGS HELD WHILE A MEMBER	MEETINGS ATTENDED
E A ALEXANDER	10	10	4	4	–	–
J B CLARK	Nil	Nil	–	–	Nil	Nil
E J CLONEY	10	10	–	–	2	2
R A LONGES	10	9	4	3	–	–
K J MOSS	10	10	–	–	2	1
R T PEARSE	10	10	–	–	–	–
M R RAYNER	10	10	–	–	2	2
J R WILLIAMS	10	10	4	4	–	–

Mr Pearce, the Managing Director, is not a member of the Audit and Compensation Committees but attended all of the Meetings held by those Committees.

(11) Indemnities and Insurance for Officers and Auditors

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

During the year, Boral paid premiums in respect of Directors' and Officers' Liability and Legal Expenses insurance contracts for the year ended 30 June 2007 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 2008. The insurance contracts insure against certain liability (subject to exclusions) persons who are or have been directors or officers of the Company and controlled entities. A condition of the contracts is that the nature of the liability indemnified and the premium payable not be disclosed.

(12) Directors' Qualifications, Experience and Special Responsibilities and Directorships of Other Listed Companies in the Last Three Financial Years

Each Director's qualifications, experience and special responsibilities are set out on page 27 of the Annual Review.

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

E A Alexander

Amcor Limited from 1994 to October 2005
 CSL Limited from 1991 (current)
 DB RREEF Funds Management Limited from January 2005 (current)

J B Clark

National Australia Bank Limited from 2001 to August 2004

E J Cloney

Patrick Corporation Limited from 2003 to May 2006
 QBE Insurance Group Limited from 1981 (current)

R A Longes

Austbrokers Holdings Limited from November 2005 (current)
 GPT Management Limited from 1984 to November 2004
 Lend Lease Corporation Limited from 1986 to November 2005
 Metcash Trading Limited from 2000 to January 2006
 Metcash Limited from April 2005 (current)
 Viridis Investment Management Limited from September 2005 to August 2007

K J Moss

Adsteam Marine Limited from 2001 to March 2007
 Centennial Coal Limited from 2000 (current)
 GPT Management Limited from 2000 to June 2005
 GPT RE Limited from June 2005 (current)
 Macquarie Capital Alliance Group (being Macquarie Capital Alliance Limited,
 Macquarie Capital Alliance Management Limited and
 Macquarie Capital Alliance Bermuda Limited) from March 2005 (current)
 National Australia Bank Limited from 2000 to August 2004

R T Pearce

Nil

M R Rayner

Alumina Limited from December 2002 (current)

J R Williams

Origin Energy Limited from 2000 (current)

(14) Company Secretary

The qualifications and experience of the Company Secretary, Michael B Scobie, are set out on page 24 of the Annual Review.

(15) Directors' Shareholdings

Details of each Director's interests in the shares and other securities of the Company are:

	Shares	Non-Executive Directors' Share Plan ^a	Options and Share Acquisition Rights (SARs)
E A ALEXANDER	15,583	5,483	–
J B CLARK	15,000	140	–
E J CLONEY	14,456	22,512	–
R A LONGES	12,985	4,152	–
K J MOSS	21,000	12,911	–
R T PEARSE	3,903,301	–	b
M R RAYNER	20,000	28,883	–
J R WILLIAMS	45,275	18,128	–

The shares are held in the name of the Director except in the case of Dr J B Clark, 14,000 shares are held by UBS Wealth Management Australia Nominees Pty Limited <Brian & Sandra S/F A/C>, in the case of Mr E J Cloney, 534 shares are held by Lizey Investments Pty Limited and 12,500 shares are held by the Cloney Superannuation Fund, in the case of Mr R A Longes, 10,000 shares are held by Richard Longes Superannuation Fund, in the case of Dr K J Moss, 21,000 shares are held by K J and G A Moss, in the case of Mr Pearse, 39,629 shares are held by Pearse Nominees (NSW) Pty. Limited and in the case of Mr M R Rayner, 19,000 shares are held by Mokanger Personal Superannuation Fund.

Shares or other securities with rights of conversion to equity in the Company or in a related body corporate are not otherwise held by any Directors of the Company. There were no disposals of such securities by any Directors or their Director-related entities during the financial year.

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.

b Options and SARs held by Mr Pearse are:-

Number of Options	Expiry Date	Exercise Price	Number of SARs	Expiry Date
308,000	29 October 2010	\$5.57	120,000	29 October 2011
350,000	29 October 2011	\$6.60	247,036	31 October 2012
939,800	31 October 2012	\$7.70		
2,083,300	06 November 2013	\$7.32		

The SARs are rights to acquire shares in the Company under the Boral Senior Executive Performance Share Plan and will only vest to the extent to which the performance hurdle, which is measured by comparing the TSR of the Company to the TSR of the companies comprising the ASX 100 during the vesting period, is satisfied.

(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 \$570,000. These services consisted of:

Taxation compliance/advisory services in Australia	\$133,000
Taxation compliance/advisory services in jurisdictions other than Australia (predominantly the USA and Europe)	\$246,000
Assurance related services	\$77,000
Acquisition services	\$114,000

Fees for audit and audit related services during the year totalled \$1,689,000. The audit related services component of that amount was \$9,000 consisting of other regulatory audits and accounting advice in Australia and overseas.

In accordance with advice from the Company's Audit Committee, Directors are satisfied that the provision of the above non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. Also in accordance with advice from the Audit Committee, Directors are satisfied that the provision of those non-audit services, during the year, by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 because:

- Directors are not aware of any reason to question the auditor's independence declaration under section 307C of the Corporations Act 2001;
- the total amounts paid or payable to the auditor for non-audit services are not material;
- the nature of the non-audit services provided is not inconsistent with those requirements; and
- provision of the non-audit services is consistent with the processes in place for the Audit Committee to monitor the independence of the auditor.

(18) Auditor's Independence Declaration

The auditor's independence declaration made under section 307C of the Corporations Act 2001 is set out on page 36 of the Annual Review and forms part of this report.

DIRECTORS' REPORT

(19) Remuneration Report

The Remuneration Report is set out on pages 37-43 of the Annual Review.

(20) Proceedings on behalf of the Company

No application under section 237 of the Corporations Act 2001 has been made in respect of the Company and there are no proceedings that a person has brought or intervened in on behalf of the Company under that section.

(21) Rounding of Amounts

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

Signed in accordance with a resolution of the Directors.



Kenneth J Moss
Director



Rodney T Pearce
Director

Sydney, 6 September 2007



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

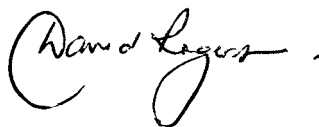
To: the Directors of Boral Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2007 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



David Rogers
Partner

Sydney, 6 September 2007

REMUNERATION REPORT

This Remuneration Report is clause (19) of the Directors' Report.

The remuneration report:

- explains the Board's policies relating to remuneration of directors, secretaries and executives within Boral.
- discusses the relationship between such policies and the Company's performance.
- provides details of Boral's performance condition.
- sets out remuneration details for the Company's key management personnel including Non-executive Directors, the Executive Director and other executives.

(i) Compensation Committee

The functions of the Compensation Committee, which oversees remuneration issues, are set out on page 30 of the Annual Review.

Management support for the Committee and advice from specialist remuneration advisers is provided primarily through Boral's General Manager, Human Resources.

(ii) Remuneration Policy

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

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

Current practice is to target fixed remuneration at market median levels paid by comparable companies for similar positions with scope of role, performance and competence determining level of remuneration relative to market.

Through variable remuneration, executives are rewarded at the market median level for "target" performance and at the upper quartile level for delivery of "stretch" performance. Boral makes extensive use of market data to benchmark remuneration levels.

(iii) Executive Remuneration Structure

Remuneration for Boral executives includes both fixed and variable (incentive) components. Fixed remuneration includes base salary, any non-cash benefits such as provision of a vehicle (including any FBT charges) and in most instances, superannuation contributions. Remuneration levels are reviewed annually by the Compensation Committee through a process that considers individual and company performance. External market advice is also considered to ensure remuneration levels remain competitive in the market place.

Variable remuneration for executives includes both short-term and long-term incentives and is designed to reward executives for meeting or exceeding their financial and personal objectives. The Short Term Incentive (STI) is provided in the form of cash while the Long Term Incentive (LTI) is currently provided as options over ordinary Boral shares and/or share acquisition rights (SARs). Participation by executives in the STI and LTI schemes is at the discretion of the Board.

STIs are provided for employees who have significant influence over the annual outcomes of business units. Currently, about 5% of Boral employees participate in the STI scheme.

Salaried staff in Australia participate in an annual staff incentive scheme which is performance related. Currently, about 20% of Boral's Australian employees participate in the staff incentive scheme. The average incentive represents 2.5% of base remuneration.

LTIs are provided for senior executives who are determined by the Board as having significant influence over the long-term outcomes of Boral. About 1% of employees participate in LTIs.

Short Term Incentive

The STI amount awarded to any executive is determined at the end of the financial year when results are available, as a proportion of a pre-determined maximum amount which varies with job size. The maximum amount is set by the Board based on market data. The actual incentive awarded is determined by assessment of the

executive's performance against specific objectives, both financial and non-financial. The executive's performance is assessed relative to three measurement levels (minimum, target and stretch). A percentage of the maximum amount is awarded, depending on results, between 20% for minimum performance and 100% for stretch performance. Target performance achieves 60% of maximum. No incentive is awarded where performance falls below minimum.

In the year to 30 June 2007, the maximum STI levels for members of the senior executive team were 50% to 90% of fixed remuneration.

The financial performance objective is "Profit After Funding" which is a measure of profit related to assets employed. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, safety performance, workers' compensation cost reduction, operational improvement and performance enhancement, customer satisfaction and staff development. These performance measures have been chosen to focus executives on adding shareholder value and demonstrating the Boral Values. Financial and non-financial objectives each typically account for 50% of the maximum STI for the majority of executives. For Divisional Executive General Managers, financial objectives account for 67% of the maximum STI.

STIs in 2007 were lower than 2006 for most senior executives reflecting performance against financial objectives.

Long Term Incentive

The LTI award relates to a maximum amount which is set by the Board based on market data and the executive's position within the Company. The number of options or SARs to be awarded is calculated using the fair market value of those options or SARs determined in accordance with the applicable accounting standard and based on the average Boral share price for the five trading days following the Annual General Meeting.

In the year to 30 June 2007, the maximum LTI levels for members of the senior executive team were 30% to 40% of fixed remuneration.

Options over ordinary Boral shares and SARs awarded to senior executives as LTIs are issued under the Rules of the Boral Senior Executive Option Plan and Boral Senior Executive Performance Share Plan respectively.

REMUNERATION REPORT

The number of options and/or rights that may be offered to executives when aggregated, together with the number of shares held in the Company's Employee Share Plan and Senior Executive Performance Share Plan and the number of shares that would be issued on exercise or vesting of outstanding options and rights, shall not exceed 5% of the total number of issued shares at the time of any such offer.

Subject to an exercise hurdle being attained, the exercise period during which options may be exercised and SARs may vest commences after three years and ends after seven years. The options and vested shares lapse or forfeit if they are not exercised or released during such period. Generally the options and SARs do not remain available to executives who resign unless the Board exercises a discretion. Options may only be exercised and SARs may only vest if the exercise hurdle, which is set by the Board and is dependent on Boral shares performing favourably with the overall return of shares in companies in the ASX 100, is met.

Full details of the current hurdle which has applied since 2001 are as follows:

Exercise hurdle

The exercise hurdle for both options and SARs is measured by comparing the performance of the Company with the performance of other companies in which shareholders may potentially invest. This is in line with the approach of other major Australian companies.

Accordingly, the exercise of the options and vesting of SARs will depend on the maximum Total Shareholder Return ("TSR") of the Company relative to the TSR of the companies from time to time comprising the ASX 100.

Determination of the TSR will be made on the basis of movements in the share price and dividends, calculated in a similar manner to the Accumulation Index of ASX.

The period over which the TSR of the Company is compared with the TSR of the ASX 100 commences on the date of grant of the options and the SARs and is measured at any time during the exercise period. Measuring Boral's TSR at any time during the exercise period affords

executives the same opportunity as shareholders to review the performance of the Company progressively during the exercise period.

The percentage of options or SARs capable of exercise is based on a sliding scale as follows:

If at any time during the exercise period the TSR of the Company:	The percentage of options or SARs which become exercisable is:
Does not reach the 50th percentile of the TSR of the ASX 100	0%
Reaches the 50th percentile of the TSR of the ASX 100	50%
Reaches or exceeds the 75th percentile of the TSR of the ASX 100	100%

The percentage of options or SARs which become exercisable increases from the 50th percentile up to the 75th percentile by 2% for each 1% increase in the percentile of the TSR of the Company, compared to the TSR of the ASX 100.

The measurement of Boral's TSR from the 2004 grant onwards requires the exercise hurdle to be maintained for a minimum of 10 consecutive business days. The percentile measurement of Boral's TSR will be based on the lowest share price during the 10 day period.

The number of options to be granted to an executive under the Option Plan in respect of a financial year is determined by the Board after considering the level of responsibility and accountability of the executive. The award is based on a percentage of fixed remuneration (dependent upon position within the Company) and the fair market value of a market priced option as determined independently using a valuation method defined by the applicable Australian Accounting Standard. The exercise price of the options is the average of the last sale price of Boral ordinary shares traded on ASX on each of the five trading days immediately after the date of the Annual General Meeting.

SARs were introduced in 2004 to provide an alternative LTI vehicle to options. SARs are granted to executives under the Boral Senior Executive Performance Share Plan following similar principles to those of the Option Plan. SARs can be granted in lieu of options, with the number granted calculated in the same way i.e. based on a percentage of fixed remuneration and the fair market value of a SAR. No consideration is payable by

the executive for the SARs or on transfer of shares after the SARs vest.

The LTIs and the Option and Performance Share Plans are designed to align participants' interests with those of shareholders.

Boral's earnings improved substantially in 2003 and 2004, the level of earnings was sustained in 2005 and 2006, however earnings decreased by 18% in 2007. Shareholder wealth has benefited in years since 2003 as follows:

Year ended 30 June	Full Year's Dividend	Boral Share Price at Year End	Return on Equity
2003	23 cents	\$5.06	13.2%
2004	30 cents	\$6.46	15.7%
2005	34 cents	\$6.48	15.4%
2006	34 cents	\$8.14	13.2%
2007	34 cents	\$8.78	10.0%

2005 figures restated to reflect adoption of Australian equivalents to International Financial Reporting Standards

Boral's TSR performance was such that the exercise hurdle for options granted as LTIs in 2003 has, since the exercise period for them commenced on 29 October 2006, been satisfied to the extent that 58% of those options have become exercisable. A number of executives have benefited from exercising options granted as LTIs in 2003 which have become exercisable.

Boral's TSR performance in recent years is detailed as follows:

LTI grant in Year ended 30 June	Average annual TSR Performance over 3 years from date of grant
2002	31%
2003	39%
2004	20%

Whether executives will benefit from vesting of LTIs awarded in 2004 and subsequent years will be determined by whether or not exercise hurdles are satisfied during applicable exercise periods which commence three years after an award.

Boral has a policy on Share Trading which applies to Directors, officers and senior executives including key management personnel. This policy prohibits executives entering hedge and other derivative transactions regarding options or SARs granted to them as LTIs. Refer to the sub-heading "Ethical Standards and Dealings in Boral Shares" on page 29 of the Annual Review.

(iv) Non-Executive Directors' Remuneration

The remuneration of non-executive Directors is determined by the full Board upon the recommendation of its Compensation Committee within a maximum amount approved by shareholders in general meeting. The maximum amount was last increased to \$1,250,000 per annum in total remuneration at the Company's 2006 Annual General Meeting.

The remuneration of non-executive Directors is structured on a total remuneration basis which may be in the form of cash, superannuation contributions or Boral shares acquired through the Non-Executive Directors' Share Plan. The Board has agreed that as a matter of guidance rather than by way of requirement, an appropriate proportion of non-executive Directors' remuneration to be taken in Boral shares through the Non-Executive Directors' Share Plan would be 10%.

Retiring allowances which were accruing for non-executive Directors were frozen at 31 December 2003.

In considering the level of remuneration for Directors, the Board takes account of survey and other information on remuneration being paid by peer group companies.

For the year, base remuneration (fees) of \$107,000 was payable to non-executive Directors. The base remuneration for the Chairman was \$294,250. In addition, remuneration of \$11,750 was payable to members of Board Committees and \$17,625 to the chairs of Committees.

The Board has approved an increase in yearly base remuneration (fees) for non-executive Directors to \$115,000 and for the Chairman to \$316,250 from 1 July 2007. The additional Committee remuneration will be \$12,500 for members and \$18,750 for the chairs.

The remuneration of the non-executive Directors is fixed and they do not receive any options, variable remuneration or other performance related incentives.

Non-Executive Directors' Remuneration

The remuneration of the non-executive Directors is set out in the Key Management Personnel Remuneration table on page 41.

(v) CEO's Remuneration

Mr Pearce is the Managing Director and Chief Executive Officer (CEO) of Boral Limited. Mr Pearce was appointed to this position effective 1 January 2000 for a five year term and agreed to a new five year contract which commenced on 1 January 2005.

Mr Pearce's base remuneration is set by the Board annually and may be taken as cash salary, company provided motor vehicle and superannuation contributions. His entitlement for 2007 was to an annual STI payment of up to 100% of base remuneration. The amount of the STI in any year will be determined by the Board in consultation with Mr Pearce by assessment of Mr Pearce's performance against financial and non-financial targets agreed by the Board in consultation with Mr Pearce at the start of each financial year.

Mr Pearce will also be entitled to LTIs in the form of options granted under the Boral Senior Executive Option Plan and/or SARs granted under the Boral Senior Executive Performance Share Plan with a fair market value intended to represent, so far as practicable, 75% of the aggregate base remuneration payable over the five year term of the contract.

This will be achieved by the Company granting to Mr Pearce in each of November 2005, November 2006 and November 2007 options under the Boral Senior Executive Option Plan and SARs under the Boral Senior Executive Performance Share Plan so that the aggregate fair market value of the options and SARs granted to him is equal to 125% of the base remuneration payable in respect of the period ending on 31 August immediately prior to the date of grant. In effect, Mr Pearce will therefore receive three long term incentive grants worth 125% of base remuneration in each of years one, two and three of the contract, instead of five long term incentive grants worth 75% of base remuneration in each of years one to five of the contract. For these purposes, fair market value means the fair market value of options or rights to shares measured in accordance with the accounting standards applicable to the Company at the time.

If the service contract is terminated before the expiry of the 5 year term other than for breach by the Company, fundamental change or termination by the Company without notice then part of the LTIs granted to Mr Pearce will be cancelled so that the aggregate LTIs which Mr Pearce retains following termination represent 75% of base remuneration received over the term for which Mr Pearce actually served.

Shareholders at the Company's Annual General Meeting held on 21 October 2004 approved the above contemplated grants of options and SARs to Mr Pearce in respect of the five year period of his service contract from 1 January 2005.

Mr Pearce's aggregate annual remuneration, including base remuneration, STI and LTI, will be reviewed by the Board annually taking into account the performance of Mr Pearce in the preceding year and a comparison against the remuneration payable to chief executives of an appropriate comparator group of companies determined by the Board and drawn from the top 50 ASX companies and international companies of appropriate size and industry.

Termination events and calculation of payments

Shareholders at the Company's Annual General Meeting held on 21 October 2004 approved the payment of any termination payments which may become payable to Mr Pearce under his contract.

Set out below are the circumstances in which Mr Pearce's contract may be terminated and details of payments and other benefits that he may be entitled to receive as a result of such termination. For these purposes, the "total annual reward" in respect of any year is the base remuneration payable in that year plus the amount of any short term incentive payable in that year.

Payment on expiry of term – Upon Mr Pearce entering a no compete condition for 15 months, the Company will pay him 1.25 times his total annual reward.

Payment on resignation – Upon Mr Pearce resigning by giving 6 months' written notice and entering into a no compete condition for 15 months, the Company will pay him 1.25 times his total annual reward.

REMUNERATION REPORT

Termination for illness or incapacity
– Either Mr Pearse or the Company may, by giving 6 months' written notice, terminate his employment by reason of illness or incapacity.

Termination for cause – No termination payment is payable to Mr Pearse if he is dismissed for misconduct, wilful neglect, serious or persistent breach of the service contract or other serious causes.

Termination for breach by the Company or fundamental change
– If Mr Pearse terminates his employment because the Company is in breach of its obligations under the service contract or either party terminates the employment if there is a fundamental change which removes or diminishes his status, duties or authority, the Company will pay him an amount equal to twice the total annual reward in the year of termination.

Termination by Company for poor performance – If the Company terminates the employment of Mr Pearse because his performance is not at the level reasonably required, the Company will pay him an amount equal to his base remuneration in the year of termination.

Termination by Company without notice – If the Company terminates the employment of Mr Pearse without notice, the Company will pay him:

- (a) an amount equal to one half of his total annual reward in the year of termination (in lieu of 6 months' notice); and
- (b) an amount equal to total annual reward in the year of termination or where there is less than one year between the date of termination and the agreed expiry date, that amount multiplied by the number of days remaining until the expiry date divided by 365;

and, upon his entering into a no compete condition for 15 months, the Company will also pay him 1.25 times his total annual reward.

CEO's Remuneration

The remuneration of the CEO, Mr Pearse, is set out in the Key Management Personnel Remuneration table on page 41.

(vi) Executives' remuneration

The remuneration of the most highly remunerated company executives and relevant group executives is determined in accordance with Boral's remuneration structure detailed above.

Termination

Periods of notice to be given by the executive upon resignation are from 1 to 3 months.

There are no contractual pre-set termination benefits for these executives and in the event that an executive's service is terminated by the employer whether for cause, poor performance, redundancy or otherwise, payments are made to satisfy Boral's legal obligations.

General employment terms and conditions are set out for each executive in their respective letters of employment/appointment.

A limited number of US senior executives have entered Executive Transition Agreements with Boral Industries Inc. pursuant to which benefits are payable in the event of termination in certain circumstances and within a specified period following a change of control of Boral Limited or Boral Industries Inc. Any such benefit which becomes payable is two times annual salary plus STI.

Executives' Remuneration

The remuneration of the most highly remunerated company executives and relevant group executives is set out in the Key Management Personnel Remuneration table on page 41.

Key Management Personnel Remuneration – 2007

		Short-term				Post-employment		Other long term	Share-based payments			Total Remuneration	Proportion of remuneration performance-related	Value of Options as proportion of remuneration			
		Salary and fees	Short Term Incentive (Cash Bonus)		Non Monetary Benefits	Super-annuation Contributions	Retirement Benefits ^a		Long Term Incentives ^b		Share Plan						
			A\$	A\$					% Vested	% Forfeited					A\$	A\$	A\$
A\$	A\$	A\$	A\$	A\$	A\$	A\$	A\$	A\$	A\$	%	%						
DIRECTORS																	
Non-executive																	
E A ALEXANDER	2006	99,185	–	–	–	–	8,927	12,484	–	–	–	12,013	132,609	–	–		
	2007	102,901	–	–	–	–	9,261	–	–	–	12,463	124,625	–	–			
J B CLARK	2006	–	–	–	–	–	–	–	–	–	–	–	–	–	–		
	2007	8,323	–	–	–	–	749	–	–	–	1,008	10,080	–	–			
E J CLONEY	2006	99,185	–	–	–	–	8,927	–	–	–	12,013	120,125	–	–			
	2007	102,901	–	–	–	–	9,261	–	–	–	12,463	124,625	–	–			
R A LONGES	2006	94,335	–	–	–	–	8,490	–	–	–	11,425	114,250	–	–			
	2007	98,050	–	–	–	–	8,825	–	–	–	11,875	118,750	–	–			
K J MOSS Chairman	2006	242,442	–	–	–	–	21,820	13,540	–	–	29,363	307,165	–	–			
	2007	262,600	–	–	–	–	12,800	–	–	–	30,600	306,000	–	–			
M R RAYNER	2006	99,287	–	–	–	–	3,538	3,307	–	–	11,425	117,557	–	–			
	2007	98,050	–	–	–	–	8,825	–	–	–	11,875	118,750	–	–			
J R WILLIAMS	2006	94,335	–	–	–	–	8,490	–	–	–	11,425	114,250	–	–			
	2007	98,050	–	–	–	–	8,825	–	–	–	11,875	118,750	–	–			
Executive																	
R T PEARSE Managing Director and CEO	2006	2,208,333	1,337,175	59%	41%	18,070	–	–	36,806	567,428	255,274	–	4,423,086	49%	13%		
	2007	2,045,333	576,000	23%	77%	18,070	413,000	–	34,089	770,307	339,520	–	4,196,319	40%	18%		
Total	2006	2,937,102	1,337,175			18,070	60,192	29,331	36,806	567,428	255,274	87,664	5,329,042				
	2007	2,816,208	576,000			18,070	471,546	–	34,089	770,307	339,520	92,159	5,117,899				
EXECUTIVES																	
J M DOUGLAS Executive General Manager, ACM	2006	587,300	220,000	60%	40%	18,070	12,200	–	9,788	43,273	17,823	–	908,454	31%	5%		
	2007	658,642	215,897	53%	47%	18,070	12,800	–	10,977	44,598	38,123	–	999,107	30%	4%		
P J JOBE Executive General Manager, Cement	2006	659,612	136,804	34%	66%	18,070	12,200	–	10,994	95,522	25,848	855	959,905	27%	10%		
	2007	699,160	162,697	38%	62%	18,070	12,800	–	11,653	66,501	48,735	–	1,019,616	27%	7%		
K A MITCHELHILL Executive General Manager, Clay & Concrete Products	2006	581,633	276,858	77%	23%	18,070	12,200	–	9,694	67,683	24,793	855	991,786	37%	7%		
	2007	624,003	94,732	25%	75%	18,070	12,800	–	10,400	59,250	45,040	–	864,295	23%	7%		
W R BATSTONE Executive General Manager, Plasterboard	2006	489,274	259,930	75%	25%	18,070	82,976	–	8,155	84,486	24,000	855	967,746	38%	9%		
	2007	526,866	244,015	65%	35%	18,070	89,351	–	8,781	59,183	43,557	–	989,823	35%	6%		
B M TISHER Executive General Manager, Timber	2006	449,603	157,227	67%	33%	18,070	12,200	–	7,493	60,058	16,979	855	722,485	32%	8%		
	2007	488,140	81,848	30%	70%	12,047	12,800	–	8,136	40,935	30,495	–	674,401	23%	6%		
P J BOYD Executive General Manager, Timber ^c	2006	461,583	85,962	30%	70%	–	12,200	–	7,693	58,829	17,766	855	644,888	25%	9%		
	2007	340,087	–	–	100%	–	8,500	0	5,668	44,306	33,833	–	432,394	18%	10%		
E S SEVERIN President, Boral Industries Inc.	2006	623,166	576,474	83%	17%	243,191	102,783	–	10,386	116,177	34,813	855	1,707,845	43%	7%		
	2007	641,750	156,354	22%	78%	297,536	102,783	–	10,696	86,782	65,087	–	1,360,988	23%	6%		
K M BARTON Chief Financial Officer	2006	576,493	222,107	62%	38%	18,070	12,200	–	9,608	68,166	21,703	855	929,202	34%	7%		
	2007	623,137	144,320	37%	63%	18,070	12,800	–	10,386	53,739	41,774	–	904,226	27%	6%		
M B SCOBIE General Manager, Corporate Services & Company Secretary	2006	422,231	163,026	66%	34%	18,070	71,607	–	7,037	67,256	18,268	855	768,350	32%	9%		
	2007	443,345	96,696	37%	63%	18,070	75,187	–	7,389	45,067	32,757	–	718,511	24%	6%		
R J TOWN General Manager, Human Resources	2006	367,845	134,155	62%	38%	18,070	62,383	–	6,131	50,612	15,081	855	655,132	31%	8%		
	2007	397,107	75,811	32%	68%	18,070	67,226	–	6,618	36,756	27,674	–	629,262	22%	6%		
A I WARBURTON General Manager, Corporate Development ^d	2006	–	–	–	–	–	–	–	–	–	–	–	–	–	–		
	2007	107,823	24,000	36%	64%	6,023	4,267	–	1,832	5,765	4,252	–	153,962	22%	4%		
Total	2006	5,218,740	2,232,543			387,751	392,949	–	86,979	712,062	217,074	7,695	9,255,793				
	2007	5,550,060	1,296,370			442,096	411,314	–	92,536	542,882	411,327	–	8,746,585				

^a The accrued retiring allowances of non-executive Directors were frozen at 31 December 2003. All of the accrued retiring allowances have been paid as superannuation contributions or converted to Boral shares through the Non-Executive Directors' Share Plan.

The retirement benefits which comprise remuneration in the 2006 financial year was interest on retiring allowances at bank rates.

^b The fair value of the options is calculated at the date of grant using a Monte Carlo simulation analysis in 2006, 2005 and 2004 and a Binomial model in 2003.

For 2003, the value is allocated to each reporting period evenly over the period of three years from grant date. From 2004, the value is allocated to each reporting period evenly over the period of five years from grant date. The value disclosed above is the portion of the fair value of the options allocated to this reporting period.

The fair value of the SARs is calculated at the date of grant using the Monte Carlo simulation analysis in 2006, 2005 and 2004. The value is allocated to each reporting period evenly over the period of five years from the grant date. The value disclosed above is the portion of the fair value of the SARs allocated to this reporting period.

^c Peter Boyd, Executive General Manager, Timber, ceased employment on 5 March 2007.

^d Andrew Warburton was appointed General Manager, Corporate Development on 1 March 2007.

(vii) Details of Long Term Incentives granted as Remuneration

The vesting profile and other details of LTIs being options and SARs granted as remuneration to the CEO and the above executives are:

	Options Granted		Share Acquisition Rights Granted				Value yet to vest ^a				
	No.	Date	No.	Date	% vested in year	% forfeited in year	Financial year in which grant vests	Min	Option Max A\$	SAR Max A\$	Total Max A\$
DIRECTORS											
Non-executive Director											
E A ALEXANDER	0		0								
J B CLARK	0		0								
E J CLONEY	0		0								
R A LONGES	0		0								
K J MOSS	0		0								
M R RAYNER	0		0								
J R WILLIAMS	0		0								
Executive Director											
R T PEARSE	700,000	29 October 2003			58%	0%	30 June 2007	0	599,760	0	599,760
Managing Director	350,000	29 October 2004	120,000	29 October 2004	0%	0%	30 June 2008	nil	353,500	913,200	1,266,700
& Chief Executive Officer	939,800	31 October 2005	247,036	31 October 2005	0%	0%	30 June 2009	nil	0	1,879,944	1,879,944
	2,083,500	6 November 2006	0	6 November 2006	0%	0%	30 June 2010	nil	604,215	0	604,215
EXECUTIVES											
J M DOUGLAS	53,300	29 October 2003			58%	0%	30 June 2007	0	45,667	0	45,667
Executive General Manager	25,900	29 October 2004	6,938	29 October 2004	0%	0%	30 June 2008	nil	26,159	52,798	78,957
- ACM	71,700	31 October 2005	18,849	31 October 2005	0%	0%	30 June 2009	nil	0	143,441	143,441
	79,100	6 November 2006	21,623	6 November 2006	0%	0%	30 June 2010	nil	22,939	164,551	187,490
P J JOBE	146,000	29 October 2003			58%	0%	30 June 2007	0	125,093	0	125,093
Executive General Manager	56,200	29 October 2004	15,057	29 October 2004	0%	0%	30 June 2008	nil	56,762	114,584	171,346
- Cement	82,900	31 October 2005	21,782	31 October 2005	0%	0%	30 June 2009	nil	0	165,761	165,761
	88,200	6 November 2006	24,097	6 November 2006	0%	0%	30 June 2010	nil	25,578	183,378	208,956
K A MITCHELHILL	117,000	29 October 2003			58%	0%	30 June 2007	0	100,246	0	100,246
Executive General Manager	59,100	29 October 2004	15,849	29 October 2004	0%	0%	30 June 2008	nil	59,691	120,611	180,302
- Clay & Concrete Products	73,500	31 October 2005	19,330	31 October 2005	0%	0%	30 June 2009	nil	0	147,101	147,101
	77,900	6 November 2006	21,284	6 November 2006	0%	0%	30 June 2010	nil	22,591	161,971	184,562
W R BATSTONE	128,500	29 October 2003			58%	0%	30 June 2007	0	110,099	0	110,099
Executive General Manager	56,800	29 October 2004	15,218	29 October 2004	0%	0%	30 June 2008	nil	57,368	115,809	173,177
- Plasterboard	71,700	31 October 2005	18,849	31 October 2005	0%	0%	30 June 2009	nil	0	143,441	143,441
	74,900	6 November 2006	20,465	6 November 2006	0%	0%	30 June 2010	nil	21,721	155,739	177,460
B M TISHER	86,000	29 October 2003			58%	0%	30 June 2007	0	73,685	0	73,685
Executive General Manager	41,300	29 October 2004	11,080	29 October 2004	0%	0%	30 June 2008	nil	41,713	84,319	126,032
- Timber	49,400	31 October 2005	12,986	31 October 2005	0%	0%	30 June 2009	nil	0	98,823	98,823
	51,800	6 November 2006	14,166	6 November 2006	0%	0%	30 June 2010	nil	15,022	107,803	122,825
P J BOYD	86,200	29 October 2003			58%	0%	30 June 2007	0	73,856	0	73,856
Executive General Manager	38,500	29 October 2004	10,315	29 October 2004	0%	0%	30 June 2008	nil	38,885	78,497	117,382
- Timber ^b	57,100	31 October 2005	15,010	31 October 2005	0%	0%	30 June 2009	nil	0	114,226	114,226
	62,400	6 November 2006	17,066	6 November 2006	0%	0%	30 June 2010	nil	18,096	129,872	147,968
E S SEVERIN	178,600	29 October 2003			58%	0%	30 June 2007	0	153,024	0	153,024
President Boral	78,100	29 October 2004	20,940	29 October 2004	0%	0%	30 June 2008	nil	78,881	159,353	238,234
Industries USA	108,800	31 October 2005	28,603	31 October 2005	0%	0%	30 June 2009	nil	0	217,669	217,669
	117,000	6 November 2006	31,985	6 November 2006	0%	0%	30 June 2010	nil	33,930	243,406	277,336
K M BARTON	98,500	29 October 2003			58%	0%	30 June 2007	0	84,395	0	84,395
Chief Financial Officer	44,200	29 October 2004	11,857	29 October 2004	0%	0%	30 June 2008	nil	44,642	90,232	134,874
	72,900	31 October 2005	19,162	31 October 2005	0%	0%	30 June 2009	nil	0	145,823	145,823
	77,200	6 November 2006	21,100	6 November 2006	0%	0%	30 June 2010	nil	22,388	160,571	182,959
M B SCOBIE	101,200	29 October 2003			58%	0%	30 June 2007	0	86,708	0	86,708
General Manager	44,200	29 October 2004	11,847	29 October 2004	0%	0%	30 June 2008	nil	44,642	90,156	134,798
Corporate Services	53,500	31 October 2005	14,054	31 October 2005	0%	0%	30 June 2009	nil	0	106,951	106,951
& Company Secretary	55,300	6 November 2006	15,115	6 November 2006	0%	0%	30 June 2010	nil	16,037	115,025	131,062
R J TOWN	74,800	29 October 2003			58%	0%	30 June 2007	0	64,089	0	64,089
General Manager	34,800	29 October 2004	9,335	29 October 2004	0%	0%	30 June 2008	nil	35,148	71,039	106,187
Human Resources	46,000	31 October 2005	12,098	31 October 2005	0%	0%	30 June 2009	nil	0	92,066	92,066
	48,300	6 November 2006	13,198	6 November 2006	0%	0%	30 June 2010	nil	14,007	100,437	114,444
A I WARBURTON	37,300	29 October 2003			58%	0%	30 June 2007	0	31,959	0	31,959
General Manager	17,200	29 October 2004	4,617	29 October 2004	0%	0%	30 June 2008	nil	17,372	35,135	52,507
Corporate Development	20,800	31 October 2005	5,459	31 October 2005	0%	0%	30 June 2009	nil	0	41,543	41,543
	21,600	6 November 2006	5,904	6 November 2006	0%	0%	30 June 2010	nil	6,264	44,929	51,193

^a Maximum values yet to vest are based on the last sale price of Boral shares on 8 August 2007 of \$7.61.

^b Peter Boyd, Executive General Manager, Timber ceased employment on 5 March 2007.

Options

Details of the movement during the year of options held by the CEO and the above executives are:

	Balance at 1 July 2006 Number	Granted during the year as remuneration ^a Number	Exercised during the year Number	Value of options exercised ^b \$	Lapsed during the year Number	Balance at 30 June 2007 Number	Total value of options granted, exercised and lapsed during the year \$
Executive Director							
R T PEARSE	1,989,800	2,083,300	(392,000)	1,093,680	–	3,681,100	3,906,135
Executives							
J M DOUGLAS	150,900	79,100	(29,848)	92,827	–	200,152	199,612
P J JOBE	435,600	88,200	(232,260)	648,005	–	291,540	767,075
K A MITCHELHILL	249,600	77,900	(65,520)	210,319	–	261,980	315,484
W R BATSTONE	257,000	74,900	–	–	–	331,900	101,115
B M TISHER	176,700	51,800	–	–	–	228,500	69,930
P J BOYD	292,300	62,400	(140,500)	451,338	–	214,200	535,578
E S SEVERIN	365,500	117,000	–	–	–	482,500	157,950
K M BARTON	215,600	77,200	–	–	–	292,800	104,220
M B SCOBIE	198,900	55,300	(52,624)	170,502	–	201,576	245,157
R J TOWN	155,600	48,300	–	–	–	203,900	65,205
A I WARBURTON	75,300	21,600	(20,000)	55,800	–	76,900	84,960

^a The fair value of options granted during the year calculated at the date of grant using a Monte Carlo simulation analysis is \$1.35 per option. The options expire on 6 November 2013.

^b Calculated per option as the last sale price of Boral shares on the date of exercise less the exercise price.

Share Acquisition Rights

Details of the movement during the year of SARs held by the CEO and the above executives are:

	Balance at 1 July 2006 Number	Granted during the year as remuneration ^a Number	Exercised during the year Number	Value of rights exercised \$	Lapsed during the year Number	Balance at 30 June 2007 Number	Total value of rights granted, exercised and lapsed during the year \$
Executive Director							
R T PEARSE	367,036	–	–	–	–	367,036	–
Executives							
J M DOUGLAS	25,787	21,623	–	–	–	47,410	106,818
P J JOBE	36,839	24,097	–	–	–	60,936	119,039
K A MITCHELHILL	35,179	21,284	–	–	–	56,463	105,143
W R BATSTONE	34,067	20,465	–	–	–	54,532	101,097
B M TISHER	24,066	14,166	–	–	–	38,232	69,980
P J BOYD	25,325	17,066	–	–	–	42,391	84,306
E S SEVERIN	49,543	31,985	–	–	–	81,528	158,006
K M BARTON	31,019	21,100	–	–	–	52,119	104,234
M B SCOBIE	25,901	15,115	–	–	–	41,016	74,668
R J TOWN	21,433	13,198	–	–	–	34,631	65,198
A I WARBURTON	10,076	5,904	–	–	–	15,980	29,166

^a The fair value of SARs granted during the year calculated at the date of grant using a Monte Carlo simulation analysis is \$4.94 per right. The SARs expire on 6 November 2013.

INCOME STATEMENT

BORAL LIMITED AND CONTROLLED ENTITIES

for the year ended 30 June	Note	CONSOLIDATED	
		2007 \$ millions	2006 \$ millions
Revenue	3	4,909.0	4,767.4
Cost of sales		(3,056.5)	(2,963.0)
Distribution expenses		(804.0)	(755.4)
Selling and marketing expenses		(217.0)	(209.5)
Administrative and general expenses		(342.5)	(325.1)
		(4,420.0)	(4,253.0)
Other income		9.6	14.2
Other expenses		(2.8)	(0.4)
Share of net profit of associates and joint ventures	6	35.1	85.8
Profit before net financing costs and income tax expense		530.9	614.0
Financial income		6.3	4.2
Financial expenses		(116.8)	(102.4)
Net financing costs		(110.5)	(98.2)
Profit before income tax expense		420.4	515.8
Income tax expense		(122.3)	(153.1)
Net profit		298.1	362.7
Attributable to:			
Members of the parent entity		298.1	362.4
Minority interests		–	0.3
Net profit		298.1	362.7
Basic earnings per share – ordinary shares	4	50.0c	61.7c
Diluted earnings per share – ordinary shares	4	49.9c	61.5c

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

BALANCE SHEET

BORAL LIMITED AND CONTROLLED ENTITIES

as at 30 June	Note	CONSOLIDATED	
		2007 \$ millions	2006 \$ millions
CURRENT ASSETS			
Cash and cash equivalents		35.7	76.2
Receivables		799.9	759.7
Inventories		584.0	528.5
Other		31.4	36.4
TOTAL CURRENT ASSETS		1,451.0	1,400.8
NON-CURRENT ASSETS			
Receivables		37.5	28.2
Inventories		126.4	120.7
Investments accounted for using the equity method		388.8	418.4
Other financial assets	8	399.3	289.1
Property, plant and equipment		2,989.6	2,908.1
Intangible assets		340.3	352.9
Other		83.7	68.8
TOTAL NON-CURRENT ASSETS		4,365.6	4,186.2
TOTAL ASSETS		5,816.6	5,587.0
CURRENT LIABILITIES			
Payables		619.3	608.8
Interest bearing loans and borrowings		25.6	1.0
Current tax liabilities		81.3	63.5
Provisions		195.6	189.9
TOTAL CURRENT LIABILITIES		921.8	863.2
NON-CURRENT LIABILITIES			
Payables		67.8	39.0
Interest bearing loans and borrowings		1,492.4	1,653.4
Deferred tax liabilities		299.3	227.6
Provisions		48.0	48.8
TOTAL NON-CURRENT LIABILITIES		1,907.5	1,968.8
TOTAL LIABILITIES		2,829.3	2,832.0
NET ASSETS		2,987.3	2,755.0
EQUITY			
Issued capital	9	1,688.1	1,622.7
Reserves		148.1	81.9
Retained earnings	10	1,148.2	1,048.5
Total parent entity interest		2,984.4	2,753.1
Minority interests		2.9	1.9
TOTAL EQUITY		2,987.3	2,755.0

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

STATEMENT OF RECOGNISED INCOME AND EXPENSE

BORAL LIMITED AND CONTROLLED ENTITIES

for the year ended 30 June	CONSOLIDATED	
	2007 \$ millions	2006 \$ millions
Actuarial gain on defined benefit plans, net of tax	3.5	3.6
Net exchange differences from translation of foreign operations taken to equity, net of tax	(22.4)	37.5
Fair value adjustment on cash flow hedges, net of tax	(0.1)	1.2
Fair value adjustment on available for sale financial assets, net of tax	83.8	52.1
Net income recognised directly in equity	64.8	94.4
Net profit	298.1	362.7
Total recognised income and expense for the year	362.9	457.1
Total recognised income and expense for the year is attributable to:		
Members of the parent entity	362.9	456.8
Minority interests	–	0.3
Total recognised income and expense for the year	362.9	457.1
Impact of change in accounting policy		
Adjustment on adoption of AASB 132 and AASB 139, net of tax	–	20.5

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

CASH FLOW STATEMENT

BORAL LIMITED AND CONTROLLED ENTITIES

		CONSOLIDATED	
for the year ended 30 June	Note	2007 \$ millions	2006 \$ millions
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		5,277.4	5,084.4
Payments to suppliers and employees		(4,642.5)	(4,409.1)
Dividends received		49.3	64.9
Interest received		6.3	4.1
Borrowing costs paid		(114.9)	(95.5)
Income taxes paid		(93.7)	(199.3)
Net cash provided by operating activities		481.9	449.5
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of property, plant and equipment		(403.0)	(479.0)
Payments for intangibles		(0.6)	(4.7)
Payments for purchase of controlled entities and businesses (net of cash acquired)		(11.2)	(26.6)
Payments for purchase of other investments		(3.3)	(3.6)
Loans to associates		(13.8)	(0.4)
Proceeds on disposal of businesses and non-current assets		19.5	32.5
Net cash used in investing activities		(412.4)	(481.8)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		11.7	18.9
Share buy-back (on market)		-	(16.3)
Dividends paid (net of dividends reinvested under the dividend reinvestment plan of \$53.7 million (2006: \$61.9 million))		(148.2)	(136.9)
Proceeds from borrowings		149.5	289.1
Repayment of borrowings		(139.6)	(68.3)
Net cash provided by/(used in) financing activities		(126.6)	86.5
NET CHANGE IN CASH AND CASH EQUIVALENTS			
		(57.1)	54.2
Cash and cash equivalents at the beginning of the year		76.2	18.6
Effects of exchange rate fluctuations on the balances of cash and cash equivalents held in foreign currencies		(7.7)	3.4
Cash and cash equivalents at the end of the year	13	11.4	76.2

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

NOTES TO THE CONCISE FINANCIAL REPORT

BORAL LIMITED AND CONTROLLED ENTITIES

1. BASIS OF PREPARATION OF CONCISE FINANCIAL REPORT

The concise financial report has been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 1039 Concise Financial Reports. The financial statements and specified disclosures required by AASB 1039 have been derived from the consolidated entity's full financial report for the financial year. Other information included in the concise financial report is consistent with the consolidated entity's full financial report. The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The accounting policies adopted have been applied consistently to all periods presented in the consolidated financial report.

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

The report is presented in Australian dollars.

A full description of the accounting policies adopted by the Group may be found in the consolidated entity's full financial report.

COMPARATIVE INFORMATION

To ensure comparability with the current reporting period, certain comparative items may have been reclassified in the financial statements to conform with changes in presentation in the current financial year.

NOTES TO THE CONCISE FINANCIAL REPORT

BORAL LIMITED AND CONTROLLED ENTITIES

2. SEGMENTS

BUSINESS SEGMENTS	2007 \$ millions	2006 \$ millions	2007 \$ millions	2006 \$ millions	2007 \$ millions	2006 \$ millions
REVENUE*						
Building products – Australia	1,275.3	1,212.6				
Construction materials – Australia	2,548.8	2,410.4				
United States of America	882.5	956.5				
Asia	182.5	176.6				
Other	19.9	11.3				
	4,909.0	4,767.4				
	OPERATING PROFIT (EXCLUDING ASSOCIATES)		EQUITY ACCOUNTED RESULTS OF ASSOCIATES		OPERATING PROFIT BEFORE TAX	
Building products – Australia	90.1	107.4	9.1	10.2	99.2	117.6
Construction materials – Australia	301.1	267.8	16.9	18.2	318.0	286.0
United States of America	101.5	148.0	(7.0)	37.7	94.5	185.7
Asia	(4.0)	2.9	16.1	19.7	12.1	22.6
Other	19.4	10.5	–	–	19.4	10.5
	508.1	536.6	35.1	85.8	543.2	622.4
Corporate	(12.3)	(8.4)	–	–	(12.3)	(8.4)
	495.8	528.2	35.1	85.8	530.9	614.0
Net financing costs	(110.5)	(98.2)	–	–	(110.5)	(98.2)
	385.3	430.0	35.1	85.8	420.4	515.8
	SEGMENT ASSETS (EXCLUDING INVESTMENTS IN ASSOCIATES)		EQUITY ACCOUNTED INVESTMENTS IN ASSOCIATES		TOTAL ASSETS	
Building products – Australia	1,335.0	1,211.1	10.1	12.1	1,345.1	1,223.2
Construction materials – Australia	2,680.3	2,588.5	17.4	23.8	2,697.7	2,612.3
United States of America	807.4	841.9	110.9	130.7	918.3	972.6
Asia	154.2	151.5	250.4	251.8	404.6	403.3
Other	398.4	279.7	–	–	398.4	279.7
	5,375.3	5,072.7	388.8	418.4	5,764.1	5,491.1
Corporate	16.8	19.7	–	–	16.8	19.7
	5,392.1	5,092.4	388.8	418.4	5,780.9	5,510.8
Cash and cash equivalents	35.7	76.2	–	–	35.7	76.2
	5,427.8	5,168.6	388.8	418.4	5,816.6	5,587.0
	LIABILITIES		ACQUISITION OF SEGMENT ASSETS**		DEPRECIATION AND AMORTISATION	
Building products – Australia	231.3	222.4	124.1	117.0	51.9	44.5
Construction materials – Australia	426.8	410.5	160.5	248.1	135.9	123.8
United States of America	105.4	124.7	96.2	96.7	34.7	32.8
Asia	28.6	26.5	22.1	20.0	8.4	7.0
Other	1.0	1.4	–	–	–	–
	793.1	785.5	402.9	481.8	230.9	208.1
Corporate	137.6	101.0	0.7	1.9	0.5	0.5
	930.7	886.5	403.6	483.7	231.4	208.6
Interest bearing loans and borrowings	1,518.0	1,654.4	–	–	–	–
Tax liabilities	380.6	291.1	–	–	–	–
	2,829.3	2,832.0	403.6	483.7	231.4	208.6

* Revenue represents external sales from operating activities. It excludes intersegment sales as they are considered not material.

** Acquisition of segment assets excludes purchases of controlled entities, businesses and other investments.

No significant non-cash expenses other than depreciation and amortisation.

Primary segments

Building products – Australia	Bricks, plasterboard, timber products, roof tiles, aluminium products and concrete products.
Construction materials – Australia	Quarries, road surfacing, premix concrete, precast concrete, fly ash, cement, quarry end use, transport, concrete placing and scaffolding.
United States of America	Bricks, roof tiles, fly ash, premix concrete, quarries and masonry.
Asia	Plasterboard, premix concrete and quarries.
Other	Investments in listed shares and non-trading operations.

NOTES TO THE CONCISE FINANCIAL REPORT

BORAL LIMITED AND CONTROLLED ENTITIES

2. SEGMENTS (CONTINUED)

GEOGRAPHICAL SEGMENTS	2007 \$ millions	2006 \$ millions	2007 \$ millions	2006 \$ millions	2007 \$ millions	2006 \$ millions
	REVENUE*		ACQUISITION OF SEGMENT ASSETS **			
Australia	3,824.1	3,623.0	284.6	365.1		
United States of America	882.5	956.5	96.2	96.7		
Asia	182.5	176.6	22.1	20.0		
Other	19.9	11.3	–	–		
	4,909.0	4,767.4	402.9	481.8		
Corporate	–	–	0.7	1.9		
	4,909.0	4,767.4	403.6	483.7		
	OPERATING PROFIT (EXCLUDING ASSOCIATES)		EQUITY ACCOUNTED RESULTS OF ASSOCIATES		OPERATING PROFIT BEFORE TAX	
Australia	391.2	375.2	26.0	28.4	417.2	403.6
United States of America	101.5	148.0	(7.0)	37.7	94.5	185.7
Asia	(4.0)	2.9	16.1	19.7	12.1	22.6
Other	19.4	10.5	–	–	19.4	10.5
	508.1	536.6	35.1	85.8	543.2	622.4
Corporate	(12.3)	(8.4)	–	–	(12.3)	(8.4)
	495.8	528.2	35.1	85.8	530.9	614.0
Net financing costs	(110.5)	(98.2)	–	–	(110.5)	(98.2)
	385.3	430.0	35.1	85.8	420.4	515.8
	SEGMENT ASSETS (EXCLUDING INVESTMENTS IN ASSOCIATES)		EQUITY ACCOUNTED INVESTMENTS IN ASSOCIATES		TOTAL ASSETS	
Australia	4,015.3	3,799.6	27.5	35.9	4,042.8	3,835.5
United States of America	807.4	841.9	110.9	130.7	918.3	972.6
Asia	154.2	151.5	250.4	251.8	404.6	403.3
Other	398.4	279.7	–	–	398.4	279.7
	5,375.3	5,072.7	388.8	418.4	5,764.1	5,491.1
Corporate	16.8	19.7	–	–	16.8	19.7
	5,392.1	5,092.4	388.8	418.4	5,780.9	5,510.8
Cash and cash equivalents	35.7	76.2	–	–	35.7	76.2
	5,427.8	5,168.6	388.8	418.4	5,816.6	5,587.0

* Revenue represents external sales from operating activities. It excludes intersegment sales as they are considered not material.

** Acquisition of segment assets excludes purchases of controlled entities, businesses and other investments.

Geographic segments

Australia	Bricks, plasterboard, timber products, roof tiles, aluminium products, concrete products, quarries, road surfacing, premix concrete, precast concrete, fly ash, cement, quarry end use, transport, concrete placing and scaffolding.
United States of America	Bricks, roof tiles, fly ash, premix concrete, quarries and masonry.
Asia	Plasterboard, premix concrete and quarries.
Other	Investments in listed shares and non-trading operations.

NOTES TO THE CONCISE FINANCIAL REPORT

BORAL LIMITED AND CONTROLLED ENTITIES

for the year ended 30 June	CONSOLIDATED	
	2007 \$ millions	2006 \$ millions
3. OPERATING PROFIT		
REVENUE		
Sale of goods	4,808.8	4,647.6
Rendering of services	80.3	108.5
	4,889.1	4,756.1
Other revenue		
Dividends from other parties	19.9	11.3
	4,909.0	4,767.4
DEPRECIATION AND AMORTISATION EXPENSES		
Land and buildings	9.2	8.4
Plant and equipment	211.9	197.8
Timber licences, plantation costs and mineral reserves	1.2	1.4
Leased assets capitalised	0.3	0.4
Other intangibles	8.8	0.6
	231.4	208.6

4. EARNINGS PER SHARE

CLASSIFICATION OF SECURITIES AS ORDINARY SHARES

Only ordinary shares have been included in basic earnings per share (EPS).

CLASSIFICATION OF SECURITIES AS POTENTIAL ORDINARY SHARES

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

	CONSOLIDATED	
	2007 \$ millions	2006 \$ millions
Earnings reconciliation		
Net profit attributable to members of the parent entity	298.1	362.4
Weighted average number of ordinary shares used as the denominator		
Number for basic earnings per share	595,749,107	587,114,891
Effect of potential ordinary shares	1,961,823	1,995,183
Number for diluted earnings per share	597,710,930	589,110,074
Basic earnings per share – ordinary shares	50.0c	61.7c
Diluted earnings per share – ordinary shares	49.9c	61.5c

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

NOTES TO THE CONCISE FINANCIAL REPORT

BORAL LIMITED AND CONTROLLED ENTITIES

5. DIVIDENDS

Dividends recognised by Boral Limited and the consolidated entity are:

	Amount per share	Total amount \$ millions	Franked amount per share	Date of payment
2007				
2006 final – ordinary	17.0 cents	100.4	17.0 cents	18 September 2006
2007 interim – ordinary	17.0 cents	101.5	17.0 cents	21 March 2007
Total		201.9		
2006				
2005 final – ordinary	17.0 cents	98.6	17.0 cents	16 September 2005
2006 interim – ordinary	17.0 cents	100.2	17.0 cents	20 March 2006
Total		198.8		
	Amount per share	Total amount \$ millions	Franked amount per share	Date of payment

SUBSEQUENT EVENT

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

2007 final – ordinary	17.0 cents	101.9	17.0 cents	18 September 2007
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The financial effect of the final dividend for the year ended 30 June 2007 has not been brought to account in the financial report 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 2007 is \$67.5 million (2006: \$108.2 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 \$43.7 million (2006: \$43.0 million).

DIVIDEND REINVESTMENT PLAN

The Company's dividend reinvestment plan will operate in respect of the payment of the final dividend and the last date for the receipt of an election notice for participation in the plan is 29 August 2007.

6. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name	Principal Activity	Country of incorporation	Balance Date	OWNERSHIP INTEREST CONSOLIDATED	
				2007 %	2006 %
DETAILS OF INVESTMENTS IN ASSOCIATES ARE AS FOLLOWS:					
Caribbean Roof Tile Company Limited	Roof tiles	Trinidad	31-Dec	50	50
Flyash Australia Pty Ltd	Fly ash collection	Australia	30-Jun	50	50
Giroto Precast Pty Ltd*	Precast concrete	Australia	30-Jun	–	50
Gypsum Resources Australia Pty Ltd	Gypsum mining	Australia	30-Jun	50	50
Highland Pine Products Pty Ltd	Timber	Australia	30-Jun	50	50
Lafarge Boral Gypsum in Asia Ltd	Plasterboard	Malaysia	31-Dec	50	50
MonierLifetile LLC	Roof tiles	USA	31-Dec	50	50
MonierLifetile S.R.L. de C.V.	Roof tiles	Mexico	31-Dec	50	50
Penrith Lakes Development Corporation Pty Ltd	Quarrying	Australia	30-Jun	40	40
Rondo Building Services Pty Ltd	Rollform system	Australia	30-Jun	50	50
South East Asphalt Pty Ltd	Asphalt	Australia	30-Jun	50	50
Sunstate Cement Ltd	Cement manufacturer	Australia	30-Jun	50	50
Tile Service Company LLC	Roof tiles	USA	31-Dec	50	50
US Tile LLC	Roof tiles	USA	31-Dec	50	50

* Giroto Precast Pty Ltd became a controlled entity during the year.

	CONSOLIDATED	
	2007 \$ millions	2006 \$ millions
RESULTS OF ASSOCIATES:		
Share of associates' profit before income tax expense	50.2	99.7
Share of associates' income tax expense	(15.1)	(13.9)
Share of associates' net profit – equity accounted	35.1	85.8

Results of associates include the following:

Share of associates' net profit/(loss) – equity accounted:		
Lafarge Boral Gypsum in Asia Ltd	16.1	19.7
MonierLifetile LLC* and MonierLifetile S.R.L. de C.V.	(4.8)	38.1

* Taxed as a partnership in the USA

	CONSOLIDATED	
	2007	2006
7. NTA BACKING		
Net tangible asset backing per ordinary security	\$4.41	\$4.07

NOTES TO THE CONCISE FINANCIAL REPORT

BORAL LIMITED AND CONTROLLED ENTITIES

	CONSOLIDATED	
	2007 \$ millions	2006 \$ millions
8. OTHER FINANCIAL ASSETS		
NON-CURRENT		
Listed shares – at fair value	395.7	276.0
Financial instruments	3.6	13.1
	399.3	289.1
9. ISSUED CAPITAL		
ISSUED AND PAID-UP CAPITAL		
599,407,033 (2006: 589,814,236) ordinary shares, fully paid	1,688.1	1,622.7
MOVEMENTS IN ORDINARY SHARE CAPITAL		
Balance at the beginning of the year	1,622.7	1,556.0
Nil (2006: 658,600) shares issued under the employee share plan	–	5.3
7,316,365 (2006: 8,233,548) shares issued under the dividend reinvestment plan	53.7	61.9
2,276,432 (2006: 4,045,500) shares issued upon the exercise of executive options	11.7	15.8
Nil (2006: 1,892,364) shares bought back	–	(16.3)
Balance at the end of the year	1,688.1	1,622.7
<p>Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.</p> <p>In the event of a winding up of Boral Limited, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.</p>		
10. RETAINED EARNINGS		
Retained earnings at the beginning of the year	1,048.5	881.3
Net profit attributable to members of the parent entity	298.1	362.4
Dividends recognised during the year	(201.9)	(198.8)
Actuarial gain on defined benefit plans, net of tax	3.5	3.6
Retained earnings at the end of the year	1,148.2	1,048.5
11. CONTINGENT LIABILITIES		
<p>Details of contingent liabilities and contingent assets where the probability of future payments/receipts is not considered remote are set out below.</p> <p>Unsecured contingent liabilities:</p>		
Bank guarantees	16.6	8.3
Other items	1.2	1.2
	17.8	9.5

Boral Limited 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 Boral Group have been identified as contaminated, generally as a result of prior activities conducted at the sites, and review and appropriate implementation of clean-up requirements for these is ongoing. For sites where the requirements can be assessed, estimated clean-up costs have been expensed or provided for. For some sites, the requirements cannot be reliably assessed at this stage.

11. CONTINGENT LIABILITIES (CONTINUED)

Certain entities within the consolidated entity are subject to various lawsuits and claims in the ordinary course of business.

Consistent with other companies of the size and diversity of Boral, the Group is the subject of periodic information requests, investigations and audit activity by the Australian Taxation Office (ATO) and tax authorities in other jurisdictions in which Boral operates.

In the period February to March 2006 Australian subsidiaries of the Group received assessments and amended assessments from the ATO relating to the utilisation of tax losses and capital gains arising from the demerger in 2000. The amounts assessed include primary tax of \$56.5 million, general interest charge of \$37.4 million and penalties of \$6.9 million. All assessments have been objected to and, to date, there has been no response from the ATO to those objections.

During the year, further enquiries were made by the ATO relating to a number of transactions occurring at the time of the demerger. In the US, the Internal Revenue Service is reviewing two transactions which occurred prior to the demerger which it believes may result in additional assessable income to the Group. No assessments have been issued in relation to these matters and in both jurisdictions the Group is in continuing dialogue with the appropriate revenue authority.

A deed was entered into at the time of the demerger which contained certain indemnities and other agreements between the Group and Origin Energy Limited and their respective controlled entities covering the transfer of the businesses, investments, tax, other liabilities, debt and assets of the Group and some temporary shared arrangements. A wholly owned subsidiary of Origin has received an amended assessment from the ATO for the year ended 30 June 1999. The amounts assessed consist of \$27.5 million of primary tax and a general interest charge of \$15.8 million. This assessment has been objected to by Origin. If the ATO's claims against Origin are ultimately successful it is likely to rely on indemnities contained in the demerger deed. Similarly, should claims against the Group be successful, this is likely to give rise to a claim by the Group against Origin.

The Group has considered these claims and, where appropriate, sought independent advice, and believes it holds appropriate provisions.

12. ACQUISITION/DISPOSAL OF CONTROLLED ENTITIES

The following controlled entity was acquired during the year ended 30 June 2007:

	Date acquired	Consideration paid \$ millions	Interest acquired %
Entity acquired:			
Giroto Precast Pty Ltd	Jul 2006	8.8	30%
CONSOLIDATED			
		2007 \$ millions	2006 \$ millions

13. NOTES TO CASH FLOW STATEMENT

(i) Reconciliation of cash and cash equivalents

Cash includes cash on hand, at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial period as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

Cash and cash equivalents	35.7	76.2
Bank overdrafts	(24.3)	-
	11.4	76.2

(ii) The following non-cash financing and investing activities have not been included in the cash flow statement:

Dividends reinvested under the dividend reinvestment plan	53.7	61.9
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14. SUBSEQUENT EVENT

During August 2007, the Group announced that it has acquired the assets of two construction materials businesses in Oklahoma City, Schwarz Readymix, a ready-mixed concrete and sand business and the Davis Arbuckle Materials quarry. The total acquisition price was US\$80 million (around \$95 million).

BORAL LIMITED AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION

In the opinion of the Directors of Boral Limited, the accompanying concise financial report of the consolidated entity, comprising Boral Limited and its controlled entities, for the year ended 30 June 2007 set out on pages 44 to 55:

- (a) has been derived from or is consistent with the full financial report for the financial year; and
- (b) complies with Accounting Standard AASB 1039 Concise Financial Reports.

Signed in accordance with a resolution of the Directors:



Kenneth J Moss
Director



Rodney T Pearce
Director

Sydney, 6 September 2007

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BORAL LIMITED

The accompanying concise financial report of Boral Limited and its controlled entities comprises the balance sheet as at 30 June 2007, the income statement, statement of recognised income and expense and cash flow statement for the year then ended and related notes 1 to 14, derived from the audited financial report of Boral Limited for the year ended 30 June 2007. The concise financial report does not contain all the disclosures required by Australian Accounting Standards.

Directors' responsibility for the concise financial report

The directors of Boral Limited are responsible for the preparation and presentation of the concise financial report in accordance with Australian Accounting Standard AASB 1039 Concise Financial Reports and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit in accordance with Australian Auditing Standards, of the financial report of Boral Limited for the year ended 30 June 2007. Our audit report on the financial report for the year was signed on 6 September 2007 and was not subject to any modification. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free of material misstatement.

Our procedures in respect of the concise financial report include testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Australian Accounting Standard AASB 1039 Concise Financial Reports.

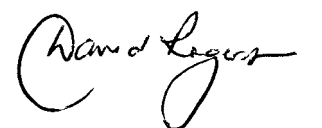
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's opinion

In our opinion the concise financial report of Boral Limited and its controlled entities for the year ended 30 June 2007 complies with Australian Accounting Standard AASB 1039 Concise Financial Reports.



KPMG



David Rogers
Partner

Sydney, 6 September 2007

SHAREHOLDER INFORMATION

BORAL LIMITED AND CONTROLLED ENTITIES

requiring replacement holding statements should be directed to their controlling participant.

Shareholders communicating with the share registry should have handy their Security Holder 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 Security Holder 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. Unless shareholders have advised the share registry that they require no Annual Report or the full Annual Report, they will be sent the concise (short form) Annual Review.

Alternatively, shareholders 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.

CHANGE OF ADDRESS

Shareholders who are Issuer Sponsored should notify any change of address to the share registry promptly in writing quoting their Security Holder Reference Number, previous address and new address. Application forms for Change of Address are also available for download via the Link Market Services or Boral websites. Broker Sponsored (CHESS) holders must advise their sponsoring broker of the change.

INFORMATION ON BORAL

Boral has a comprehensive internet site featuring news items, announcements, corporate information and a wide range of product and service information. Boral's Internet address is www.boral.com.au

The Annual Review is the main source of information for shareholders. Other sources of information include:

February – the interim results announcement for the December half year. This announcement is sent to shareholders in mid-March at the time of payment of the interim dividend.

SHAREHOLDER INFORMATION

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

Telephone (02) 8280 7133
International +61 2 8280 7133
Facsimile (02) 9287 0303 International
+61 2 9287 0303

Shareholders can also send queries to the share registry via email.
Internet
www.linkmarketservices.com.au
email
registrars@linkmarketservices.com.au

ONLINE SERVICES

You can access information and update information about your holdings in Boral Limited via the internet by visiting Link Market Services' website:
www.linkmarketservices.com.au or
Boral's website www.boral.com.au

Some of the services available online include: check current and previous holding balances, choose your preferred Annual Report option, update address details, update bank details, confirm whether you have lodged your TFN, ABN or exemption, check the share prices and graphs or download a variety of forms.

DIVIDENDS

The final dividend for the 2006/07 year of 17 cents per share will be paid by Boral on 18 September 2007. The dividend will be fully franked.

Dividend Reinvestment Plan (DRP)

As an alternative to receiving cash dividends, shareholders may elect to participate in the DRP. The DRP enables shareholders to use cash dividends to purchase additional fully paid Boral shares. If a shareholder wishes to participate in the DRP or alter their participation, they must notify the share registry in writing. DRP election forms can be obtained from Link Market Services' website. Features of the DRP can be found on Boral's website.

Tax File Number, 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 distribution 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

Shareholders are reminded to bank dividend cheques as soon as possible. Dividend cheques that are not banked are required to be handed over to the State Trustee under the Unclaimed Monies Act.

If you wish your dividends to be paid directly to a bank, building society or credit union accounts in Australia contact the share registry or visit their 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.

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

SHAREHOLDER INFORMATION

BORAL LIMITED AND CONTROLLED ENTITIES

August – the annual results announcement for the year ended 30 June.

October – the Annual General Meeting. The Chairman's and Managing Director's Addresses to the Meeting are sent to shareholders shortly after the Meeting.

Requests for publications and other enquiries about Boral's affairs should be addressed to:

**The Manager, Corporate Affairs
Boral Limited
GPO Box 910
SYDNEY NSW 2001**

Enquiries can also be made via email: info@boral.com.au or visit Boral's website at www.boral.com.au

SHARE TRADING AND PRICE

Boral shares are traded on Australian Stock Exchange Limited (ASX).

The stock code under which they are traded is "BLD" and the details of trading activity are published in most daily newspapers under that abbreviation.

SHARE SALE FACILITY

A means for Issuer Sponsored shareholders, particularly small shareholders, to sell their entire Boral shareholding is to use the share registry's sale facility by contacting Link Market Services' Share Sale Centre on (02) 8280 7133.

AMERICAN DEPOSITARY RECEIPTS

In the USA, Boral shares are traded in the over-the-counter market in the form of ADRs issued by the depository, The Bank of New York. Each ADR represents four ordinary Boral shares.

SHARE INFORMATION AS AT 28 AUGUST 2007

SUBSTANTIAL SHAREHOLDERS

UBS Nominees Pty Limited, by a notice of initial substantial holder dated 15 May 2007, advised that it and its associates were entitled to 32,117,378 ordinary shares.

Commonwealth Bank of Australia, by a notice of change of interests of substantial holder dated 13 July 2007, advised that it and its associates were entitled to 36,133,781 ordinary shares.

Capital Group Companies, Inc., by a notice of change of interests of substantial holder dated 26 July 2007, advised that it and its associates were entitled to 30,024,322 ordinary shares.

Balanced Equity Management Pty Limited, by a notice of change of interests of substantial holder dated 6 August 2007, advised that it and its associates were entitled to 66,908,130 ordinary shares.

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Size of Shareholding	Number of Shareholders	% of Ordinary Shares
(a) in the categories –		
1 – 1,000	44,050	3.49
1,001 – 5,000	34,771	13.27
5,001 – 10,000	5,559	6.56
10,001 – 100,000	2,900	10.15
100,001 and over	142	66.53
	87,422	100.00
(b) holding less than a marketable parcel (65 shares)		
	4,808	0.02

VOTING RIGHTS – ORDINARY SHARES

On a show of hands every person present, who is a member or proxy, attorney or representative of a member, shall have one vote and on a poll every member who is present in person or by proxy, attorney or representative shall have one vote for each share held by him or her.

ON-MARKET BUY BACK

An on-market buy-back of ordinary shares is current. The buy-back is in a number of shares approximately equal to the number to be issued under the Dividend Reinvestment Plan at the time of payment of the 2007 final dividend and 2008 interim dividend. The maximum number of shares which the Company intends to buy back is 15,000,000.

TWENTY LARGEST SHAREHOLDERS

	Ordinary Shares	% of Ordinary Shares
JP Morgan Nominees Australia Limited	88,985,394	14.84
HSBC Custody Nominees (Australia) Limited	82,231,934	13.72
National Nominees Limited	64,170,666	10.70
Citicorp Nominees Pty Limited	46,884,331	7.82
ANZ Nominees Limited	19,363,328	3.23
RBC Dexia Investor Services Australia Nominees Pty Limited	16,065,900	2.68
PSS Board	12,185,694	2.03
Cogent Nominees Pty Limited	11,663,718	1.95
UBS Nominees Pty Limited	5,207,004	0.87
Queensland Investment Corporation	4,303,073	0.72
Rodney Taunton Pearse	3,863,672	0.64
Australian Foundation Investment Company Limited	3,699,712	0.62
Invia Custodian Pty Limited	3,140,662	0.52
AMP Life Limited	3,115,316	0.52
Argo Investments Limited	2,866,907	0.48
UBS Wealth Management Australia Nominees Pty Limited	2,650,878	0.44
Feta Nominees Pty Limited	2,268,850	0.38
Merrill Lynch (Australia) Nominees Pty Limited	2,006,488	0.33
Camrock Australia Pty Limited	1,821,091	0.30
Bond Street Custodians Limited	1,641,773	0.27
	378,136,391	63.07

FINANCIAL HISTORY

BORAL LIMITED AND CONTROLLED ENTITIES

as at 30 June	2007 \$ millions	2006 \$ millions	2005 \$ millions	2004 \$ millions	2003 \$ millions	2002 \$ millions	2001 \$ millions	Proforma* 2000 \$ millions	Proforma* 1999 \$ millions
Revenue	4,909	4,767	4,305	4,150	3,831	3,489	3,280	4,012	3,914
Earnings before interest, tax, depreciation and amortisation (EBITDA) ¹	762	823	794	794	672	531	451	563	569
Depreciation and amortisation	231	209	191	195	194	188	189	203	216
Earnings before interest and tax ¹	531	614	603	600	478	343	262	360	353
Profit/(loss) from disposal of businesses	–	–	–	–	–	–	39	(33)	–
Profit before interest and tax	531	614	603	600	478	343	301	327	353
Net financing costs	(111)	(98)	(71)	(66)	(68)	(63)	(70)	(90)	(120)
Profit before tax	420	516	532	534	410	280	232	238	233
Income tax expense	(122)	(153)	(162)	(163)	(126)	(87)	(78)	(70)	(87)
Minority interests	–	–	(1)	(1)	(1)	–	–	–	3
Net profit attributable to members of Boral Limited	298	362	370	370	283	192	153	169	150
Total assets	5,817	5,587	5,001	4,511	4,038	3,915	3,950	3,873	4,172
Total liabilities	2,829	2,832	2,594	2,151	1,898	1,966	2,096	2,096	2,455
Net assets	2,987	2,755	2,407	2,360	2,140	1,950	1,855	1,777	1,717
Shareholders' funds	2,987	2,755	2,407	2,360	2,140	1,950	1,855	1,777	1,717
Dividends paid or declared	203	200	197	175	133	109	102	102	102
Statistics									
Dividend per ordinary share	34c	34c	34c	30c	23c	19c	18c	18c	18c
Dividend payout ratio	68%	55%	53%	47%	47%	57%	67%	61%	68%
Dividend cover	1.5	1.8	1.9	2.1	2.1	1.8	1.5	1.7	1.5
Earnings per ordinary share	50.0c	61.7c	63.4c	63.8c	49.1c	33.7c	27.0c	29.7c	26.3c
Return on equity	10.0%	13.2%	15.4%	15.7%	13.2%	9.9%	8.3%	9.5%	8.7%
EBIT to sales	10.8%	12.9%	14.0%	14.4%	12.5%	9.8%	8.0%	9.0%	9.0%
EBIT to funds employed	11.9%	14.2%	15.9%	18.2%	16.4%	12.1%	9.2%	13.2%	11.2%
Net interest cover (times)	4.8	6.3	8.5	9.1	7.1	5.4	4.3	3.7	2.9
Gearing (net debt to equity)	50%	57%	58%	40%	36%	45%	53%	54%	83%
Gearing (net debt to net debt plus equity)	33%	36%	37%	28%	26%	31%	35%	35%	45%
Net tangible asset backing per share	\$4.41	\$4.07	\$3.57	\$3.65	\$3.27	\$3.02	\$2.89	\$2.78	\$2.62

June 2007, 2006 and 2005 reflect results prepared under Australian equivalents to International Financial Reporting Standards (A-IFRS). The years prior to June 2005 represent results under previous Australian Generally Accepted Accounting Principles.

The comparative figures for the year ended June 2000 and June 1999 have been prepared on a proforma basis to reflect the results of operations of the Boral building and construction businesses for the full twelve month period. Amounts have been restated where appropriate to reflect the change in Australian Accounting Standards that requires abnormal items no longer to be shown separately.

* Proforma consolidated accounts were not audited but were subject to an independent review by KPMG.

1. June 2005 includes the impact of Adelaide Brighton bid costs \$16.2 million (\$11.3 million after tax).

ANNUAL REVIEW

GLOSSARY AND ABBREVIATIONS

GLOSSARY

Cement	A building material made of a mixture of calcined limestone and clay; used with water and sand or gravel to make concrete
Concrete	A building material composed of sand and gravel and cement and water
Demerger	The separation of Boral's building and construction materials business and energy business, which occurred in February 2000. The energy business is now a separate Australian listed company, Origin Energy
Emoluments	Remuneration and value of any benefits given to a director or officer in connection with the management of the Boral Group's affairs
Fly ash	Fly ash is a by-product of coal-fired electricity generating plants; it has cementitious properties and is therefore used as an important (cost-reducing) additive in cement
Gypsum	A mineral consisting of the hydrous sulphate of lime (calcium). When calcined, it forms Plaster of Paris used in plasterboard production
Lime	Oxide of calcium (CaO) produced by heating limestone
Limestone	A rock consisting chiefly of calcium carbonate (CaCO ₂)
LTI	Def 1: A Lost Time Injury (LTI) is one which causes an employee to be absent from work for one or more full days or shifts on any day subsequent to the injury occurring Def 2: Long-term incentives (LTI) referred to in the Remuneration Report
Operating sites	Wholly owned or at least 50% owned JV operating site excluding sales, administration and distribution offices
Squares	A measure of area used in roofing in the USA; one square = 100 square feet
Total shareholder return	An annualised total shareholder return calculation which takes into consideration returns both capital and dividend returns to shareholders
Total sites	Wholly owned or at least 50% owned JV operating sites and sales, administration and distribution offices
Tranches	Additional securities/loans based on a common attribute such as date issued

ABBREVIATIONS

ACM	Australian Construction Materials division
BCSC	Blue Circle Southern Cement
BMTI	Boral Material Technologies Inc
C&C	Clay & Concrete Products division
DRP	Dividend reinvestment plan
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EOP	Executive Option Plan
EPS	Earnings per share
FACT	Fly ash carbon treatment
FY	Financial year
JV	Joint venture
LBGA	Lafarge Boral Gypsum in Asia
LTI	Lost time injury or long-term incentive
LTIFR	Lost time injury frequency rate
PEP	Performance Enhancement Program
PLDC	Penrith Lakes Development Corporation (40% owned by Boral)
QEU	Quarry End Use
ROFE	Return on funds employed
SARs	Share Acquisition Rights
SBE	Standard brick equivalent
SIB	Stay in business
STI	Short-term incentive
TSR	Total shareholder returns
WACC	Weighted average cost of capital (including the cost of debt and the cost of equity)